INNOVATION CENTER RFP

Shakopee, MN

JANUARY 25, 2019

CITY OF SHAKOPEE
485 Gorman Street, Shakopee, MN 55379

Requests for Proposals for a Feasibility Study for
The Center, Scott County, MN

Purpose of feasibility study
The City of Shakopee, in collaboration with Scott County, is requesting proposals from qualified firms to complete a feasibility study for a region-wide Innovation Center. The feasibility study is the first step in evaluating the viability of implementing an Innovation Center within Scott County. The feasibility study will analyze the market demand for an Innovation Center with a Post-Secondary educational component and the potential economic impact that it might produce, and if feasible, develop a business plan and model for operation.

As part of the 2040 Comprehensive Plan update, the consultants found that there may be a market for both coworking space along with the need for supportive space for startups and entrepreneurs. Post-secondary education has been a need identified for the region since there are no easily accessible locations for the population or businesses.

Project Description:
As startup companies and small businesses grow and continue to thrive in Scott County, the city of Shakopee and Scott County have identified an unmet need to provide resources to small businesses, entrepreneurs and employers that are crucial to transforming Scott County into a leading hub for innovation. The group proposes to develop an Innovation Center which focuses on entrepreneurial practices and continuing education programs. The mission of the Center is to stimulate economic growth through entrepreneurship and business development and expansion and Post-Secondary education opportunities.

The Center will provide an environment where new and existing companies can develop and achieve growth, assist with job creation, and a have positive impact on the communities in Scott County. The Center will also offer services such as co-working space, business advisers and coaches for entrepreneurs and business owners and Post-Secondary education options. The city of Shakopee, Scott County, and the Scott County CDA supports this effort and have allocated funding to explore the feasibility, to define the stages and process for development, identify all funding sources, and to determine the suitability and cost of an innovation center.

Project Objectives:
- Help diversify Scott County's economy by supporting entrepreneurship and innovation for startups and small businesses that create high-quality, high paying jobs throughout Scott County
- Provide affordable office space with flexible lease options for start-up businesses
- Provide access to financial counseling and resources that specialize in the funding of start-up businesses and existing businesses looking to grow
- Increase survival rates for new companies by growing and graduating successful companies that will exit the program and be able to successfully operate on their own and hopefully locate in Scott County
- Provide classroom training and educational programs for program participants and the general business community
- Provide post-secondary opportunities within Scott County
- Depending on the location, explore the opportunity to attract businesses and students from cities outside of Scott County including Chanhassen, Chaska and portions of Eden Prairie.

Consultant Scope of Work

Phase I: Market Analysis:

- Analyze the market demand and feasibility of the Center
- Identify the educational and training needs for each of the following: businesses, adult learners, high school student
- Identify the market demand for post-secondary education that could be offered at the Center for the region's residents and businesses including the areas identified outside of Scott County
- Identify niche opportunities or industry clusters that may be opportunities for the proposed center to address
- Identify the needs of startups and existing businesses that may be addressed through the Center and their ability to pay for services
- Survey 20 of the largest regional employers to identify their training needs and interest in potentially allowing employees or specific special projects to be outsourced to a Center that could work on innovating program, projects or products
- Analyze the market demand for coworking space
- Analyze the market demand for business accelerator space
- Recommendation for different models and options for shared use facility
- Explore soft-landing space for foreign and companies out of market to establish a presence in Scott County
- Determine the potential economic impact of the facility

Phase II: Business Plan for implementing the Center:

- Evaluate four sites in the region for the following characteristics and their impact on the project's feasibility: location, size, land and development costs, transportation, access to goods and services, and zoning
- Determine the approximate total floor area needed and break out the interior area by major function (i.e. co-work, storage, offices, classrooms, reception, etc.). Give a general description of the recommended building finishes and infrastructure or amenities, based on the anticipated users.
- Recommend a menu of programs to be offered through the proposed center, that directly respond to the critical issues identified through the research. Discuss how each of these services may be delivered by paid staff, affiliated organizations, or volunteers.
- Estimate the annual operating revenue that may be reasonably expected from all sources, such as rents, fees for use of space or equipment, memberships, etc.
- Estimate the capital costs including construction to develop the proposed center. Prepare a generalized pro forma with budget estimates for the first five years of operation.
- Depending on its structure, the Center may have impacts on several conditions within the area. Examples include job creation, but also the number of businesses, business mix diversity, rates of startup activity, business survival, commercial vacancies and lease rates, and other outcomes that will be discussed in the analysis. Identify and quantify these expected outcomes.
- Determine potential partners to assist entrepreneurs and business owners (SBDC, SCORE, Open to Business, Scott County First Stop Shop) and educational partners (Minnesota State University Mankato, Dakota Community and Technical College, Normandale) and how they can be effectively incorporated into the facility.
- Identify transportation and parking needs

Phase III: Potential Curriculum Development

- Identify prospective students from the region including those currently employed along with skills needed by local employers
- Determine academic programs that could be offered, including enrollment capacity and potential delivery formats (online versus traditional education courses)
- Determine potential courses that might be offered based on the needs of the region
- Estimate the amount of faculty needed
- Based on market conditions, determine potential tuition revenue
- Determine if and how the coursework and academic credits could potentially transfer to other Minnesota universities

Respondent Description

Each Respondent submitting a proposal must demonstrate sufficient financial resources and professional ability to complete the feasibility study in a manner consistent with its proposal. In addition, each proposal must include:

- Name, address, telephone number and qualifications of the individual or each member of the Respondent team
- Background information on all members of the Respondent team including the relevant experience of all principal members involved in the development and operation of the Center
- List of similar relevant studies along with reference contact information
- Proposed timeline for completion along with a list of team members completing each task.
- Proposed total fee for the study

Selection Criteria

The City of Shakopee will evaluate each proposal according to the criteria listed below, considering the information provided in the proposal, references and any other information about the Respondent and its performance available to the city.

- Respondent's experience with similar projects
- Proposed team and experience
- Timeline for completion
- Proposed Fee

Proposals that are not complete or do not conform to the requirements of this RFP may not be considered. The City of Shakopee reserves the right to request additional information, site visits, interviews or presentations, from one or more of the Respondents.

Submissions

Five (5) hard copies and a thumb drive containing the proposal must be submitted in an envelope identified by "Innovation Center RFP". Proposals must be submitted to and received by the City of Shakopee by 4 p.m., March 5, 2019.

Proposals must be submitted to the following address:

City of Shakopee
Attn: Jenn Brewington, Economic Development Specialist
485 Gorman St.
Shakopee, MN 55379

Proposals will be reviewed during the month of March and an award made to be started by the end of May 2019.

EXHIBITS

A. City of Shakopee owned site in Downtown

B. Scott County Profile

C. Economic Overview Scott County

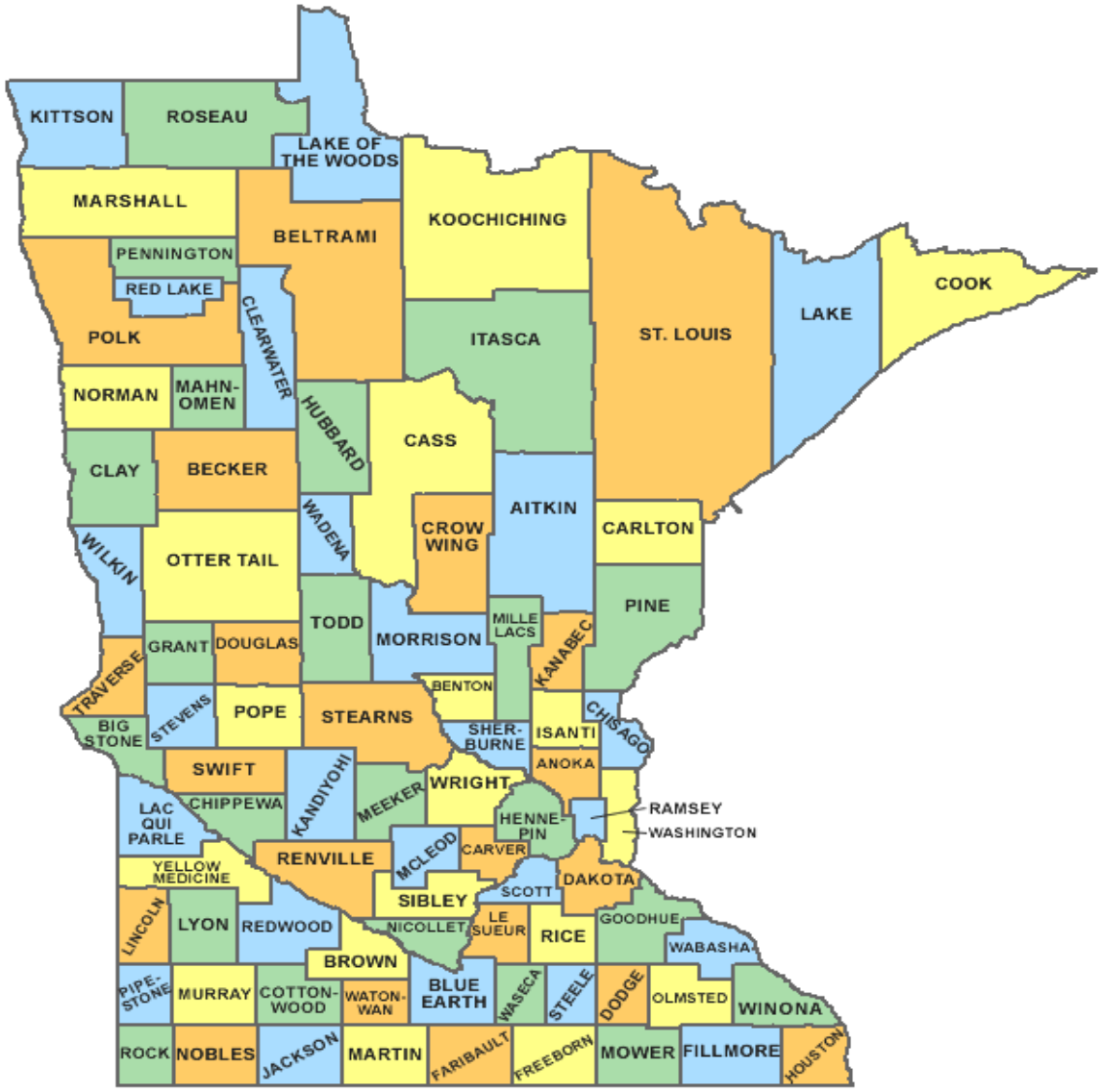
D. Technology Village Report

E. Market Demographics 2017

F. Market Demographics 2018


New $24 M mixed use development
City-owned
Site .44 acre
City-owned
Parking Lot
Downtown
2nd Ave W

COUNTY PROFILE	Scott Co.	*Updated on:*	*5/1/2018*



Scott Co.

Economic Development Region:	Region 11
Planning Region:	Twin Cities
Updated on:	***5/1/2018***

Tim O'Neill

Regional Analyst, Twin Cities Metro

Minnesota Department of Employment & Economic Development

DEED Headquarters

332 Minnesota St.

St. Paul MN 55101

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Email: timothy.oneill@state.mn.us

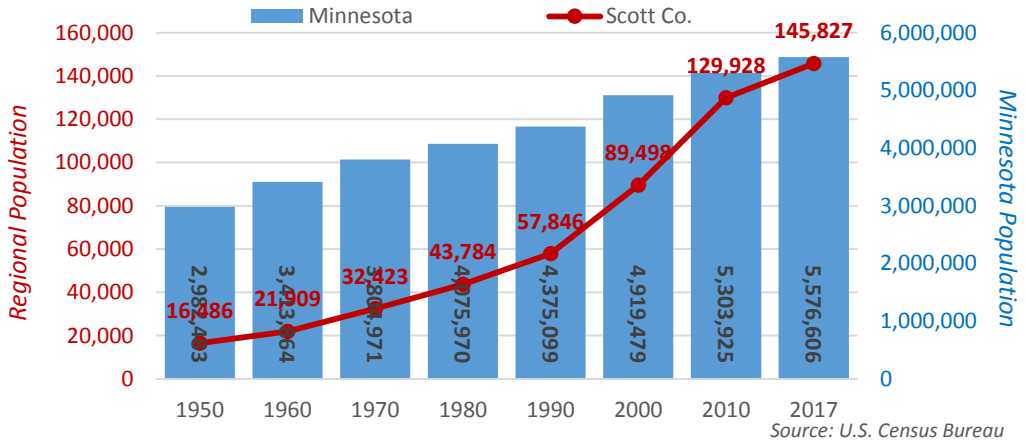
Website: http://www.mn.gov/deed/data/

COUNTY PROFILE	**Scott Co.**	***Updated on:***	***5/1/2018***

DEMOGRAPHICS

Table 1. Population Changes, 1960-2017								***2000-2017***	
	1960 Population	**1970 Population**	**1980 Population**	**1990 Population**	**2000 Population**	**2010 Population**	**2017 Estimate**	***Numeric***	***Percent***
Scott Co.	21,909	32,423	43,784	57,846	89,498	129,928	145,827	*56,329*	*62.9%*
Minnesota	3,413,864	3,804,971	4,075,970	4,375,099	4,919,479	5,303,925	5,576,606	*657,127*	*13.4%*
									Source: U.S. Census Bureau

Figure 1. Population Change, 1950-2017

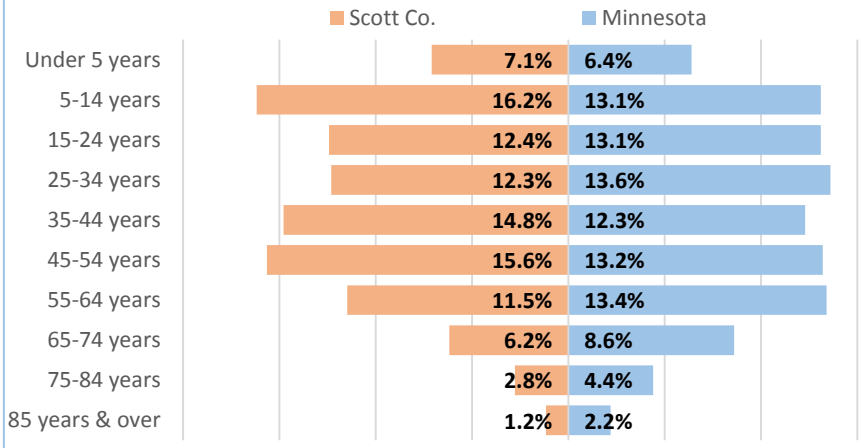


Source: U.S. Census Bureau

County Population Rank (of 87)	***9th***
2000-2017 Pop. Change Rank	***1st***

Table 2. Population by Age Group, 2016	**2016 Population by Age Group**	
Scott Co.	**Number**	**Percent**
Under 5 years	10,188	7.1%
5-14 years	23,250	16.2%
15-24 years	17,844	12.4%
25-34 years	17,681	12.3%
35-44 years	21,233	14.8%
45-54 years	22,469	15.6%
55-64 years	16,497	11.5%
65-74 years	8,868	6.2%
75-84 years	3,979	2.8%
85 years & over	1,671	1.2%
Total	**143,680**	**100.0%**
		Source: U.S. Census Bureau, Population Estimates

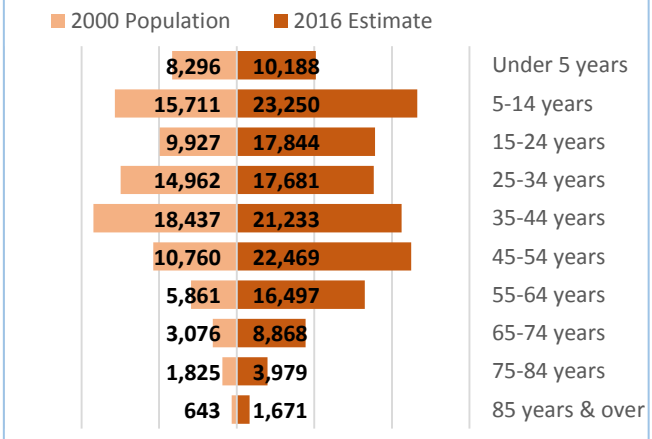
Figure 2. Percentage of Population by Age Group, 2016



Source: U.S. Census Bureau, Population Estimates

Table 3. Population by Age Group, 2000-2016	**2000-2016 Pop. Change by Age Group**		***2000-2016 Population Change***	
Scott Co.	**2000**	**2016**	***Numeric***	***Percent***
Under 5 years	8,296	10,188	*1,892*	*22.8%*
5-14 years	15,711	23,250	*7,539*	*48.0%*
15-24 years	9,927	17,844	*7,917*	*79.8%*
25-34 years	14,962	17,681	*2,719*	*18.2%*
35-44 years	18,437	21,233	*2,796*	*15.2%*
45-54 years	10,760	22,469	*11,709*	*108.8%*
55-64 years	5,861	16,497	*10,636*	*181.5%*
65-74 years	3,076	8,868	*5,792*	*188.3%*
75-84 years	1,825	3,979	*2,154*	*118.0%*
85 years & over	643	1,671	*1,028*	*159.9%*
Total	**89,498**	**143,680**	***54,182***	***60.5%***
			Source: U.S. Census Bureau, Population Estimates Program	

Figure 3. Population Pyramid, 2000-2016



Source: U.S. Census Bureau

COUNTY PROFILE	Scott Co.	Updated on: 5/1/2018

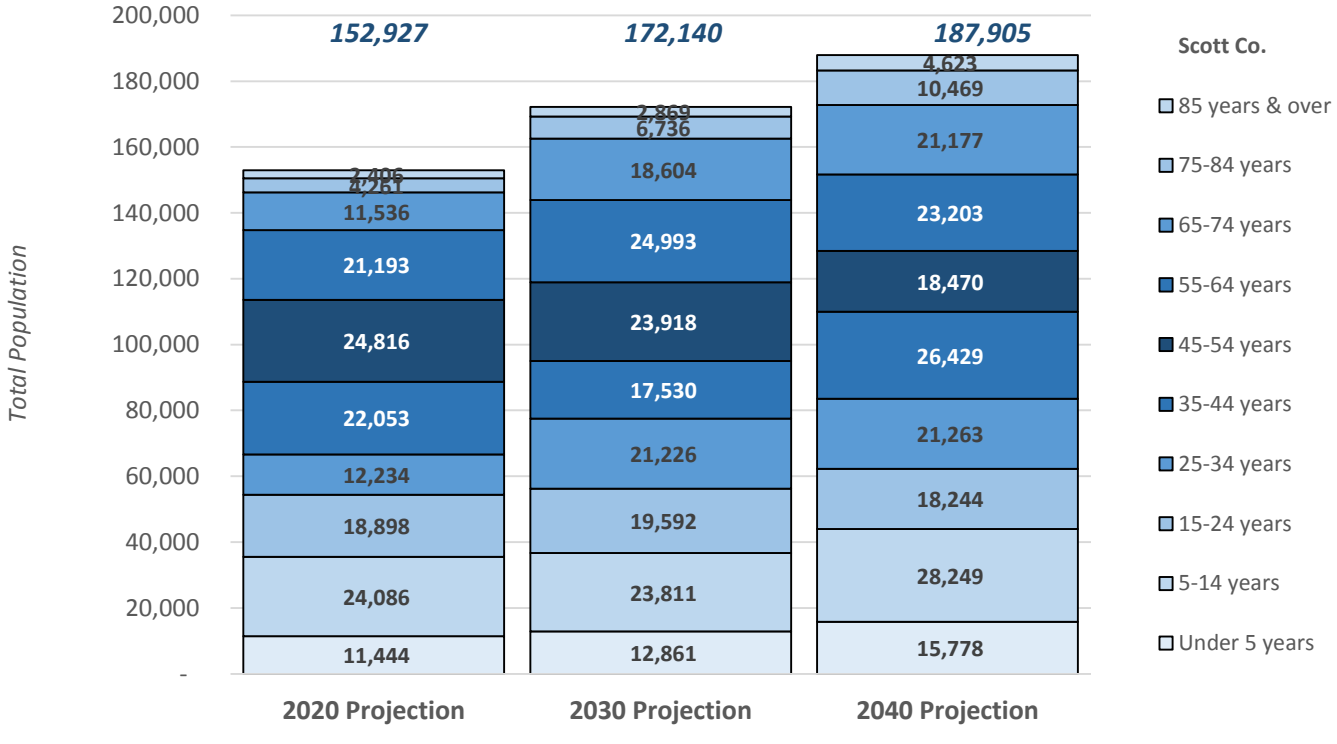
Table 4. Race and Hispanic Origin, 2016	Scott Co.			Minnesota	
	Number	Percent	*Change from 2000-2016*	Percent	*Change from 2000-2016*
Total	**139,490**	**100.0%**	***55.9%***	**100.0%**	***10.8%***
White	118,278	84.8%	*41.1%*	84.3%	*4.5%*
Black or African American	4,202	3.0%	*410.0%*	5.7%	*81.0%*
American Indian & Alaska Native	979	0.7%	*41.3%*	1.0%	*3.5%*
Asian & Other Pac. Islander	8,408	6.0%	*326.2%*	4.6%	*72.8%*
Some Other Race	3,209	2.3%	*188.1%*	1.6%	*34.2%*
Two or More Races	4,414	3.2%	*308.3%*	2.7%	*79.5%*
Hispanic or Latino origin	6,617	4.7%	*177.9%*	5.1%	*92.5%*

Source: U.S. Census Bureau, 2012-2016 American Community Survey

Table 5. Population Projections, 2020-2040				*2020-2040 Change*	
Scott Co.	2020 Projection	2030 Projection	2040 Projection	*Numeric*	*Percent*
Under 5 years	11,444	12,861	15,778	*4,334*	*37.9%*
5-14 years	24,086	23,811	28,249	*4,163*	*17.3%*
15-24 years	18,898	19,592	18,244	*-654*	*-3.5%*
25-34 years	12,234	21,226	21,263	*9,029*	*73.8%*
35-44 years	22,053	17,530	26,429	*4,376*	*19.8%*
45-54 years	24,816	23,918	18,470	*-6,346*	*-25.6%*
55-64 years	21,193	24,993	23,203	*2,010*	*9.5%*
65-74 years	11,536	18,604	21,177	*9,641*	*83.6%*
75-84 years	4,261	6,736	10,469	*6,208*	*145.7%*
85 years & over	2,406	2,869	4,623	*2,217*	*92.1%*
Total	**152,927**	**172,140**	**187,905**	***34,978***	***22.9%***

Source: Minnesota State Demographic Center

Figure 4. Population Projections by Age Group, 2020-2040



Source: Minnesota State Demographic Center

COUNTY PROFILE	**Scott Co.**	***Updated on:***	***5/1/2018***

Table 6. Cumulative Estimates of the Components of Population Change

	April 1, 2010 to July 1, 2017						
	Total Population Change	Natural Increase	Vital Events		Net Migration		
			Births	Deaths	Total	International	Domestic
Scott Co.	15,917	9,337	13,732	4,395	6,636	1,933	4,703

Source: U.S. Census Bureau, Population Estimates Program

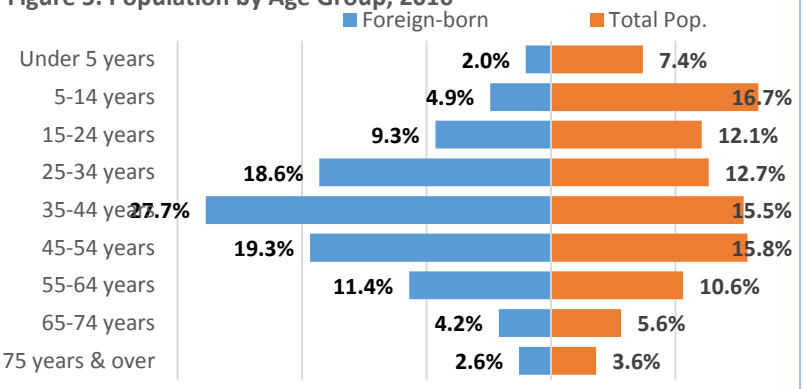
Table 7. Place of Birth for the Foreign Born Population	**Scott Co.**		***Change from 2010-2016***		**Minnesota**		***Change from 2010-2016***
	Number	**Percent**	***Number***	***Percent***	**Number**	**Percent**	
Total, Foreign-born Population	**11,159**	**100.0%**	***763***	***7.3%***	**426,691**	**100.0%**	***16.3%***
Europe:	**1,254**	**11.2%**	***164***	***15.0%***	**45,735**	**10.7%**	***1.6%***
Europe: - Northern Europe:	*155*	*12.4%*	*8*	*5.4%*	*8,999*	*19.7%*	*0.4%*
Europe: - Western Europe:	*195*	*15.6%*	*56*	*40.3%*	*9,776*	*21.4%*	*-7.4%*
Europe: - Southern Europe:	*23*	*1.8%*	*10*	*76.9%*	*2,449*	*5.4%*	*20.9%*
Europe: - Eastern Europe:	*881*	*70.3%*	*90*	*11.4%*	*24,457*	*53.5%*	*4.4%*
Asia:	**5,326**	**47.7%**	***233***	***4.6%***	**163,447**	**38.3%**	***20.1%***
Asia: - Eastern Asia:	*1,153*	*21.6%*	*180*	*18.5%*	*35,770*	*21.9%*	*14.7%*
Asia: - South Central Asia:	*1,018*	*19.1%*	*-598*	*-37.0%*	*37,775*	*23.1%*	*31.7%*
Asia: - South Eastern Asia:	*3,010*	*56.5%*	*575*	*23.6%*	*81,441*	*49.8%*	*15.0%*
Asia: - Western Asia:	*99*	*1.9%*	*30*	*43.5%*	*8,062*	*4.9%*	*58.5%*
Africa:	**1,420**	**12.7%**	***144***	***11.3%***	**92,742**	**21.7%**	***32.1%***
Africa: - Eastern Africa:	*948*	*66.8%*	*108*	*12.9%*	*59,554*	*64.2%*	*37.6%*
Africa: - Middle Africa:	*84*	*5.9%*	*-2*	*-2.3%*	*2,306*	*2.5%*	*66.4%*
Africa: - Northern Africa:	*123*	*8.7%*	*87*	*241.7%*	*4,837*	*5.2%*	*-1.6%*
Africa: - Southern Africa:	*61*	*4.3%*	*52*	*577.8%*	*1,211*	*1.3%*	*29.2%*
Africa: - Western Africa:	*202*	*14.2%*	*-64*	*-24.1%*	*22,583*	*24.4%*	*32.5%*
Oceania:	**12**	**0.1%**	***2***	***20.0%***	**2,107**	**0.5%**	***31.7%***
Americas:	**3,147**	**28.2%**	***220***	***7.5%***	**122,660**	**28.7%**	***7.5%***
Americas: - Latin America:	*2,814*	*89.4%*	*239*	*9.3%*	*110,699*	*90.2%*	*9.1%*
Latin America: - Central America:	*2,061*	*73.2%*	*-206*	*-9.1%*	*84,548*	*76.4%*	*6.0%*
Central America: - Mexico	*1,550*	*75.2%*	*-453*	*-22.6%*	*66,605*	*78.8%*	*1.4%*
Latin America: - South America:	*522*	*18.6%*	*258*	*97.7%*	*20,234*	*18.3%*	*16.9%*
Americas: - Northern America:	*333*	*10.6%*	*-19*	*-5.4%*	*11,961*	*9.8%*	*-5.1%*

Source: U.S. Census Bureau, 2012-2016 American Community Survey

Table 8. Population by Age Group for the Foreign Born Population, 2016			***Total Population***
Scott Co.	**Number**	**Percent**	***Percent***
Under 5 years	226	2.0%	*7.4%*
5-14 years	545	4.9%	*16.7%*
15-24 years	1,036	9.3%	*12.1%*
25-34 years	2,075	18.6%	*12.7%*
35-44 years	3,094	27.7%	*15.5%*
45-54 years	2,159	19.3%	*15.8%*
55-64 years	1,270	11.4%	*10.6%*
65-74 years	468	4.2%	*5.6%*
75 years & over	286	2.6%	*3.6%*
Total	**11,159**	**100.0%**	***100.0%***

Source: U.S. Census Bureau, 2012-2016 American Community Survey

Figure 5. Population by Age Group, 2016



Source: 2012-2016 American Community Survey

Table 9. Citizenship Status for the Foreign Born Population						**Minnesota**
Scott Co.	**Number**	**Percent**	**Scott Co.**	**Number**	**Percent**	**Percent**
Total	11,159	100.0%	Entered 2010 or Later	1,161	10.4%	17.7%
Naturalized	*6,400*	*57.4%*	Entered 2000-2009	3,179	28.5%	35.4%
Not a U.S. Citizen	*4,759*	*42.6%*	Entered 1990-1999	3,851	34.5%	24.5%
			Entered before 1990	2,968	26.6%	22.4%

Source: U.S. Census Bureau, 2012-2016 American Community Survey

COUNTY PROFILE	Scott Co.	*Updated on:*	*5/1/2018*

LABOR FORCE

Table 10. Employment Characteristics, 2016					
	Scott Co.			Minnesota	
	In Labor Force	Labor Force Partic. Rate	Unemp. Rate	Labor Force Partic. Rate	Unemp. Rate
Total Labor Force	**79,465**	**76.6%**	**4.0%**	**69.9%**	**4.8%**
16 to 19 years	3,897	51.4%	12.0%	52.3%	14.2%
20 to 24 years	6,225	87.7%	8.9%	83.5%	8.1%
25 to 44 years	35,462	90.3%	2.9%	88.2%	4.4%
45 to 54 years	20,151	91.5%	3.5%	87.2%	3.4%
55 to 64 years	11,038	74.5%	3.0%	72.3%	3.6%
65 to 74 years	2,344	29.8%	1.8%	27.1%	3.0%
75 years & over	350	6.9%	6.3%	6.0%	2.7%
Employment Characteristics by Race & Hispanic Origin					
White alone	69,370	76.9%	3.3%	69.9%	4.1%
Black or African American	2,097	68.3%	11.5%	68.5%	12.9%
American Indian & Alaska Native	315	47.7%	14.3%	58.8%	14.8%
Asian or Other Pac. Islanders	5,084	80.5%	5.9%	70.7%	5.6%
Some Other Race	1,478	74.3%	11.6%	77.3%	8.4%
Two or More Races	1,157	77.1%	11.9%	71.3%	10.1%
Hispanic or Latino	3,213	76.0%	8.7%	75.5%	8.2%
Employment Characteristics by Veteran Status					
Veterans, 18 to 64 years	3,432	86.2%	1.5%	78.6%	4.8%
Employment Characteristics by Disability					
With Any Disability	2,762	57.9%	6.4%	51.4%	10.9%
Employment Characteristics by Educational Attainment					
Population, 25 to 64 years	66,608	87.5%	3.1%	84.0%	4.0%
Less than H.S. Diploma	2,218	71.5%	5.9%	65.0%	5.6%
H.S. Diploma or Equivalent	12,964	82.6%	2.7%	78.7%	3.4%
Some College or Assoc. Degree	23,061	88.6%	3.5%	85.1%	4.0%
Bachelor's Degree or Higher	28,419	90.8%	1.5%	89.5%	2.3%

Source: 2012-2016 American Community Survey, 5-Year Estimates

Table 11. Labor Force Projections, 2020-2030				
	2020	2030	*2020-2030 Change*	
Scott Co.	Labor Force Projection	Labor Force Projection	*Numeric*	*Percent*
16 to 19 years	4,887	4,501	*-387*	*-7.9%*
20 to 24 years	6,150	7,583	*1,433*	*23.3%*
25 to 44 years	30,959	34,994	*4,035*	*13.0%*
45 to 54 years	22,707	21,885	*-822*	*-3.6%*
55 to 64 years	15,779	18,608	*2,829*	*17.9%*
65 to 74 years	3,438	5,544	*2,106*	*61.3%*
75 years & over	460	663	*203*	*44.1%*
Total Labor Force	**84,380**	**93,778**	***9,398***	***11.1%***

Source: calculated from Minnesota State Demographic Center population projections and 2012-2016 American Community Survey 5-Year Estimates

COUNTY PROFILE	Scott Co.	Updated on: 5/1/2018

Table 12. Total Available Labor Force Estimates

	Scott Co.	Minnesota
2002 Annual Avg.	61,168	2,859,601
2003 Annual Avg.	64,052	2,874,663
2004 Annual Avg.	67,139	2,880,427
2005 Annual Avg.	69,821	2,879,759
2006 Annual Avg.	71,811	2,887,831
2007 Annual Avg.	73,099	2,906,389
2008 Annual Avg.	74,340	2,925,088
2009 Annual Avg.	74,949	2,941,976
2010 Annual Avg.	74,151	2,938,795
2011 Annual Avg.	74,896	2,946,278
2012 Annual Avg.	75,799	2,946,355
2013 Annual Avg.	76,885	2,958,595
2014 Annual Avg.	77,860	2,973,073
2015 Annual Avg.	78,556	2,998,352
2016 Annual Avg.	79,453	3,036,278
2017 Annual Avg.	81,154	3,063,604
2002-2017		
Numeric Change	*19,986*	*204,003*
Percent Change	*32.7%*	*7.1%*

Source: DEED LAUS program

Table 13. Annual Unemployment Rates

	Scott Co.	Minnesota
2002 Annual Avg.	4.1	4.5
2003 Annual Avg.	4.3	4.9
2004 Annual Avg.	4.0	4.7
2005 Annual Avg.	3.5	4.1
2006 Annual Avg.	3.5	4.0
2007 Annual Avg.	4.0	4.6
2008 Annual Avg.	5.0	5.4
2009 Annual Avg.	7.3	7.8
2010 Annual Avg.	6.9	7.4
2011 Annual Avg.	5.8	6.5
2012 Annual Avg.	5.0	5.6
2013 Annual Avg.	4.4	5.0
2014 Annual Avg.	3.6	4.2
2015 Annual Avg.	3.1	3.7
2016 Annual Avg.	3.3	3.8
2017 Annual Avg.	3.0	3.6

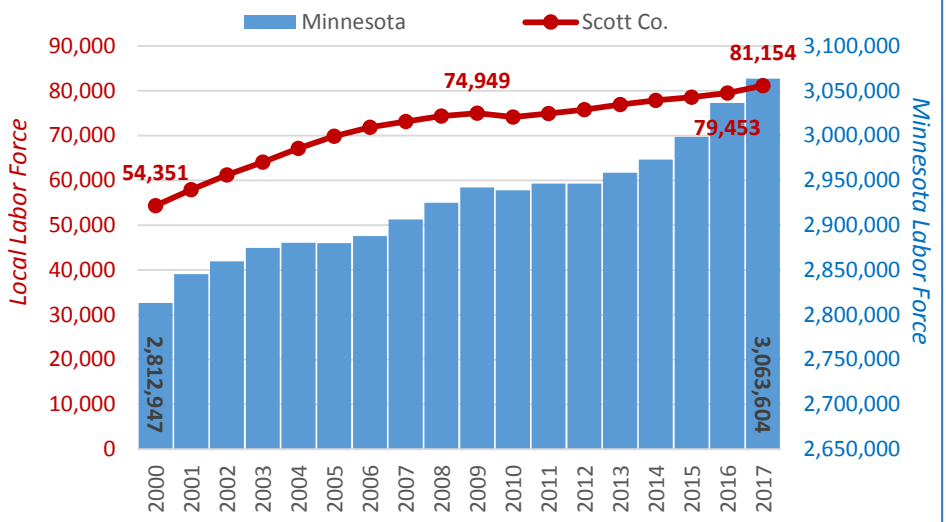
Source: DEED LAUS program

Table 14. Jobseekers Per Vacancy

	Q2 2017
Region 11 Unemployed	55,930
Region 11 Vacancies	73,858
Jobseekers per Vacancy	*0.8*

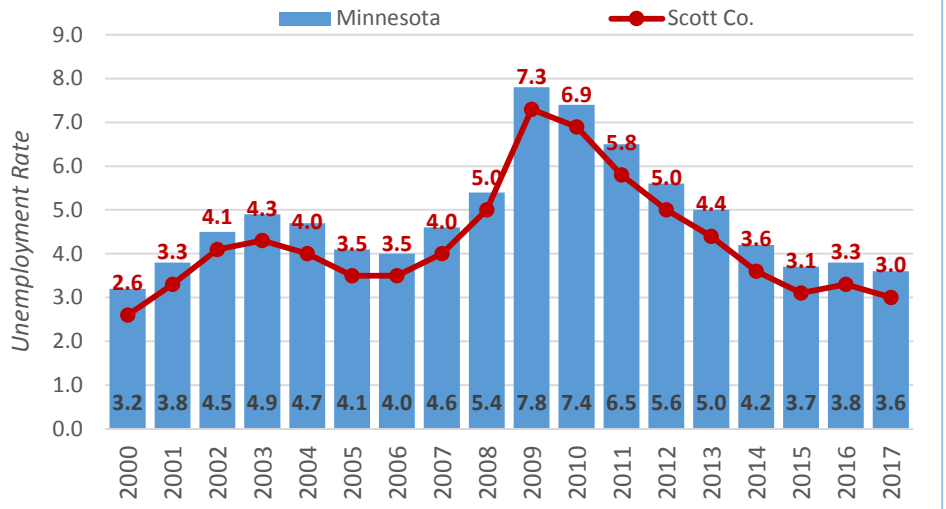
Source: DEED Job Vacancy Survey, LAUS

Figure 6. Annual Labor Force Estimates



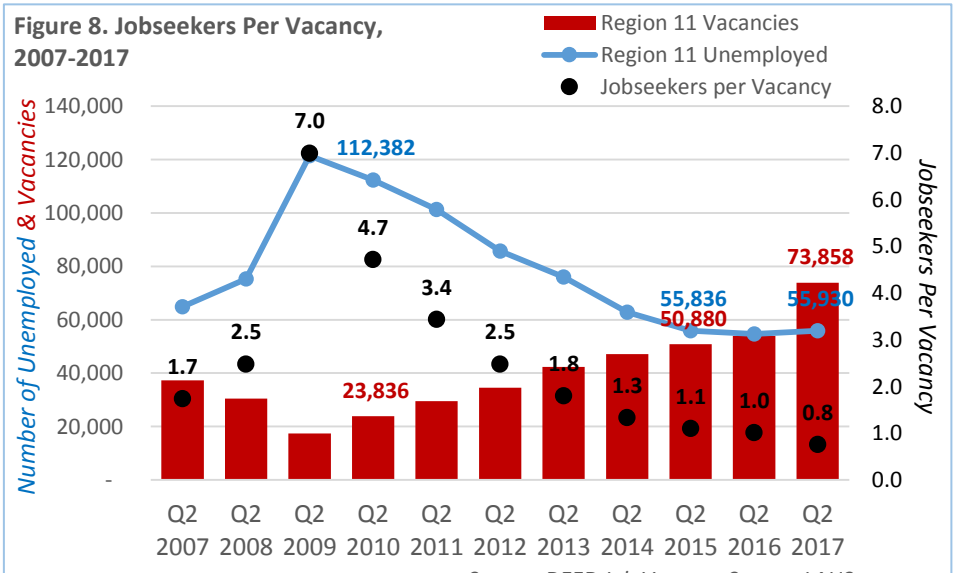
Source: DEED Local Area Unemployment Statistics (LAUS) program

Figure 7. Unemployment Rates, 2000-2017



Source: DEED Local Area Unemployment Statistics (LAUS) program

Figure 8. Jobseekers Per Vacancy, 2007-2017



Source: DEED Job Vacancy Survey, LAUS program

COUNTY PROFILE	Scott Co.	Updated on: 5/1/2018

Table 15. Educational Attainment for the Population Aged 18 years & Over	Scott Co.		Minnesota
	Number	Percent	Percent
Total, 18 years & over	**99,382**	**100.0%**	**100.0%**
Less than high school	6,120	6.2%	8.0%
High school graduate (incl. equiv.)	23,737	23.9%	25.8%
Some college, no degree	21,779	21.9%	24.2%
Associate's degree	11,770	11.8%	10.4%
Bachelor's degree	26,642	26.8%	21.5%
Advanced degree	9,334	9.4%	10.1%
Source: 2012-2016 American Community Survey, 5-Year Estimates			

Table 16. Educational Attainment for the Population Aged 25 years & Over	Scott Co.		Minnesota
	Number	Percent	Percent
Total, 25 years & over	**89,060**	**100.0%**	**100.0%**
Less than high school	4,545	5.1%	7.4%
High school graduate (incl. equiv.)	20,509	23.0%	25.7%
Some college, no degree	18,389	20.6%	21.7%
Associate's degree	11,020	12.4%	11.0%
Bachelor's degree	25,268	28.4%	22.8%
Advanced degree	9,329	10.5%	11.5%

Table 16a. Foreign-Born Population	*Foreign-Born*	
	Number	*Percent*
Total, 25 years & over	***9,352***	***100.0%***
Less than high school	*1,928*	*20.6%*
High school graduate	*2,077*	*22.2%*
Some college, no deg. & Associate's degree	*1,952*	*20.9%*
Bachelor's degree	*2,078*	*22.2%*
Advanced degree	*1,317*	*14.1%*

Source: 2012-2016 American Community Survey, 5-Year Estimates

Table 17. Educational Attainment by Age Group, 2016	Scott Co.		Minnesota
	Number	Percent	Percent
18 to 24 years	**10,322**	**10.4%**	**12.2%**
Less than high school	1,575	15.3%	12.4%
High school graduate (incl. equiv.)	3,228	31.3%	26.6%
Some college, no degree	3,390	32.8%	41.9%
Associate's degree	750	7.3%	6.6%
Bachelor's degree	1,374	13.3%	12.0%
Advanced degree	5	0.0%	0.5%
25 to 44 years	**39,274**	**39.5%**	**34.0%**
Less than high school	1,689	4.3%	6.7%
High school graduate (incl. equiv.)	6,632	16.9%	18.9%
Some college, no degree	7,804	19.9%	21.3%
Associate's degree	5,617	14.3%	13.3%
Bachelor's degree	12,841	32.7%	27.8%
Advanced degree	4,691	11.9%	12.0%
45 to 64 years	**36,849**	**37.1%**	**35.2%**
Less than high school	1,413	3.8%	5.7%
High school graduate (incl. equiv.)	9,063	24.6%	26.3%
Some college, no degree	7,930	21.5%	23.1%
Associate's degree	4,677	12.7%	11.6%
Bachelor's degree	10,238	27.8%	21.8%
Advanced degree	3,528	9.6%	11.5%
65 years & over	**12,937**	**13.0%**	**18.7%**
Less than high school	1,443	11.2%	11.8%
High school graduate (incl. equiv.)	4,814	37.2%	36.8%
Some college, no degree	2,655	20.5%	20.0%
Associate's degree	726	5.6%	5.5%
Bachelor's degree	2,189	16.9%	15.7%
Advanced degree	1,110	8.6%	10.3%
Source: 2012-2016 American Community Survey, 5-Year Estimates			

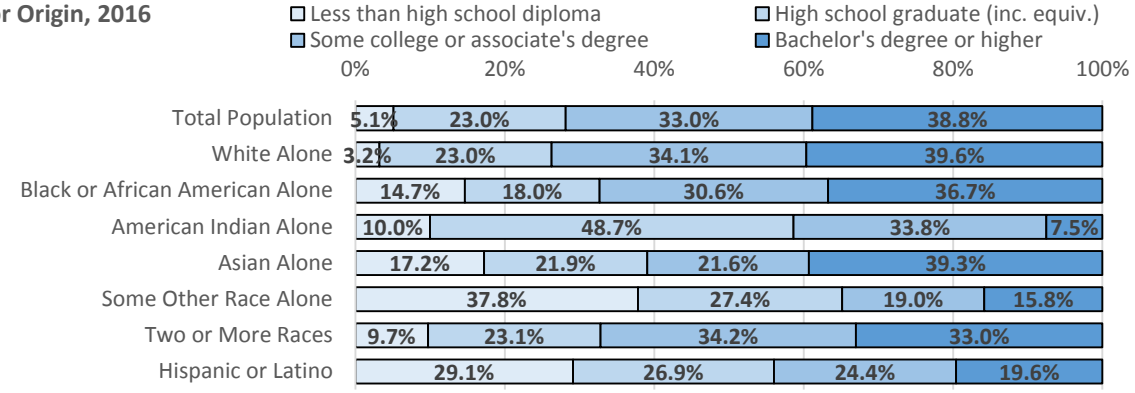
Table 18. Nativity by Language Spoken at Home by Ability to Speak English for the Foreign Born Population 5 Years and Over, 2016		
	Number	Percent
Foreign Born, Total	**10,933**	**100.0%**
Foreign born, Speak Only English	**2,305**	**21.1%**
Foreign born, Other Language	**8,628**	**78.9%**
Speak English Very Well or Well	*6,479*	*75.1%*
Speak English Not Well or Not At All	*2,149*	*24.9%*
Foreign born, Speak Spanish:	**2,123**	**19.4%**
English Very Well or Well	1,467	69.1%
English Not Well or Not At All	656	30.9%
Foreign born, Speak Indo-European	**1,607**	**14.7%**
English Very Well or Well	1,279	79.6%
English Not Well or Not At All	328	20.4%
Foreign born, Speak Asian language	**3,896**	**35.6%**
English Very Well or Well	2,800	71.9%
English Not Well or Not At All	1,096	28.1%
Foreign born, Speak other language	**1,002**	**9.2%**
English Very Well or Well	933	93.1%
English Not Well or Not At All	69	6.9%
Source: 2012-2016 American Community Survey, 5-Year Estimates		

COUNTY PROFILE	Scott Co.	Updated on:	5/1/2018

Table 19. Educational Attainment for the population aged 25 years and over by Race or Origin, 2016	Total Population, 25 years & over	Less than high school diploma	High school graduate (inc. equiv.)	Some college or associate's degree	Bachelor's degree or higher
White Alone	78,147	2,527	17,984	26,673	30,963
Black or African American Alone	2,326	341	419	712	854
American Indian Alone	520	52	253	176	39
Asian Alone	5,243	903	1,146	1,133	2,061
Some Other Race Alone	1,616	611	442	307	256
Two or More Races	1,140	111	263	390	376
Hispanic or Latino	3,183	927	856	776	624
Total Population	**88,992**	**4,545**	**20,507**	**29,391**	**34,549**

Source: 2012-2016 American Community Survey, 5-Year Estimates

Figure 9. Educational Attainment for the population aged 25 years & over by Race or Origin, 2016

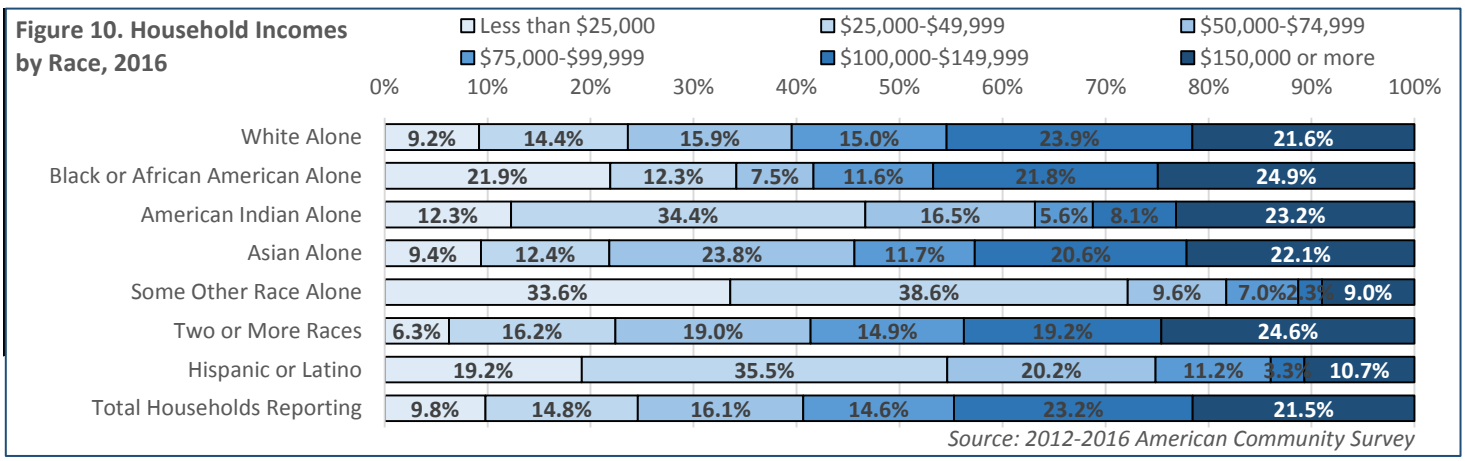


Source: 2012-2016 American Community Survey

Table 20. Household Income in the past 12 months by Race or Origin, 2016	TOTAL Households Reporting	Less than $25,000	$25,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$149,999	$150,000 or more
White Alone	42,327	3,890	6,109	6,731	6,366	10,095	9,136
Black or African American Alone	963	211	118	72	112	210	240
American Indian Alone	285	35	98	47	16	23	66
Asian Alone	2,347	220	292	559	274	483	519
Some Other Race Alone	700	235	270	67	49	16	63
Two or More Races	464	29	75	88	69	89	114
Hispanic or Latino	1,289	247	457	261	144	42	138
Total Households Reporting	**47,086**	**4,620**	**6,962**	**7,564**	**6,886**	**10,916**	**10,138**

Source: 2012-2016 American Community Survey, 5-Year Estimates

Figure 10. Household Incomes by Race, 2016



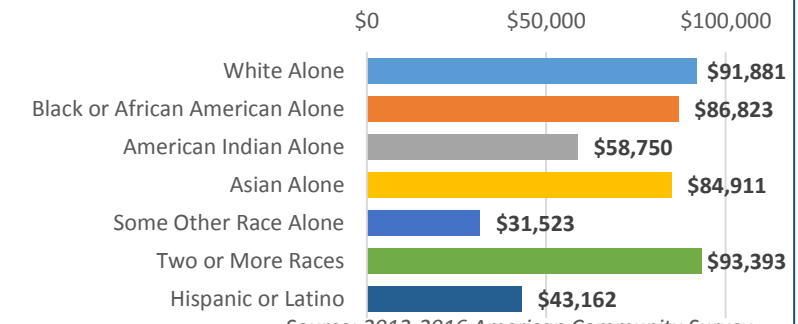
Source: 2012-2016 American Community Survey

COUNTY PROFILE	**Scott Co.**	***Updated on:***	***5/1/2018***

Table 21. Median Household Income by Race or Origin, 2016	**Median Household Income**	**Households Reporting**
White Alone	$91,881	42,327
Black or African American Alone	$86,823	963
American Indian Alone	$58,750	285
Asian Alone	$84,911	2,347
Some Other Race Alone	$31,523	700
Two or More Races	$93,393	464
Hispanic or Latino	$43,162	1,289

Source: 2012-2016 American Community Survey, 5-Year Estimates

Figure 11. Median Household Income by Race



Source: 2012-2016 American Community Survey

Table 22. Household and Family Incomes, 2016	**Median Household Income**	**Average Household Income**	**Median Family Income**	**Average Family Income**
Scott Co.	$90,198	$107,134	$103,190	$119,591
Minnesota	$63,217	$83,100	$79,595	$99,626

Source: 2012-2016 American Community Survey, 5-Year Estimates

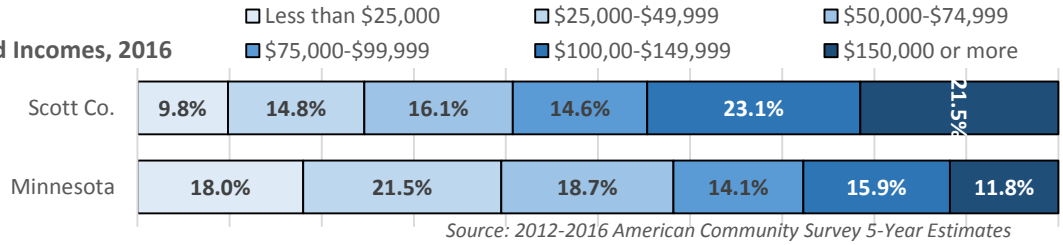
Table 23. Per Capita Income, 2016	**Scott Co.**	**Minnesota**	***Percent of State***
Per capita income in the past 12 months	$37,113	$33,225	*111.7%*

Source: 2012-2016 American Community Survey

Table 24. Household Incomes, 2016	**Less than $25,000**	**$25,000-$49,999**	**$50,000-$74,999**	**$75,000-$99,999**	**$100,000-$149,999**	**$150,000 or more**
Scott Co.	9.8%	14.8%	16.1%	14.6%	23.1%	21.5%
Minnesota	18.0%	21.5%	18.7%	14.1%	15.9%	11.8%

Source: 2012-2016 American Community Survey, 5-Year Estimates

Figure 12. Household Incomes, 2016



Source: 2012-2016 American Community Survey 5-Year Estimates

Table 25. Poverty Status in the past 12 months by Race or Origin, 2016 ***(total population for whom poverty status is determined)***	**Total Population**	**Income below the poverty level**	***Poverty Rate (% below pov. level)***	**Income at or above the poverty level**	**Minnesota Poverty Rate**
White Alone	117,015	5,394	*4.6%*	111,621	8.2%
Black or African American Alone	4,071	682	*16.8%*	3,389	34.0%
American Indian Alone	851	191	*22.4%*	660	31.4%
Asian Alone	8,202	578	*7.0%*	7,624	16.1%
Some Other Race Alone	3,182	777	*24.4%*	2,405	23.7%
Two or More Races	4,292	281	*6.5%*	4,011	19.4%
Hispanic or Latino	6,566	1,159	*17.7%*	5,407	22.2%
Total Population	**137,613**	**7,903**	***5.7%***	**129,710**	**10.8%**

Source: 2012-2016 American Community Survey, 5-Year Estimates

Table 26. Family Yearly Cost, Worker Hourly Wage, and Family Monthly Costs, 2017			**Monthly Costs**						
	Family Yearly Cost of Living	**Hourly Wage Required**	**Child Care**	**Food**	**Health Care**	**Housing**	**Trans-portation**	**Other**	**Taxes**
Scott Co.	$61,422	$19.69	$507	$751	$486	$1,113	$914	$545	$802
Minnesota	$57,624	$18.47	$504	$763	$459	$980	$869	$510	$717

Source: DEED Cost of Living tool

COUNTY PROFILE	**Scott Co.**	***Updated on:***	***5/1/2018***

WAGES AND OCCUPATIONS

Table 27a. Occupational Employment Statistics by Economic Development Region, 2018	Median Hourly Wage	Estimated Regional Employ-ment
EDR 1 - Northwest	$18.39	36,250
Region 2 - Headwaters	$17.06	30,460
Region 3 - Arrowhead	$17.72	143,490
Region 4 - West Central	$17.46	86,020
Region 5 - North Central	$16.75	59,210
Region 6E - Southwest Central	$17.56	50,120
Region 6W - Upper MN Valley	$16.86	16,640
Region 7E - East Central	$18.47	51,730
Region 7W - Central	$17.91	184,060
Region 8 - Southwest	$16.53	55,150
Region 9 - South Central	$17.56	107,700
Region 10 - Southeast	$18.91	238,090
Region 11 - 7-County Twin Cities	$21.92	1,769,290
State of Minnesota	**$20.07**	**2,838,270**
Source: DEED Occupational Employment Statistics, Qtr. 1 2018		

Table 27b. 2018 Occupational Employment Statistics by Planning Region	Median Hourly Wage	Estimated Regional Employ-ment
Central Minnesota	$17.93	285,900
Northeast Minnesota	$17.72	143,490
Northwest Minnesota	$17.38	211,950
Southeast Minnesota	$18.91	238,090
Southwest Minnesota	$17.14	179,500
Twin Cities Metro Area	$21.92	1,769,290
State of Minnesota	**$20.07**	**2,838,270**
Source: DEED Occupational Employment Statistics, Qtr. 1 2018		

Table 28. Occupational Employment Statistics, 2018

Occupational Group	Region 11				State of Minnesota		
	Median Hourly Wage	Estimated Regional Employ-ment	*Share of Total Employment*	*Location Quotient*	Median Hourly Wage	Estimated Statewide Employ-ment	*Share of Total Employ-ment*
Total, All Occupations	**$21.92**	**1,769,290**	***100.0%***	***1.0***	**$20.07**	**2,838,270**	***100.0%***
Office & Administrative Support	$19.44	261,560	*14.8%*	*1.0*	$18.45	409,820	*14.4%*
Production	$18.28	116,630	*6.6%*	*0.9*	$17.89	217,610	*7.7%*
Healthcare Practitioners & Technical	$36.43	102,160	*5.8%*	*0.9*	$34.44	182,500	*6.4%*
Sales & Related	$15.69	174,140	*9.8%*	*1.0*	$14.10	277,720	*9.8%*
Transportation & Material Moving	$17.74	105,030	*5.9%*	*0.9*	$17.59	178,720	*6.3%*
Education, Training & Library	$24.40	93,590	*5.3%*	*0.9*	$23.65	163,850	*5.8%*
Food Preparation & Serving Related	$11.43	142,390	*8.0%*	*1.0*	$11.12	239,950	*8.5%*
Healthcare Support	$16.58	48,120	*2.7%*	*0.9*	$15.81	85,940	*3.0%*
Management	$54.70	119,950	*6.8%*	*1.1*	$49.99	168,930	*6.0%*
Personal Care & Service	$12.27	87,850	*5.0%*	*1.0*	$12.12	139,210	*4.9%*
Business & Financial Operations	$33.20	126,990	*7.2%*	*1.3*	$31.97	161,080	*5.7%*
Installation, Maintenance & Repair	$24.42	51,910	*2.9%*	*0.9*	$23.22	95,660	*3.4%*
Computer & Mathematical	$41.19	78,170	*4.4%*	*1.3*	$40.00	94,290	*3.3%*
Building, Grounds Cleaning & Maint.	$14.80	46,850	*2.6%*	*0.9*	$14.07	84,300	*3.0%*
Construction & Extraction	$30.68	53,340	*3.0%*	*0.9*	$27.10	99,900	*3.5%*
Community & Social Service	$22.29	32,040	*1.8%*	*0.9*	$21.88	55,430	*2.0%*
Protective Service	$19.18	26,580	*1.5%*	*1.0*	$20.27	43,150	*1.5%*
Architecture & Engineering	$37.96	39,790	*2.2%*	*1.2*	$36.61	53,780	*1.9%*
Arts, Design, Entertainment & Media	$25.39	27,150	*1.5%*	*1.2*	$23.44	36,910	*1.3%*
Life, Physical & Social Science	$32.71	18,240	*1.0%*	*1.1*	$31.27	26,220	*0.9%*
Legal	$39.08	15,830	*0.9%*	*1.3*	$37.34	19,750	*0.7%*
Farming, Fishing & Forestry	$13.59	980	*0.1%*	*0.4*	$15.45	3,540	*0.1%*
Source: DEED Occupational Employment Statistics, Qtr. 1 2018							

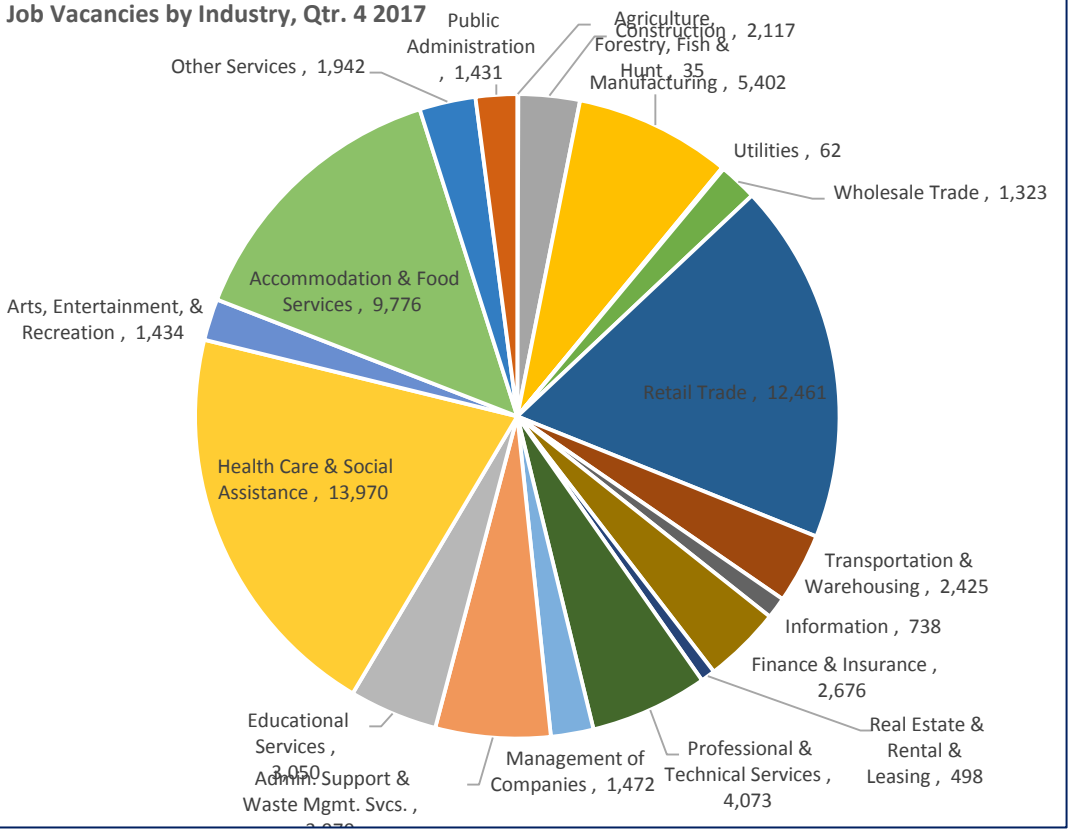
COUNTY PROFILE	Scott Co.	*Updated on:*	*5/1/2018*

Table 29. Job Vacancy Survey Results, Qtr. 4 2017

Region 11	Number of Total Vacancies	Percent Part-time	Percent Temporary or Seasonal	Requiring Post-Secondary Education	Requiring 1 or More Years of Work Exp.	Requiring Certificate or License	Median Hourly Wage Offer
Total, All Occupations	**68,854**	**41%**	**8%**	**33%**	**51%**	**32%**	**$14.95**
Management	3,004	2%	2%	87%	97%	23%	$35.04
Business & Financial Operations	2,833	3%	1%	83%	95%	15%	$27.26
Computer & Mathematical	2,466	1%	3%	82%	96%	9%	$28.23
Architecture & Engineering	1,185	1%	0%	93%	89%	28%	$31.61
Life, Physical & Social Sciences	448	15%	8%	88%	92%	50%	$25.18
Community & Social Service	1,097	28%	10%	67%	82%	55%	$19.38
Legal	400	2%	5%	65%	93%	50%	$26.48
Education, Training & Library	2,555	41%	33%	85%	82%	78%	$16.33
Arts, Design, Entertainment & Media	1,222	54%	7%	43%	62%	18%	$17.31
Healthcare Practitioners & Technical	5,564	41%	1%	68%	59%	78%	$22.80
Healthcare Support	3,334	57%	1%	56%	34%	77%	$14.86
Protective Service	1,352	68%	13%	15%	25%	44%	$13.63
Food Preparation & Serving Related	9,721	63%	5%	3%	23%	7%	$11.46
Building, Grounds Cleaning & Maint.	2,845	52%	31%	3%	18%	16%	$13.04
Personal Care & Service	5,104	74%	6%	9%	30%	46%	$11.97
Sales & Related	10,495	50%	10%	8%	45%	9%	$13.01
Office & Administrative Support	4,372	34%	5%	16%	57%	12%	$14.82
Construction & Extraction	1,213	15%	23%	29%	48%	35%	$17.07
Installation, Maintenance & Repair	2,042	19%	2%	45%	63%	51%	$18.16
Production	3,414	4%	2%	35%	50%	2%	$15.99
Transportation & Material Moving	3,981	47%	21%	4%	33%	72%	$14.97
Internships	188	45%	45%	86%	8%	18%	$17.48

Source: DEED Job Vacancy Survey, Qtr. 4 2017

Figure 13. Job Vacancies by Industry, Qtr. 4 2017



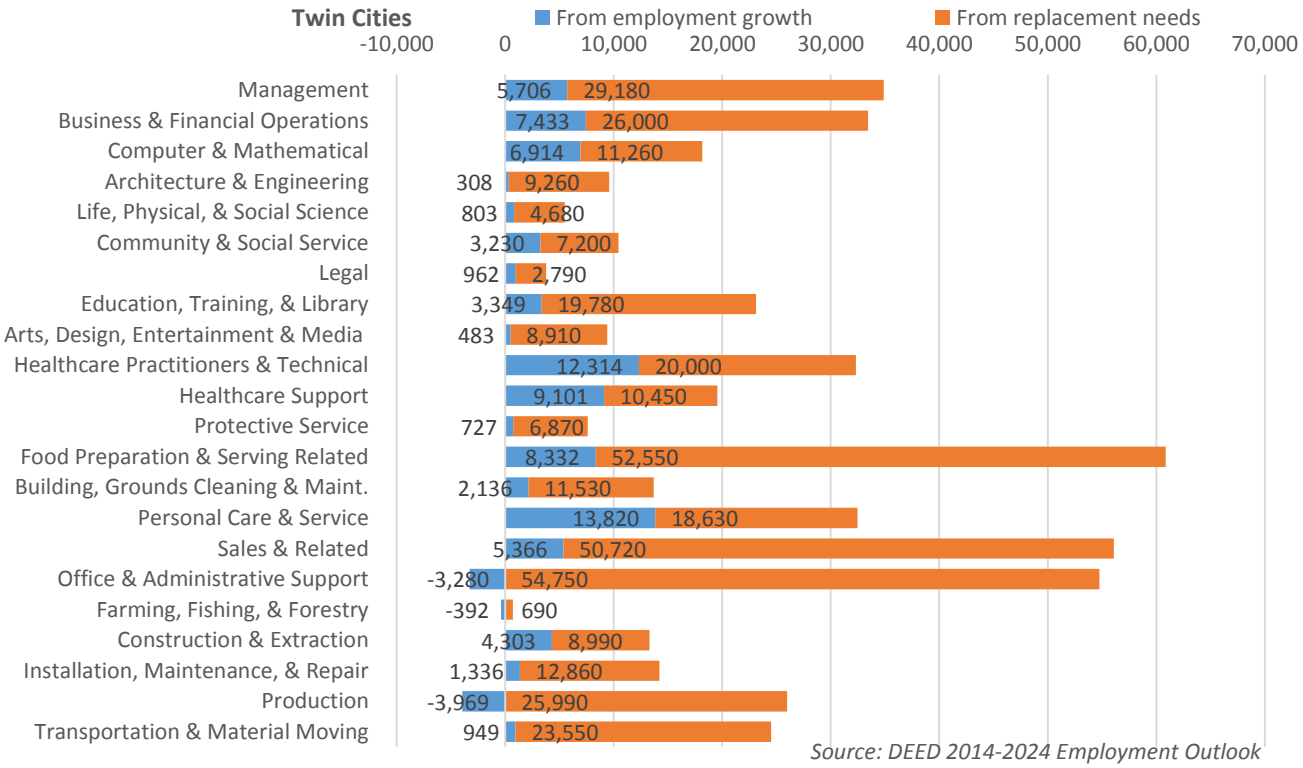
COUNTY PROFILE	Scott Co.	Updated on:	5/1/2018

Table 30. Regional Employment Projections, 2014-2024

Occupational Group	Twin Cities Planning Region					
	2014 Estimate	2024 Projection	*2014-2024 Percent Change*	*2014-2024 New Jobs*	*Replace-ment Openings*	*2014-2024 Total Openings*
Total, All Occupations	**1,809,309**	**1,889,240**	***4.4%***	***79,931***	***416,720***	***517,530***
Management	128,324	134,030	*4.4%*	*5,706*	*29,180*	*35,350*
Business & Financial Operations	131,219	138,652	*5.7%*	*7,433*	*26,000*	*33,820*
Computer & Mathematical	76,749	83,663	*9.0%*	*6,914*	*11,260*	*19,050*
Architecture & Engineering	37,780	38,088	*0.8%*	*308*	*9,260*	*10,180*
Life, Physical, & Social Science	17,035	17,838	*4.7%*	*803*	*4,680*	*5,500*
Community & Social Service	33,736	36,966	*9.6%*	*3,230*	*7,200*	*10,430*
Legal	16,211	17,173	*5.9%*	*962*	*2,790*	*3,790*
Education, Training, & Library	92,089	95,438	*3.6%*	*3,349*	*19,780*	*23,250*
Arts, Design, Entertainment, & Media	36,267	36,750	*1.3%*	*483*	*8,910*	*9,980*
Healthcare Practitioners & Technical	90,427	102,741	*13.6%*	*12,314*	*20,000*	*32,320*
Healthcare Support	48,132	57,233	*18.9%*	*9,101*	*10,450*	*19,620*
Protective Service	29,287	30,014	*2.5%*	*727*	*6,870*	*7,670*
Food Preparation & Serving Related	134,928	143,260	*6.2%*	*8,332*	*52,550*	*61,260*
Building, Grounds Cleaning & Maint.	57,011	59,147	*3.7%*	*2,136*	*11,530*	*13,680*
Personal Care & Service	97,232	111,052	*14.2%*	*13,820*	*18,630*	*32,570*
Sales & Related	179,497	184,863	*3.0%*	*5,366*	*50,720*	*56,780*
Office & Administrative Support	271,644	268,364	*-1.2%*	*-3,280*	*54,750*	*60,260*
Farming, Fishing, & Forestry	2,686	2,294	*-14.6%*	*-392*	*690*	*710*
Construction & Extraction	58,530	62,833	*7.4%*	*4,303*	*8,990*	*13,330*
Installation, Maintenance, & Repair	55,441	56,777	*2.4%*	*1,336*	*12,860*	*14,810*
Production	116,888	112,919	*-3.4%*	*-3,969*	*25,990*	*27,870*
Transportation & Material Moving	98,196	99,145	*1.0%*	*949*	*23,550*	*25,220*

Source: DEED 2014-2024 Employment Outlook

Figure 14. Regional Employment Projections, 2014-2024



Source: DEED 2014-2024 Employment Outlook

COUNTY PROFILE	**Scott Co.**	***Updated on:***	***5/1/2018***

Table 31. Regional Occupations in Demand, 2017

Region 11

Less than High School	High School or Equivalent	Some College or Assoc. Degree	Bachelor's Degree or Higher
Retail Salespersons $22,731	First-Line Supervisors of Food Prep & Serving Workers $34,133	Registered Nurses $81,737	Software Developers, Applications $93,014
Personal Care Aides $24,326	First-Line Supervisors of Retail Sales Workers $42,717	Hairdressers, Hairstylists, & Cosmetologists $24,893	Accountants & Auditors $67,343
Combined Food Prep & Serving Workers $20,614	Heavy & Tractor-Trailer Truck Drivers $47,514	Nursing Assistants $34,012	Computer Systems Analysts $93,012
Cashiers $21,330	Sales Representatives, Wholesale & Manufacturing $66,046	Licensed Practical & Licensed Vocational Nurses $46,453	Industrial Engineers $90,810
Stock Clerks & Order Fillers $26,437	Customer Service Representatives $39,274	Automotive Service Technicians & Mechanics $42,763	Market Research Analysts & Marketing Specialists $67,398
Laborers & Freight, Stock, & Material Movers, Hand $31,084	Office Clerks, General $36,562	Computer User Support Specialists $54,604	Elementary School Teachers $66,378
Landscaping & Groundskeeping Workers $33,423	First-Line Supervisors of Office & Admin. Workers $60,819	Medical Records & Health Information Technicians $46,955	Financial Managers $129,355
Waiters & Waitresses $20,225	Secretaries & Administrative Assistants $42,095	Machinists $50,751	Management Analysts $80,569
Janitors & Cleaners $29,209	Teacher Assistants $32,589	Industrial Engineering Technicians $54,688	Human Resources Specialists $61,865
Cooks, Restaurant $27,594	Team Assemblers $30,496	Surgical Technologists $55,264	Computer & Information Systems Managers $137,690

Source: DEED Occupations in Demand

COUNTY PROFILE	Scott Co.	Updated on:	5/1/2018

Table 32. Occupational Groups by Gender, 2016	Male		Female		Total
	Number	*Percent*	Number	*Percent*	Number
Management, business, science, & arts occupations	14,728	*47.3%*	16,424	*52.7%*	31,152
Service occupations	4,213	*38.5%*	6,720	*61.5%*	10,933
Sales & office occupations	7,543	*41.0%*	10,852	*59.0%*	18,395
Natural resources, construction, & maintenance occupations	5,844	*96.1%*	238	*3.9%*	6,082
Production, transportation, & material moving occupations	7,378	*78.0%*	2,084	*22.0%*	9,462
Total	**39,706**	***52.2%***	**36,318**	***47.8%***	**76,024**

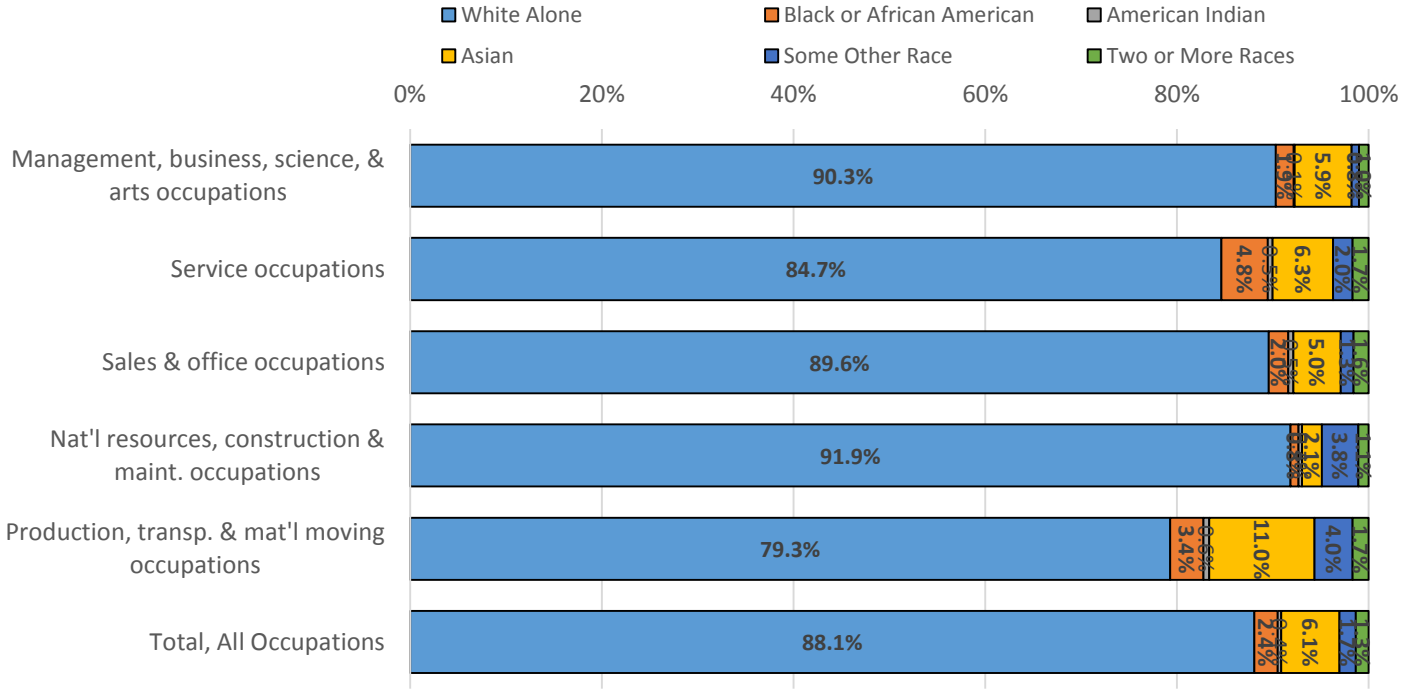
Source: 2012-2016 American Community Survey, 5-Year Estimates

Table 33. Occupational Groups by Race Group, 2016	White Alone	Black or African American	American Indian Alone	Asian Alone	Some Other Race Alone	Two or More Races	Total	Hispanic or Latino
Management, business, science, & arts	28,134	583	34	1,846	236	319	**31,152**	764
Service occupations	9,255	527	57	690	221	183	**10,933**	517
Sales & office occupations	16,480	371	97	913	242	292	**18,395**	482
Nat'l resources, construction & maint.	5,587	49	24	125	231	66	**6,082**	404
Production, transportation & mat'l movin	7,504	326	58	1,040	375	159	**9,462**	768
Total	**66,960**	**1,856**	**270**	**4,614**	**1,305**	**1,019**	**76,024**	**2,935**

Percent of Occupational Groups by Race Group and Origin, 2016	*White Alone*	*Black or African American*	*American Indian*	*Asian*	*Some Other Race*	*Two or More Races*	*Hispanic or Latino*
Management, business, science, & arts oc	*90.3%*	*1.9%*	*0.1%*	*5.9%*	*0.8%*	*1.0%*	*2.5%*
Service occupations	*84.7%*	*4.8%*	*0.5%*	*6.3%*	*2.0%*	*1.7%*	*4.7%*
Sales & office occupations	*89.6%*	*2.0%*	*0.5%*	*5.0%*	*1.3%*	*1.6%*	*2.6%*
Nat'l resources, construction & maint. occ	*91.9%*	*0.8%*	*0.4%*	*2.1%*	*3.8%*	*1.1%*	*6.6%*
Production, transp. & mat'l moving occup	*79.3%*	*3.4%*	*0.6%*	*11.0%*	*4.0%*	*1.7%*	*8.1%*
Total, All Occupations	***88.1%***	***2.4%***	***0.4%***	***6.1%***	***1.7%***	***1.3%***	***3.9%***

Source: 2012-2016 American Community Survey, 5-Year Estimates

Figure 15. Percent of Occupational Groups by Race Group, 2016



Source: 2012-2016 American Community Survey, 5-Year Estimates

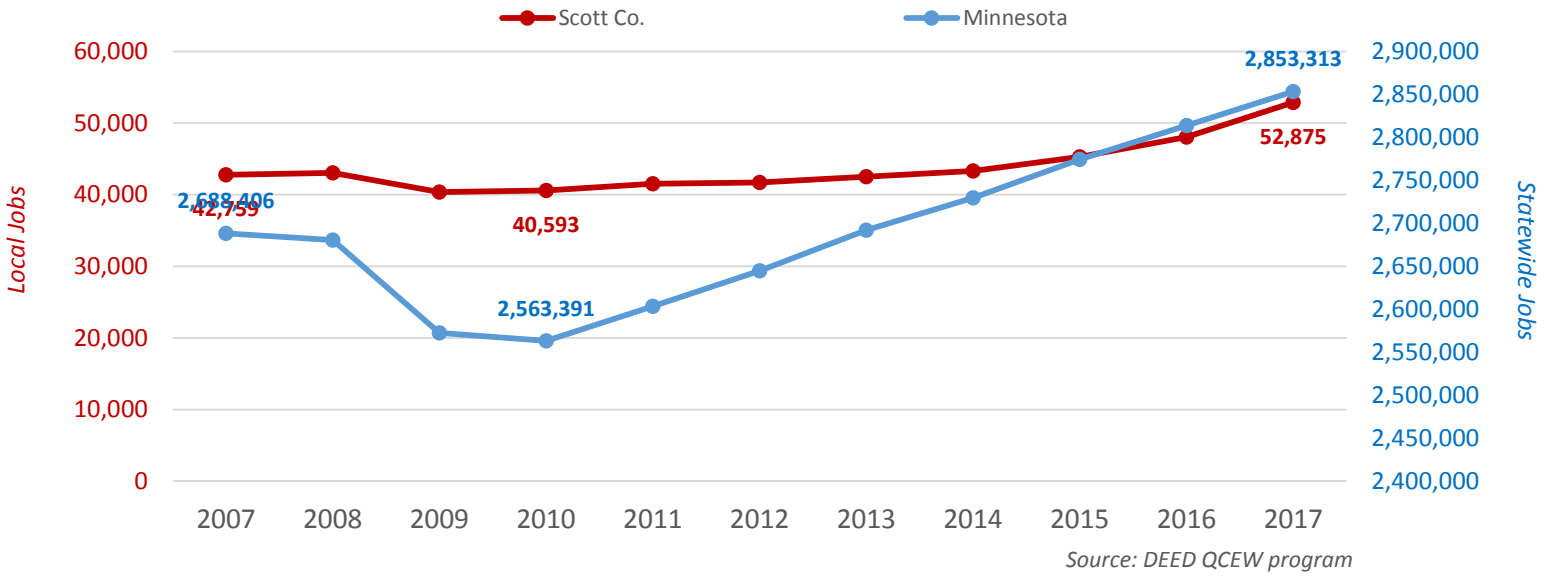
COUNTY PROFILE	Scott Co.	Updated on: 5/1/2018

Table 34. Industry Employment Statistics, 2017

	2017 Annual Data				2012-2017		2016-2017	
	Number of Firms	Number of Jobs	Total Payroll	Avg. Annual Wages	Change in Jobs	Percent Change	Change in Jobs	Percent Change
Scott Co.	3,103	52,875	$2,550,362,587	$48,234	*11,161*	*26.8%*	*4,826*	*10.0%*
State of Minnesota	167,573	2,853,313	$160,208,576,215	$56,148	*208,378*	*7.9%*	*39,391*	*1.4%*

Source: DEED Quarterly Census of Employment & Wages (QCEW) program

Figure 16. Industry Employment Statistics, 2007-2017



Source: DEED QCEW program

Table 35. Industry Employment Statistics, 2017

Scott Co.	2017 Annual Data				2012-2017		2016-2017	
NAICS Industry Title	Number of Firms	Number of Jobs	Total Payroll ($1,000s)	Avg. Annual Wage	Change in Jobs	Percent Change	Change in Jobs	Percent Change
Total, All Industries	**3,103**	**52,875**	**$2,550,363**	**$48,234**	***11,161***	***26.8%***	***4,826***	***10.0%***
Agriculture, Forestry, Fish & Hunt	24	115	$4,179	$36,343	*26*	*29.2%*	*8*	*7.5%*
Mining	8	61	$4,948	$81,120	*#N/A*	*#N/A*	*-7*	*-10.3%*
Construction	472	4,882	$340,666	$69,780	*2,084*	*74.5%*	*409*	*9.1%*
Manufacturing	176	6,386	$489,330	$76,625	*1,611*	*33.7%*	*452*	*7.6%*
Utilities	7	194	$17,638	$90,919	*33*	*20.5%*	*12*	*6.6%*
Wholesale Trade	186	2,695	$178,264	$66,146	*709*	*35.7%*	*161*	*6.4%*
Retail Trade	304	5,349	$158,318	$29,598	*1,130*	*26.8%*	*602*	*12.7%*
Transportation & Warehousing	123	5,693	$204,473	$35,917	*4,504*	*378.8%*	*2,859*	*100.9%*
Information	43	392	$18,432	$47,021	*99*	*33.6%*	*20*	*5.4%*
Finance & Insurance	144	706	$43,322	$61,362	*95*	*15.5%*	*40*	*6.0%*
Real Estate & Rental & Leasing	122	270	$12,776	$47,318	*-71*	*-20.8%*	*-14*	*-4.9%*
Professional & Technical Services	296	1,551	$117,275	$75,612	*-328*	*-17.5%*	*-113*	*-6.8%*
Management of Companies	26	153	$13,796	$90,170	*15*	*10.9%*	*-3*	*-1.9%*
Admin. Support & Waste Mgmt. Svcs.	208	2,154	$84,394	$39,180	*153*	*7.6%*	*-92*	*-4.1%*
Educational Services	59	3,889	$186,987	$48,081	*238*	*6.5%*	*-46*	*-1.2%*
Health Care & Social Assistance	243	4,668	$214,171	$45,881	*414*	*9.7%*	*265*	*6.0%*
Arts, Entertainment, & Recreation	76	2,140	$56,400	$26,355	*71*	*3.4%*	*10*	*0.5%*
Accommodation & Food Services	210	6,956	$203,488	$29,254	*-321*	*-4.4%*	*62*	*0.9%*
Other Services	345	2,072	$62,485	$30,157	*485*	*30.6%*	*157*	*8.2%*
Public Administration	33	2,548	$139,020	$54,560	*212*	*9.1%*	*48*	*1.9%*

Source: DEED Quarterly Census of Employment & Wages (QCEW) program

COUNTY PROFILE	Scott Co.	Updated on: 5/1/2018

Table 36. Regional Industry Employment Projections, 2014-2024				
Twin Cities Planning Region	Estimated Employ-ment 2014	Projected Employ-ment 2024	*Percent Change 2014-2024*	*Numeric Change 2014-2024*
Total, All Industries	**1,809,309**	**1,889,240**	***4.4%***	***79,931***
Agriculture, Forestry, Fish & Hunt	2,952	2,259	*-23.4%*	*-693*
Mining	691	677	*-2.0%*	*-14*
Construction	60,237	65,117	*8.1%*	*4,880*
Manufacturing	165,629	155,284	*-6.2%*	*-10,345*
Utilities	5,512	5,143	*-6.6%*	*-369*
Wholesale Trade	90,977	92,081	*1.2%*	*1,104*
Retail Trade	161,261	165,714	*2.7%*	*4,453*
Transportation & Warehousing	53,140	53,069	*-0.1%*	*-71*
Information	38,522	35,768	*-7.1%*	*-2,754*
Finance & Insurance	108,129	114,977	*6.3%*	*6,848*
Real Estate & Rental & Leasing	31,691	33,222	*4.8%*	*1,531*
Professional & Technical Services	117,818	128,444	*9.0%*	*10,626*
Management of Companies	70,637	72,780	*3.0%*	*2,143*
Admin. Support & Waste Mgmt. Svcs.	99,695	99,997	*0.3%*	*302*
Educational Services	40,342	42,544	*5.4%*	*2,202*
Health Care & Social Assistance	238,408	282,216	*18.3%*	*43,808*
Arts, Entertainment, & Recreation	32,380	33,969	*4.9%*	*1,589*
Accommodation & Food Services	128,923	136,540	*5.9%*	*7,617*
Other Services	80,631	82,540	*2.3%*	*1,909*
Public Administration	202,668	203,982	*0.6%*	*1,314*
				Source: DEED 2014-2024 Employment Outlook

Table 37. Employers by Size Class, 2016					
	Scott Co.		Minnesota	*Scott Co.*	
Number of Employees	Number of Firms	Percent of Firms	Percent of Firms	*Change in number of firms from 2008-2016*	
1-4	2,054	61.5%	53.8%	*125*	*6.5%*
5-9	516	15.5%	17.6%	*19*	*3.8%*
10-19	355	10.6%	13.2%	*13*	*3.8%*
20-49	253	7.6%	9.3%	*49*	*24.0%*
50-99	93	2.8%	3.3%	*13*	*16.3%*
100-249	49	1.5%	1.9%	*7*	*16.7%*
250-499	12	0.4%	0.5%	*0*	*0.0%*
500 or more	6	0.2%	0.3%	*-3*	*-60.0%*
Total Firms	**3,338**	**100.0%**	**100.0%**	***225***	***7.2%***
				Source: U.S. Census, County Business Patterns	

Table 38. Nonemployer Statistics, 2015				
	2015		*2005-2015*	
	Number of Firms	Receipts ($1,000s)	*Change in Nonemps.*	*Percent Change*
Scott Co.	10,572	$526,582	*1,008*	*10.5%*
State of Minnesota	397,378	$18,435,244	*23,959*	*6.4%*
			Source: U.S. Census, Nonemployer Statistics program	

Table 39. Census of Agriculture, 2012			*State Rank (of 87)*	*Change in Mkt. Value, 2007-2012*
	Number of Farms	Market Value of Products Sold		
Scott Co.	847	$112,195,000	*60*	*77.2%*
State of Minnesota	74,542	$21,280,184,000		*61.5%*
				Source: 2012 Census of Agriculture

Analysis of the Current Program

& Expansion Plan

for the

Technology Village Business Accelerator Program

Final Report
May 17, 2016

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Table of Contents

Executive Summary

This report summarizes an assessment of the Technology Village Business Accelerator (TVBA), a business incubator in Prior Lake, Minnesota. Located in the City Hall at the City of Prior Lake, the TVBA caters to technology and professional service entrepreneurs. Based on the Request for Proposals (RFP) issued by the City in the Fall of 2015, Greenwood Consulting Group, Inc. (GCGI) has conducted a series of analysis of the TVBA. Details of those analyses are presented in six main sections of the report:

Analysis #1: Identification of Ideal Incubator. To analyze and assess the TVBA, a comparison needs to be made with the "ideal" business incubator. Although the RFP called for description of one or more successful incubators in the region, GCGI deemed this comparison could better be done by stating the Principles and Practices of a Successful Business Incubator, as adopted by the National Business Incubation Association (NBIA). Those 2 principles and 10 practices are listed in the report. Key factors in a successful business incubator include (a) operating the incubator as a viable, sustainable business, (b) focusing on effectively developing and growing entrepreneurs to contribute to the area's economic development, (c) having adequate staff resources and focus to provide effective services and programs, and (d) structuring the incubator to be financially sustainable in its operations.

Analysis #2: Assessment of Current TVBA, including Phase II.2 Business Plan. With the Principles and Practices of Successful Incubation stated, GCGI goes on to analyze the general parameters of the TVBA, and specific parameters as discussed in the TVBA Phase II.2 Business Plan. GCGI found strong dedication to growing small businesses through the TVBA, and the Board of Directors has dedicated much time and effort in mentoring incubator participants. It also is commendable that the City of Prior Lake has hosted the incubator in its City Hall. However, there are many challenges to the viability of the TVBA, ranging from its extremely small size (2,000 square feet), dim prospects for generating revenue to cover its operating costs, and minimal staffing and management that has little time to create programs or deliver services. The TVBA also is hindered by a rent subsidy program that both hurts its ability to generate revenue, consumes much of the incubator's budget, and sends the wrong signals to some entrepreneurs, including those in Scott County but outside of Prior Lake. Finally, the TVBA suffers from a lack of political support, with virtually any vote by the City Council passing by the narrowest of margins. GCGI concludes that the TVBA, as currently configured, is unsustainable and subject to closure at any time, which is in strong contradiction to the principles and practices of successful incubators and counter to the economic development efforts in Prior Lake to foster entrepreneurs.

Analysis #3: Options for TVBA Expansion. Given the concerns with the current TVBA's sustainability, GCGI considered future alternatives for the incubator. This began with an assessment of the market for a new TVBA. Extensive efforts to identify new incubator participants through a market survey were met with minor success: a total of 35 responses were received (about a third of what was desired), of which nine (9) are interested in becoming tenants of a new TVBA incubator. When combined with the current/past TVBA participants who were separately surveyed, all of whom want to continue to be part of the incubator, the identified market of potential TVBA tenants is 16 entrepreneurs. This number would provide modest occupancy of an incubator of up to 10,000 square feet in size.

Given the poor response to the market survey, GCGI considered secondary, published data. Analysis of Location Quotients (LQs) led GCGI to conclude the TVBA focus on technology and professional, scientific and technical services (PSTS) is a reasonable target but not the one with highest potential under a traditional or counter interpretation of the LQ results. GCGI noted that the market for technology and PSTS is much larger if all of Scott County is considered; for example, there are 4 times as many PSTS business establishments in the County than in just Prior Lake. GCGI explains why it believes the TVBA has unintentionally been less appealing to non-Prior Lake firms in Scott County, and recommends that this change in order to expand the TVBA market size.

GCGI looked at seven different real estate options for the new TVBA, mostly based on actual commercial properties available for sale or lease. From these seven properties, GCGI developed 16 scenarios for the new TVBA. Estimated cost for their development ranges from $800,000 to $5.7 million, with this wide range based on size differences (they range between 2,000 square feet and 47,000 square feet), whether the property is purchased or just leased, and how much renovation or build out is required. Potential sources of the required development funding that were identified include the Federal Economic Development Administration (EDA), other grants, state and local government, private donations, and loans. In most scenarios, GCGI was able to identify sufficient sources to cover development costs, but grants from EDA and some other sources are questionable.

Of the 16 scenarios considered, GCGI found that 12 of them would never be able to reach the point of breakeven; i.e., where the TVBA's operating revenues would begin to cover its operating costs. And of the four that can reach breakeven, they tended to be very expensive in their development cost and therefore are not desirable from a development perspective. To seek a compromise between breakeven potential and development cost, GCGI adjusted several key financial parameters in its financial projections. The result was a 15,000 square foot (sf) "generic" building (one of the few scenarios not based on an existing building in Scott County) which would include a 10,000 sf TVBA incubator and 5,000 sf anchor tenant or spec building space. Under this scenario, the TVBA could breakeven by Year 2 of operations at a modest 70% occupancy, and would cost about $2.5 million to develop. GCGI recommends that the TVBA Board adopt this as the preferred future scenario for the incubator, and consider both purchase of an existing building and new construction alternatives for the "adjusted scenario" based on a 15,000 sf facility .

Concurrently, GCGI recommends that the TVBA phase out the Prior Lake City Hall location because it cannot become financially viable under any assumptions, and because of the difficulties of trying to operate a new TVBA location along with the City Hall site.

Analysis #4: Recommendations on TVBA Manager/Program Director. The current TVBA is being overseen by Prior Lake city staff; more accurately, the City's Community and Economic Development Director (CEDD) and his Community Development Specialist (CDS) each spend about 5% of their time on oversight of the incubator. Combined, this is only about 4 hours per week; in contrast, the NBIA reports that the average manager spends 33 hours per week on his/her incubator, and total paid staffing is about 77 hours per week. The CEDD and CDS recognize they are not able to devote more time to the TVBA, and this situation clearly does not

satisfy the Principles and Practices of Successful Business Incubation, so all agree that TVBA staffing needs to be expanded greatly. However, there is no funding to do so under the current TVBA program, in part because the current incubator does not generate much operating revenue. GCGI is budgeting a half-time manager in its future TVBA scenarios. This section of the report provides suggestions about the desired characteristics of an incubator manager, and a list of responsibilities and educational considerations. It is noted, however, that with the manager's position only being half time, it will be more difficult to find a willing and suitable candidate for the position. GCGI also notes that, in order to find an adjusted scenario for the future of TVBA that will be financially sustainable, the highly desirable receptionist/administrative assistant position had to be eliminated. Several suggestions are offered on how this gap in support staffing can be filled.

Analysis #5: Regional Partnership/Sponsorship Opportunities. GCGI concludes that the TVBA needs to become a Scott County wide incubation program for several reasons, including the Prior Lake entrepreneur market for the incubator, and real estate market for its relocation, are too small. The cost to develop the new TVBA also will be more palatable if shared regionally than if footed entirely by the City of Prior Lake. GCGI also notes that, per the market survey, potential users of the new TVBA are accepting of a non-Prior Lake location for the incubator. Challenges of the County-wide approach include having to redefine what GCGI believes is seen as a TVBA that is exclusively for Prior Lake and to the City's own benefit rather than the region's. Opportunities for teaming with the Shakopee Mdewakanton Sioux Community (SMSC) on the new TVBA also are discussed, but GCGI concludes for several reasons that this may not be the right time for such an initiative.

Analysis #6: Next Steps and Timeline. GCGI divides next steps into three sets. The first set is to review, digest, discuss, revise, and adopt a version of this report's recommendations for new directions for the TVBA, including a new, larger, sustainable incubator facility and program, elimination of rent subsidies, and modification to the payback requirements for TVBA participants. The second set is to keep the current TVBA incubator functioning as the transition to the new expanded and relocated incubator is put into motion. Included in this second set is a recommended "Interim Model" for the TVBA that de-emphasizes rent subsidies and focuses on staffing and services. The third set is to create the foundation for the new TVBA, starting with identifying an individual who is willing to lead this effort as a champion, seek regional partners' and funding sources' buy in, begin looking for a suitable building, and begin identifying an anchor tenant.

GCGI recommends that these steps begin immediately, and be completed over the next six quarters (through third quarter of 2017), with the understanding that adjustments will be necessary depending on circumstances and success, for example, in identifying a suitable building and anchor tenant.

Introduction

In August 2015, the City of Prior Lake issued a Request for Proposals (RFP) for an assessment of its Technology Village Business Accelerator (TVBA) and a recommendation for its future direction, including

possible expansion or relocation. Greenwood Consulting Group, Inc. (GCGI) responded to the RFP, and was awarded the project in September 2015. GCGI has completed over 90 incubator consulting projects throughout the United States and Canada, and its principals have been in the incubator industry for 31 years, including 11 years managing mixed-use incubators.

In response to the RFP, this report is divided into 6 sections. The first is a listing and description of the principles and practices of high quality business incubation. The second is an assessment of the current TVBA program and facility. The third is an exploration of future options for the TVBA, including consideration of the approximate cost of pursuing those future options and potential funding sources to cover those costs.

The fourth section offers recommendations regarding a program director for Technology Village. The fifth addresses partnership and sponsorship options for the TVBA, including those with Scott County and other communities in the county. Finally, the sixth section defines next steps and implementation schedule for moving the TVBA forward in the near and intermediate term.

I. Principles & Practices of High Quality Business Incubation

The RFP asks, as part of the analysis in this project, that we "identify existing and successful regional accelerator programs of a similar scale (public partnership)." GCGI had several concerns with this request, as worded. First, a true business accelerator is quite different than the TVBA; a true accelerator typically expects to accommodate fast growth, high profit potential clients for a short period of time and groom them for equity investment by angels. GCGI believes the TVBA more accurately is defined as a business incubator that works with clients over a longer period of time.[1] Second, there are few incubators, to our knowledge, of the very small scale of the TVBA; for example, the National Business Incubation Association (NBIA), in its most recent State of the Business Incubation Industry report, indicates that the average North American business incubator consists of over 32,000 square feet (sf), and the median size is 20,000 sf.[2] In contrast, the TVBA consists of only about 2,000 sf. Third, GCGI has found, historically, that it is difficult to gather enough information and data on a particular incubator to accurately judge its level of success. Finally, there is always a question of what defines "success" when it comes to a business incubator; some communities will claim their incubators are successes when they in fact are marginally productive and sustaining.

GCGI interprets the RFP to be asking that the TVBA be compared to what would be considered in the industry as a successful business incubator. Given the difficulties stated above, GCGI recommends that the best way to make such a comparison is to state the "ideal" parameters for a business incubator, which then allows a comparison between that ideal and the TVBA.

[1] GCGI was asked by the TVBA Board of Directors about the fraction of for-profit vs. public/non-profit business incubators. According to 2012 State of the Business Incubation Industry, published by the National Business Incubation Association, the fraction of North American incubators that are for-profit has declined from about 30% in the late 1990s, to 16% in 2002, to only 7% by 2012. The drop may be the result of (a) the "dot.com implosion" around the turn of the century, and (b) movement towards true accelerators that tend to provide short duration assistance and equity investment.

[2] Linda Knopp, 2012 State of the Business Incubation Industry, Athens, OH: National Business Incubation Association, p. 19

To define the "ideal" incubator, GCGI turned to the Principles and Best Practices of Quality Incubation. In their book Growing New Ventures, Creating New Jobs: Principles & Practices of Successful Business Incubation, Mark Rice and Jana Matthews presented 3 principles and 10 best practices of successful business incubators.[3] The NBIA adopted a mildly modified version of the Rice & Matthews principles and practices.[4] GCGI believes these principles and practices continue to provide a vision of that "ideal" incubator and against which an existing or envisioned incubator program can be compared. GCGI presents the NBIA adopted version of these principles and practices here, so that both the current TVBA program and alternative future scenarios can be evaluated against what Rice & Matthews, the NBIA, and GCGI believe represent the "ideal" incubator.

According to the NBIA,[5] two principles characterize effective business incubation:

I. The program aspires to have a positive impact on its community's economic health by maximizing the success of emerging companies.

II. The program itself is a dynamic model of a sustainable, efficient business operation.

GCGI believes the first principle suggests that incubators should be economic development tools that benefit the local and regional economies (and ultimately state and national ones) by helping emerging companies, and that the developers, managers and governors of incubators must always keep a focus on these customers and their success. The second principle tells us that incubators should practice what they preach: they cannot be credible role models for their client companies if they themselves do not act and perform well as businesses. It also offers a caution that an incubator, if it is to be around in the long term to benefit entrepreneurs, must become a sustainable operation, which GCGI believes means it must be generating sufficient revenues from secure, reliable sources that its longevity is not at risk when political priorities shift.

NBIA goes on to list the following best practices. NBIA says that the management and board of directors of incubators should strive to:

1. Commit to the two core principles of business incubation.

2. Obtain consensus on a mission that defines the program's role in the community and develop a strategic plan containing quantifiable objectives to achieve the program mission.

3. Structure for financial sustainability by developing and implementing a realistic business plan

4. Recruit and appropriately compensate management capable of achieving the mission of the incubator and having the ability to help companies grow.

5. Build an effective board of directors committed to the program's mission and to maximizing management's role in developing successful companies.

[3] 1995, Quorum Books, Westport, Connecticut.
[4] https://www.inbia.org/resources/for-program-managers/program-best-practices
[5] The NBIA recently changed its name to the International Business Innovation Association, and goes by iNBIA. GCGI has chosen here to continue to reference the organization by its better known name and abbreviation.

6. Prioritize management time to place the greatest emphasis on client assistance, including proactive advising and guidance that results in company success and wealth creation.

7. Develop the facility, resources, methods and tools that contribute to the effective delivery of business assistance to client firms and that address the developmental needs of each company.

8. Seek to integrate the program and activities into the fabric of the community and its broader economic development goals and strategies.
9. Develop stakeholder support, including a resource network, that helps the program's client companies and supports the program's mission and operations.

10. Maintain a management information system and collect statistics and other information necessary for ongoing program evaluation, thus improving a program's effectiveness and allowing it to evolve with the needs of the clients.

Best practice #3 reiterates the importance of being financially sustainable. Rice and Matthews write that "the incubator needs to have the resources to grow companies," and to survive "after the high energy enthusiasm of the incubator launch has faded." They argue that "if the incubator is going to be around long enough to have an impact, it needs to be self-sustainable. Only then can sponsors, stakeholders and staff concentrate their energies and capacities on developing incubator client companies."

Best practices #4, 5 and 6 all address the need for a strong and effective manager of the incubator, as well as a board that expects the manager to focus on serving incubator clients (and gives the manager the resources and freedom from other responsibilities to do so). Rice and Matthews are addressing an ongoing concern in business incubation, namely that managers should not be primarily managing the facility or pursuing lofty economic development goals, but must be focused on meeting the day-to-day needs of the incubator client companies, ranging from direct business assistance, to linkages with outside service providers and angel investors, to being available to counsel or even console a discouraged entrepreneur.

GCGI will return to these principles and best practices throughout this report, to compare current and alternative futures of the TVBA with the "ideal" business incubator.

II. Current State of the TVBA

II.a Overview of current TVBA

The Technology Village Business Accelerator (TVBA) began in 2012, in office space on the main floor of the Prior Lake City Hall. It consists of about 2,000 sf, and includes 5 hard-walled offices, a conference room, and approximately 800 sf of open coworking/collaboration space. The offices are furnished, and TVBA participants can access City resources including internet, phone, photocopier, and break room. The TVBA is managed by the City's Community and Economic Development Director, who holds the title of TVBA Executive Director. He is joined by a 6 member board of directors that both guides direction of the TVBA, and whose members serve as mentors to the program participants. In 2014, Phase 2 of the TVBA was initiated, with provisions made for TVBA participants to be located off-site, in private properties within the city limits of Prior Lake. Off-site participants are to locate and make their own lease arrangements for space, and can then receive rent reimbursement from the TVBA.

The TVBA program assumes a 3 year involvement in the incubator, whether the participant is on-site in City Hall or off-site. In the case of on-site participants, they will lease one or more offices at the rate of $5 per square foot (/sf) per year during the first year of participation, $10/sf per year in the second year, and $15/sf per year in the third year. TVBA considers $15/sf per year to be market rate, and therefore by the third year, onsite participants are paying market level rental rates. The Accelerator also estimates that on-site participants receive another $18/sf per year in benefits from the City, ranging from staff assistance to City payment of utilities and property taxes. Off-site TVBA participants will receive $12/sf per year towards their rental rate in Year 1, $6/sf per year in Year 2, and $0/sf per year in Year 3.[6]

In return for this financial assistance, participants are expected to remain within City of Prior Lake city limits upon graduation from the TVBA for at least 5 years. If a graduate fails to do this, they become responsible for reimbursement to the TVBA.

The TVBA provides four categories of assistance to its participants. First, participants receive "Business Development Assistance" which includes help with business planning, market assessment, cash flow management, and similar issues related to starting and running a small business. Second, "Professional Networking Support" is provided to participants, through formal and informal networking opportunities and assignment of a mentor. Third, the TVBA provides "Educational and Training Programs" to help participants learn new skills that will help them grow and prosper. Finally, participants receive "Facility-Based Services" that include access to the City's telecommunications system (both phone and internet), office furnishings, and a shared conference room.

While TVBA's name suggests the initiative is focused on technology-related small and start up businesses, the actual focus appears to be broader. For example, the TVBA website describes its mission to be supporting "the growth of emerging *technology and professional service businesses* within an entrepreneurial environment that encourages collaboration, fosters job creation and provides connections to local & regional resources" (emphasis added).

II.b. Survey of Participants

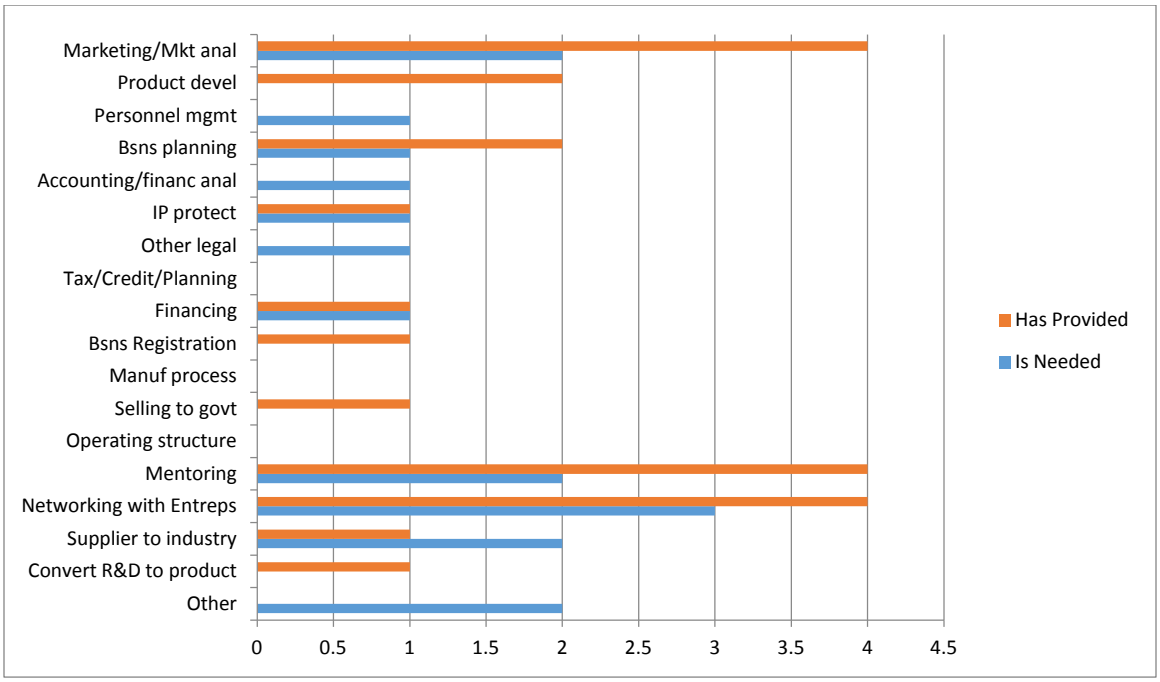
To assist in its assessment of the current TVBA facilities and services, GCGI (with considerable input and assistance from City staff) developed and distributed a survey to current and past TVBA participants. Seven responses were received, therefore most participants responded to the survey. Appendix A includes the survey responses from these participants; highlights thereof are presented in this section.

A strong theme in the current and past TVBA participants is "software." Three of the 7 respondents mention it explicitly in describing their companies, and a fourth says they have a "cloud based solution" which suggests they are in the information technology/software industry. All appear to be in either technology or professional services that are oriented to other businesses (as opposed to consumers), so there appears to be good consistency between the mission statement and the participants that have been admitted to the TVBA. Figure 1 shows the results of the survey questions "in what areas has the Technology Village.been most helpful to your business?" and "in what areas could the TVBA be more helpful to your business?" The emphasis on mentoring in the TVBA service package is evident, with 4 of the 7 respondents indicating it has been provided and is very helpful. Other areas where participants

[6] Off-site reimbursement rates are capped at 67% of rent paid in Year 1 and 33% in Year 2, and there is a maximum square footage per employee that is covered by the reimbursement program.

feel TVBA has been most helpful are marketing/market analysis, and networking with other entrepreneurs. Initial inspection of Figure 1 might lead to a conclusion that TVBA has not been helpful in a number of areas, such as personnel management and taxes/credits/planning, because there are no brown bars next to these categories. But this conclusion is not valid in many cases, as indicated by comparing areas of assistance provided with areas of assistance needed. Only those need categories that show a blue line and no brown line are where this might be true. For example, one participant wants help with "other legal" issues, and TVBA has not provided help with that subject. And such situations where only one participant needs help does not constitute, in GCGI's opinion, a major mismatch between assistance provided versus assistance needed.

Figure 1. Areas of Help by TVBA to Participants



It does appear from Figure 1 that there is an ongoing need for more assistance with the three needs with which the TVBA is already helping—namely marketing/market analysis, mentoring, and networking.

One area where TVBA needs to continue and perhaps expand services is in helping participants become suppliers to local big industry. One participant said they got help in this area, but two others feel they need this help but have not received it thus far from TVBA.[7] [8]

[7] Such discrepancies between what participants said they have and have not yet received is likely explained by TVBA's heavy reliance on mentoring—each mentor is different, and each participant may ask for or expect different things from their mentor. In contrast, if a service is provided primarily by training or other more structured assistance, then if the TVBA provided a seminar on selling to local industry, then presumably all of the participants would say they have received help with this business need

[8] It appears that 2 participants have "other" unmet needs, but 1 of these was simply stating here that "we've been able to get advice on every subject for which we have sought [help]."

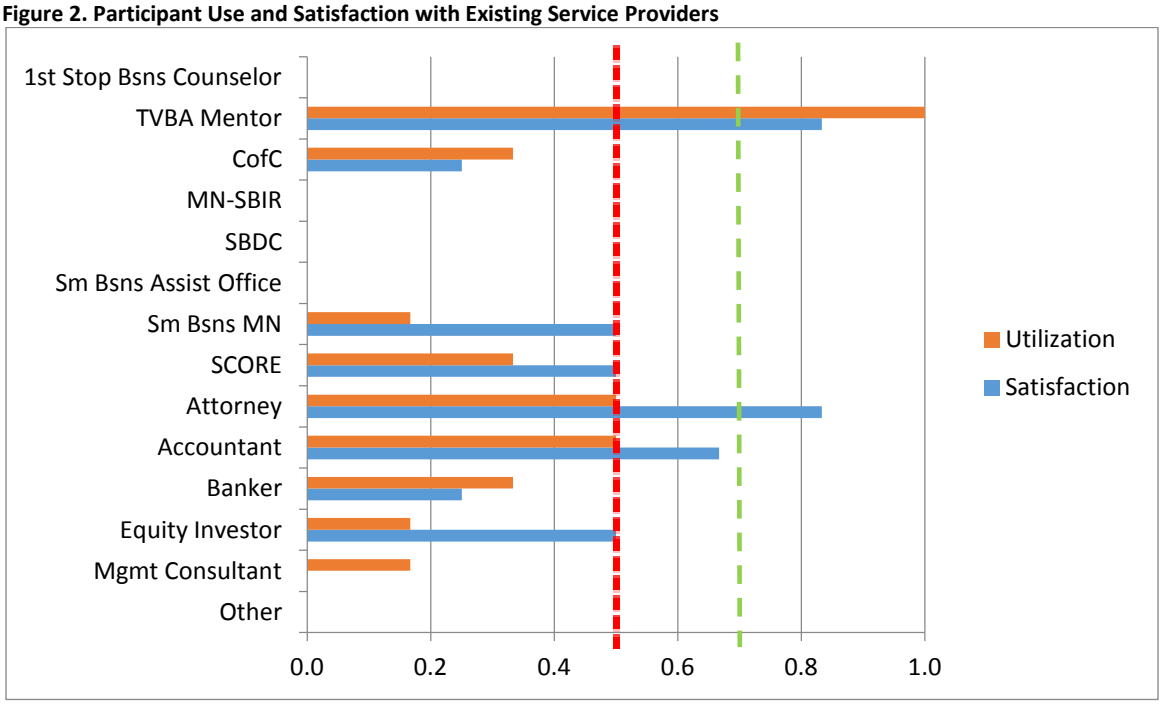
With part of an incubator's value coming as referrals of its clients to existing, credible sources of assistance, GCGI believes it is important to consider the level of utilization of, and satisfaction with, such sources among TVBA participants. Once again, the survey of current/past participants provides insights.

Figure 2 summarizes these data. The brown bars indicate, for each service provider listed in the survey, what fraction of the TVBA participants have used each provider. As expected, 100% of the participants who answered this question on the survey (n=6) indicated they had used a TVBA mentor.

However, utilization rates of other existing service providers, overall, are very low. The horizontal, dotted, red line indicates what existing service providers have been used by at least half of potential tenants and service users. Out of the 14 sources shown, only 3 have been used by 50% or more than the current/previous TVBA participants. TVBA mentors are the most heavily utilized, followed by Accountants and Attorneys, which are used by exactly 50% of the current/previous TVBA participants. Surprisingly, some current service providers have been used by none of the participants, including the First Stop Business Counselor provided by Scott County.[9]

One possible explanation for a low utilization rate of a given service provider is that their services are perceived to be of low quality. The validity of this explanation can be answered by considering the blue bars that appear next to each service provider listed in Figure 2, which is a measure of participants' level of satisfaction with each service provider they've used. It is plausible that, if a participant seeks help from a particular service provider and is dissatisfied with the quality of the service received, then the participant is likely to advise other TVBA participants to not go to that service provider, which would reduce the provider's utilization rate.

Figure 2. Participant Use and Satisfaction with Existing Service Providers



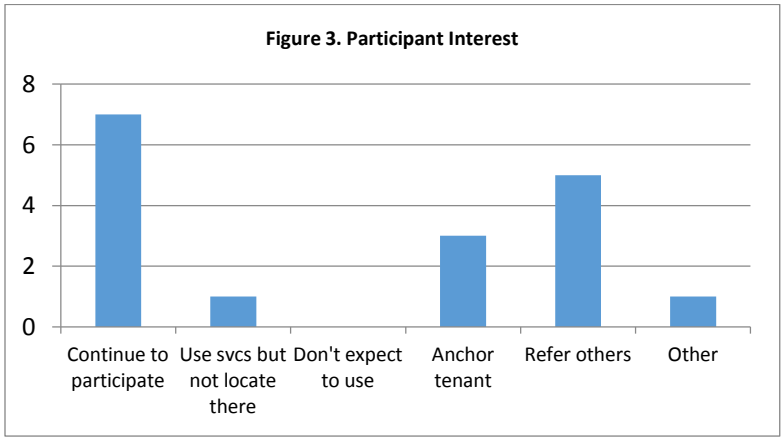
[9] Only 6 of the 7 TVBA participants answered this survey questions. And only in the case of "TVBA mentors" did all 6 offer a satisfaction score. For purposes of this analysis, GCGI has assumed that someone who did not offer a satisfaction score likely has not used that service provider, and therefore their non-response was categorized as "non utilization."

The blue bar beside each service provider in Figure 2 is a satisfaction score derived from participants' responses to the survey question. Participants were asked to indicate if a particular service provider was "very helpful," "helpful," or "not very helpful." Their responses were assigned numeric values, where 1.0 equals "very helpful," 0.5 equals "helpful," and 0.0 equals "not very helpful," and summed across all respondents. Therefore, a satisfaction score of 1.0 in Figure 2 means all clients found that service provider to be "very helpful," while a score of 0.5 says that, on average, users found that service provider was only "helpful."

Once again using the horizontal red dotted line as a threshold of service providers that were deemed to be, on average, at least "helpful" by TVBA participants, it appears that 6 of the 14 service providers reach or exceed that threshold value. In fact, there are only three service providers, the Chamber of Commerce, bankers, and management consultants, who received average satisfaction scores below a mid-level "helpful" rating. However, the green dotted line sets a higher standard where a service provider would receive an equal number of "very helpful" and "helpful" scores to have an average satisfaction score of 0.75. Only 2 of the 14 sources of business assistance reach this higher threshold. Those sources are TVBA mentors, and attorneys. Note that accountants/bookkeepers come very close, with an average rating of about .67.

GCGI concludes that only some of the low utilization rate of existing service providers by TVBA participants can be attributed to low satisfaction with the services received. An alternative explanation is that the TVBA has not actively linked its participants with these other sources of assistance.

Figure 3 shows the level of interest among current/past participants when asked if they will still participate if TVBA goes through relocation or expansion and a revamping of services. It appears that current and past TVBA participants are very supportive of the program and services it offers. All 7



participants said they would like to continue to be part of the TVBA, and 5 (about 71%) said they would refer others to the Technology Village. No participant said they wouldn't use the TVBA after expansion/relocation and service revision, which is consistent with participants' claim that they want to continue to participate. Also important in Figure 2 is that several of the current participants would consider becoming anchor tenants of the TVBA in the future. Like anchors in a shopping center, anchor tenants in a business incubator are more mature businesses occupying larger amounts of space and providing stability by their perceived greater ability to consistently and regularly make their lease

payments. As will be seen in Section III.c of this report, anchor tenants could be important components of a relocated/expanded TVBA.[10]

In conclusion, the survey of TVBA participants suggests a mixture of good news and bad. The good news is that participants appear to be consistent with the mission of the TVBA, in terms of type of business and industry that they are in. It is good news that the TVBA has done a reasonable job of providing the kinds of services that participants need, and therefore participants are using their TVBA mentors and are relatively highly satisfied with those mentors' services. It also is good news that participants want to continue to be part of the TVBA, and some would even serve as anchor tenants in a new, revamped TVBA program. The bad news is that some areas of business assistance needs have not been met by the TVBA, and participants are not taking advantage of non-TVBA sources of assistance that may be valuable service providers for them.

II.c Areas of Concern with Current TVBA

Based on the results of the survey of current/previous participants in the TVBA, and our 30+ years of experience in developing, managing, and consulting on incubator/accelerator projects, GCGI has identified eight areas of concern with the current TVBA facility and programs.

II.c.1 Small facility. The current TVBA facility, which is estimated at about 2,000 sf, is extremely small by incubator standards. As indicated earlier, the TVBA is only 6% of average sized incubator, according to the NBIA and only 10% of the median. This small size contributes to a number of the other problems discussed below, particularly the financial ones. It also greatly limits how many entrepreneurs can be accommodated, which reduces the opportunities for meaningful networking and interaction among participants. It limits the TVBA's ability to accommodate fast growing entrepreneurs (with only 5 hard walled offices, it would be quickly overwhelmed by a participants who grew, for example, from two to 6 employees in a few months' time). It also negates, somewhat, the perception among entrepreneurs of the City's support for small and start up businesses—an incubator can signal that a community supports entrepreneurs today and in the future, but a small incubator in borrowed space in City Hall is not as impactful as, for example, a 15,000 square foot newly constructed incubator.

II.c.2 Low revenue potential. Under current parameters, the TVBA is incapable of ever generating meaningful amounts of revenue. For example, if all 5 hard-walled offices in the TVBA were 200 square feet in size, and all were generating the maximum TVBA rental rate of $15/sf per year, then this incubator would generate only $15,000 per year in rental revenue. This is less than 55% of the cost of operating the TVBA, accordingly to the "Reimbursable Expenses" estimate from the City of Prior Lake, and GCGI believes that estimate is perhaps low.[11] There also is no opportunity to generate revenues to cover the hiring of even a part-time incubator manager. This low potential for revenue generation is further exacerbated by the current policy of giving substantial rent discounts to first and second year participants; GCGI estimates that, if there are equal numbers of first, second and third year participants

[10] However, there is a concern that participants with only a few years of business operations may not be mature and stable enough truly serve as anchor tenants.

[11] For example, it does not consider the value of the common area that is dedicated to the TVBA but isn't leasable and therefore is not going to generate revenue or be covered by the City's recapture clause on its $18.19/sf per year equity contribution to the TVBA. If the 5 leasable offices are 200 square foot each, then that represents only half of the 2000 square foot size of the overall TVBA, and therefore the value or cost of the other 1000 square feet apparently is not being captured.

in the TVBA, then annual revenue generation will be only about $10,000, or only about 37% of operating costs.

II.c.3 Problematic financial situation. Given the low revenue generation potential, there is no opportunity for the TVBA to ever become financially self sustaining. Self sustainability is a desired goal, and is one of the Best Practices of high quality incubation stated by the NBIA. GCGI believes financial sustainability is particularly important given limited political support for the TVBA within the Prior Lake City Council.

II.c.4 Disincentive of payback clause. On one hand, GCGI understands the rationale for requiring TVBA participants to remain in Prior Lake upon graduation from the incubator—the community has invested in the participants, and now it wants the participants to make a commitment of at least 5 years to the community. But on the other hand, GCGI believes this payback requirement is likely reducing the number of entrepreneurs interested in becoming part of TVBA. The world changes rapidly, and that is true of business, and is particularly true of industries like software and IT, which appears to be one of the market opportunities for the TVBA given the make up of current/previous participants. It is difficult, therefore, for a potential TVBA participant to think of making an 8 year commitment (3 years in the TVBA, 5 years in the community before all payback is forgiven), and GCGI believes that means that some potential participants are going to shy away from this incubator. GCGI was told by many people during this project that Prior Lake is a very conservative community; therefore, some potential TVBA participants may not favor receiving reduced rent (considering it to be "corporate welfare") and do not want the City government telling them where they have to locate in future. Finally, Prior Lake is a relatively small community, and it has only a limited number of commercial and industrial property vacancies (as of the time of this analysis) and new construction alternatives, and therefore once again potential TVBA participants may not want to face a daunting task of finding a suitable location, after graduation from the incubator, within the city limits.

II.c.5 Limits on staffing. Based on the ongoing discussions in the incubator industry about staffing, and GCGI's own experience with its principals managing business incubators for more than a decade, it appears that City staff is not able to dedicate adequate time to operations of the TVBA. Some in the incubator industry do not believe it is possible for anyone to split their time between incubator management and other duties and responsibilities (and therefore believe full time managers are necessary); GCGI believes otherwise, but thinks it becomes challenging for a manager to spend adequate time on an incubator if they dedicate less than 50% of their time to it. According to the City's "Reimbursable Expenses" spreadsheet for the TVBA costs, only 5% of the City's Community and Economic Development Director's time is devoted to the incubator. And, as discussed above, GCGI sees no opportunity in the current TVBA facility, to generate the additional revenue that would be needed to help cover increased levels of staffing. This suggests to GCGI that the TVBA is not meeting the NBIA Best Practices related to staffing and management of an incubator.

II.c.6 Limited City Council Support. GCGI understands that Prior Lake City Council votes related to the TVBA generally are 3 in favor and 2 in opposition. This puts the TVBA in a very precarious position, with no margin for changes in the balance of philosophies and interests on the Council. This also negatively impacts the perception among entrepreneurs of the City's attitude toward themselves and economic development—as indicated above, an incubator can be a positive signal to entrepreneurs that a community supports them, but an incubator that is constantly on the brink of political downfall, like the

TVBA, presents a substantially weakened signal. And once again, the lack of opportunity for the TVBA to generate more revenue, and to ever achieve financial self sustainability, means that it is constantly at risk of closure. This reduces entrepreneurial interest ("why should I enter an incubator that may be closed next month if it suffers a negative City Council vote for whatever reason?"), and hinders the TVBA and Economic Development Authority boards from establishing long term plans and programs for the incubator.

II.c.7 Heavy dependence on TVBA mentors, low reliance on other service providers. Members of an incubator board of directors can find that their precious free time to volunteer for such service is not enough to help shape and direct the incubator and mentor one or more entrepreneurs. This is especially true when there is only minimal staff, such as the case of the TVBA, and board members find themselves doing day-to-day operational tasks. Therefore, GCGI is concerned that the current TVBA situation can cause (a) problems in recruiting board members because of the level of effort required, and (b) burn out of existing board members.

Concurrently, it appears that the TVBA is not doing enough to link participants with existing credible, qualified sources of assistance in the region. This requires the incubator to know which sources are credible and which are not; to understand the skills, qualifications and strengths of each provider; to recruit the service provider to work with TVBA participants (especially important with for-profit providers like attorneys and accountants, from which discounted services may be sought); and then to link participants to the third party sources best suited to their needs. This is a time intensive effort in the short term, but becomes easier after the TVBA becomes more familiar with the third party providers and their abilities. It could take some of the burden off of TVBA board members and City staff, in terms of assisting participants with business assistance needs, but requires someone, like an incubator manager, to dedicate the necessary time and effort in the short term.

II.c.8 Overly narrow market focus. As will be discussed in Section III.a, GCGI perceives that, if the TVBA focuses exclusively on technology and Prior Lake entrepreneurs, then it will find that market is too small to support a sustainable incubator. Even expanding that market focus to include professional services is not likely going to open the incubator to a sub-sustainable market, in terms of the size needed to support a financial viable business incubator.

In conclusion, the TVBA faces a number of formidable challenges, not only to its expansion but to its very survival. GCGI does not believe this incubator can be sustained, for any period of time, in its current state. With the status quo not being sustainable, the TVBA must either transition into a significantly different incubator, or GCGI believes it will struggle indefinitely until an unfortunate event, like an unfavorable City Council vote, leads to its demise.

II.d Assessment of Phase II.2 Business Plan

As part of this project, the RFP requested that GCGI prepare an assessment of the most recent business plan for the TVBA. That plan is for Phase II.2, dated Fy2015.

The plan refers to two phases in the TVBA's development and operations. Phase I includes the on-site TVBA facility and programs found on the main level of the Prior Lake City Hall. As reported earlier, this consists of about 2,000 square feet of office space, with about half of the space being in five hard-walled offices and the remainder being in open space and, per the Phase II.2 document, three workstations

available for lease. Phase II of the TVBA refers to the opportunity for participants in the incubator to receive subsidies towards their cost of renting private sector office space within the Prior Lake business community.

GCGI applauds the City of Prior Lake, its Economic Development Authority, and the TVBA Board of Directors for having a business plan for this incubator, and keeping it up-to-date. It is an ongoing discussion within the NBIA and incubator industry why many incubators require their clients to have business plans, but the incubators themselves do not have them. GCGI also believes the TVBA Business Plan Phase II.2 does a good job of explaining to participants, elected officials, and the community regarding how the incubator operates, its mission and metrics, and financial status. Given the challenging political climate, in which Prior Lake City Council votes regarding the TVBA often are 3 votes in favor and 2 opposed, it is impressive that the incubator's proponents are very open about the TVBA and its parameters. Put another way, critics of the TVBA could not claim that they are kept in the dark about how the incubator operates, what it is attempting to accomplish, and what its financials look like.

With that said, GCGI offers the following concerns and suggestions regarding the TVBA Phase II.2 business plan. We have organized our comments by the 10 sections found in the plan.

1.0 Executive Summary

a. The plan states "the demand for office space within Technology Village demonstrates a need for this type of program in the community." GCGI only agrees marginally with this statement—such a small program, both in terms of physical space and number of participants, only demonstrates a limited demand or interest. As discussed in Section III.a, the market for the TVBA is a major concern for this project going forward.
b. The summary includes the comment that "the Technology Village Board of Directors is recommending a Phase II.2 business plan which will allow the program to maintain and expand its current program participants…to serve not only emerging technology businesses but a wider variety of growing companies." There are a couple of issues in this statement. First, while including Phase II to include off-site participants increases the number of entrepreneurs benefitting from TVBA, it also makes it much harder to achieve a high level of interaction among participants (such interaction is a very important part of an incubator). It also prevents the TVBA from benefitting from the economies of scale; for example, a sophisticated video conferencing capability in the TVBA facility would benefit more entrepreneurs if those small businesses also were located in City Hall, but the fact that they are spread throughout the community means they will not benefit as much from that capability. Second, GCGI believes it is very important that the TVBA look beyond technology-based businesses to both serve the needs of the community and have an adequate market for meaningful expansion. Therefore, we agree with this broadened market. However, oddly, the plan goes on to say that non-technology firms should be restricted to off-site participation and not be allowed to occupy offices in the City Hall facility. We disagree with this approach, as some non-technology participants may be well suited and desirous of the City Hall location, while some technology participants will be better suited for off-site locations. GCGI recommends that technology and non-technology participants be given the option of being either on-site or off-site, and the TVBA can then use special networking events and focused email blasts to link technology participants when necessary and appropriate.

c. The purpose of TVBA, in part, is high quality job creation, yet the City Hall facility and TVBA planning seems contrary to this. For example, the Phase II.2 plan talks about "…once five businesses occupy the Phase I facility…"; given there are only 5 offices in the facility, this suggests that the TVBA envisions each company to have only one office and therefore not have very many employees. This is a serious disadvantage of the City Hall location: it does not easily accommodate a larger entrepreneurial firm, or an expanding one, because it is so small and has so few leasable offices.
d. According to the plan, the subcommittee that advised the City of Prior Lake about an incubator "originally considered the option of the EDA leasing space in privately owned office space in the community and then sub-leasing that space to program participants at a reduced rental rate. This option was ultimately not pursued because of the anticipated cost to the EDA." GCGI has several concerns here. First, it is unfortunate that this approach was not given greater consideration, as we believe a larger facility dedicated as the TVBA has a large number of advantages, including greater potential for financial sustainability, ability to accommodate more participants, increased informal networking capability, and greater flexibility in accommodating larger or fast growing participants. Second, the subcommittee apparently included two factors in its consideration that led to the demise of this option—those are renting out space at a "reduced" rate, and only considering a leased building. Subsidized rental rates, based on GCGI's extensive experience, are a common denominator in incubators that cannot achieve financial sustainability because they give "cheap space" priority over "incubator sustainability." As discussed in Section I, this is one reason why the NBIA does not include reduced rent in its incubator best practices. And leasing a building and then sub-leasing space in it to incubator participants can work, but only if the lease rate paid to the landlord is significantly lower than the rental rate charged to participants. Further to this latter point, a strong advantage exists for purchasing or acquiring the building (rather than leasing it) as it eliminates the ongoing operating costs of paying rent, and sometimes can make a major difference in the financial sustainability of the incubator. Third, failure to secure a larger building and sub-lease space to create an incubator, while at the same time initiating a very small incubator in City Hall, can be interpreted by some that the City of Prior Lake is only very tenuous in its support of entrepreneurs and an incubator to serve them.
e. GCGI believes the Phase II of the TVBA plan is more appropriate for a graduation program than an incubation program. An important part of an incubator is the networking and other interaction between participants, and between those participants and service providers. Further, it is hard to create an environment for those interactions, in part because they are often more fruitful if they are informal and spontaneous rather than organized and planned. A common incubator facility in which all participants are located makes it easier to encourage and support these interactions; therefore, the TVBA Phase II is not conducive to networking and interactions among incubating participants. Further, the Phase II program only marginally helps an early stage business: most privately held properties will require longer leases, expect tenants to do their own build out and improvements, and want to lease larger square footages than the early-stage business will want. Simply put, GCGI believes the Phase II program is not a satisfactory substitute for accommodating small and start-up businesses in an incubator facility.

Further to this point, it is a common problem that companies that are incubated may have difficulties assimilating into a community's commercial real estate market, or they may be enticed with economic development incentives by nearby communities to relocate. A graduation program helps graduates transition from an incubator environment to a regular commercial real estate location, and can be structured to give graduates a reason to stay in the community. The TVBA Phase II does not prohibit such graduation situations, but nor does it appear to actively encourage them.

f. A TVBA goal stated in the Executive Summary is "establish an adequate pipeline of technology businesses that will allow the continued full use of the Technology Village program." It appears that this goal has yet to be achieved; GCGI understands that waiting list is not maintained for the TVBA, and new participants are not actively recruited. The explanation given to GCGI was that the TVBA facility is full, and therefore the incubator should not get candidates interested only to tell them that there is no room for them. This situation might be interpreted as the TVBA being in high demand and "obviously successful," but GCGI sees it more as a negative consequence of the City Hall facility being so small that it seldom can accommodate new participants. For example, if one-third of the TVBA's participants graduate from the incubator each year, then this will create an opportunity for only 1 or 2 new occupants of City Hall offices, whereas if the incubator were larger and housed 25 participants, then the one-third turn over would make room for 8 or 9 new participants each year.

2.0 Mission

a. The Phase II.2 business plan states the mission statement as "Technology Village supports the growth of emerging technology-based businesses within an entrepreneurial environment that encourages collaboration, fosters job creation, and provides connections to local & regional resources." With the statement in the Executive Summary that the TVBA will cater to entrepreneurs in non-technology industries, as well as the more encompassing mission statement on the TVBA website, this statement needs to be amended.[12] GCGI also wants to emphasize that "emerging" should not be misinterpreted to mean only "start up" companies. Contrary to popular understanding, incubators cater to existing small businesses as well as start ups. An existing firm that is having problem growing to the next level, or that is at risk of closing because of (as an example) a major change in its market, is certainly as valuable as a start-up as an incubator participant.

3.0 Program Participant Focus

b. GCGI notes that statements like "Technology Village cannot meet the needs of all potential program participants" appear throughout this plan, yet the TVBA is kept unusually small due to the decisions of the City, EDA, and TVBA Board. GCGI finds it to be a self-limiting situation: if you don't provide a larger infrastructure for the TVBA, it can't serve everyone. But if you are very restrictive about who you admit as an incubator participant, then there will never be adequate demand for a larger incubator. GCGI believes the TVBA is much too small to ever become a

[12] Such an amendment already appears on the TVBA website, where the mission statement now reads "the Technology Village supports the growth of emerging technology and professional service businesses…" (emphasis added)

sustainable, financially viable incubator, and the small size of the program should not be used as an excuse for not accommodating a broader market.

c. This section of the Phase II.2 plan states "by narrowing the focus to emerging technology, the board feels confident in its ability to create a collaborative environment where complimentary businesses can work together and share information and resources to fully capture the business accelerator concept and provide the greatest opportunity for program success." GCGI has several concerns with this statement. First, it is contradictory to statements elsewhere in this plan, and on the TVBA website, that the market for the TVBA has been broadened beyond technology. Second, we disagree that the TVBA is creating the best "collaborative environment" when it is so small that it can accommodate only 5 single office on-site participants and only allows other participants as off-site ones, where the collaborative environment is much harder to achieve and maintain per our comments above. Finally, our definition of "program success" must include the incubator's ability to achieve and maintain financial sustainability in its operations, or the TVBA faces the same fate of many past incubators that flourished until their massive operating subsidies were axed by stakeholders who didn't think perpetual subsidies should be required or who differed with the direction of the incubator. This is a major issue with the TVBA, GCGI believes, because of the very tenuous political support of the Prior Lake City Council: financial sustainability, without reliance on City subsidies, must be a priority of the TVBA and it must be achieved in the near- or intermediate-term.
d. This section of the plan again talks about the Phase II program being for non-technology companies, while the "city hall office space is proposed to be reserved for tech related companies." GCGI does not agree with this separation plan. As indicated above, some non-tech companies can better be accommodated in smaller, hard-walled offices like those in the Prior Lake City Hall, and may need close proximity to other tenants or City services, while some technology companies cannot be accommodated in the small City Hall offices and are forced to be off-site if they are to be part of the TVBA. And as indicated above, private real estate offerings often are not appropriate or accommodating for small and start up firms, so this separation puts non-technology participants at a potential disadvantage (in addition to the disadvantage of not having ready access to staff assistance and business support resources).

4.0 Organization & Management

a. The Phase II.2 plan states that one of the duties and responsibilities of the TVBA board is to "ensure the overall financial viability of the program." GCGI believes the current TVBA financially unsustainable, and therefore we respectfully recommend that the board elevate the priority of this duty/responsibility. This is particularly important given the marginal political position of the incubator relative to the Prior Lake City Council, the primary funder (both directly, and in terms of in kind support) of the TVBA.
b. The plan calls for creation of a TVBA advisory board, to "work with the Board of Directors to advise and mentor program participants." This is apparently a means of broadening the membership of mentors and advisors, because the current TVBA bylaws require board members to be Prior Lake residents or "be affiliated with a business" in Prior Lake. This would result in the TVBA being under the Prior Lake City Council, the city's Economic Development Authority (EDA), the EDA's TVBA Board of Directors, and the TVBA Board's Advisory Board. This strikes GCGI as there being too much structure around this tiny incubation program. Two alternatives are to

create a separate non-profit to operate the incubator under contract with the City, or to restate the TVBA bylaws to accommodate non-resident board members.

c. The plan says "the board would like to expand the network of service providers" for the TVBA. GCGI believes this is an important goal, given the discussion surrounding Figure 2 (see page 11) that many TVBA participants have not utilized a number of available existing service providers, both public/non-profit and private. An important role of the TVBA, besides providing business assistance directly through its board members' mentorships, is to link participants with credible and qualified service providers. This will reduce the burden on the mentors, and expand the breadth of services and how they are provided to participants. GCGI believes TVBA management also should work with external service providers who are not meeting participants' needs to help them revamp their service offerings; however, this is not a reasonable expectation as long as the TVBA staffing is so minimal.

5.0 Current Rental Rates

a. As discussed above, TVBA participants receive large rent subsidies whether they are in Phase I or Phase II of the incubator. They receive a subsidy equal to 67% of their rent in Year 1 of participation in the incubator, and 33% in Year 2. GCGI has several concerns with these subsidies. First, they cause a large loss of potential program revenue to the TVBA at a time that GCGI believes the incubator needs to be improving its finances and reducing subsidies. Second, while they collectively add up to a substantial revenue loss to the incubator, they do not provide a large financial advantage to a typical TVBA. For example, the participant in a 200 square foot office in the Prior Lake City Hall will save $2000 in rent in Year 1, and $1000 in rent in Year 2.[13] Third, philosophically, GCGI believes a high quality incubation program should be able to charge a premium over market rental rates, given all of the assistance and services made available to participants, rather than have to offer a subsidy. Fourth, if Phase II is highly successful, it will become a significant financial burden to the City (at least is comparison to the City's current investment in the TVBA). For example, if 5 companies each of which has 5 employees are in Year 1 as outside participants and another 5 companies with 5 employees are in Year 2, then the City would be paying $56,250 in subsidies the first year.[14] Overall, GCGI recommends that the TVBA phase out its rent subsidy program.

b. As mentioned earlier, GCGI is concerned about the negative impact of the TVBA's requirement that an incubator participant remain in the City of Prior Lake for at least 5 years or face reimbursement to the City for the subsidy of rent and associated services. This section of the Phase II.2 plan states that the subsidy is forgiven if the company "remains in Prior Lake, or Scott County, at the EDA's discretion…" GCGI supports this consideration of a location broader than just the city limits, both because the City is likely to still gain considerable benefits from a graduated participant who stays in the County and creates jobs there, and because this will have a less negative effect on potential participants joining the TVBA. GCGI would like to see retention in Scott County being adequate in all cases, and not just at the Economic Development Authority's discretion.

[13] However, GCGI acknowledges that consideration also should be given to some of the costs in the $18.19/sf per year in operating expenses that also are being covered in the City's subsidization of the TVBA.

[14] Assuming $15/sf rental rate: 5 companies x 5 employees x (15 x .67) x 150 sf=25 x 10 x 150=$37500; 5 companies x 5 employees x ($15 x .33) x 150=25 x $5 x 150=$18750; $37500+18750=$56,250.

6.0 Selection Criteria

a. This section of the plan states that small businesses "involved in a significant change in direction or launching a new business product are eligible to apply." GCGI is pleased that this calls for inclusion of participants other than start ups. We recommend that the plan and other communications like the website clarify that "emerging businesses" include such situations, so that existing small businesses are not discouraged from applying. Put another way, consistency of this broader definition is needed.
b. Another selection criterion is "the applicant must have a product or service that may be commercialized within the time set forth in the lease agreement." This could be a problem, given some technology-based products and services may have a longer lead time than the three-year structure of the TVBA program. GCGI believes a participant should not be forced out of the TVBA at the end of year 3, as this is both artificial and could be detrimental to participants who, for whatever reason, need additional time in the incubator. GCGI recommends the TVBA adopt a more flexible graduation policy, such that a participant is evaluated in terms of their needs and ability to benefit from additional time in the TVBA, and then either be graduated or allowed to remain based on that evaluation. This should be combined with the phase out of the subsidized rents feature of the TVBA, but even if the subsidization is continued, a participant should be allowed to continue past year 3 at the same unsubsidized market rental rate.
c. The selection criterion "the applicant must have a written description of the business or a draft business plan" is acceptable to GCGI, provided that it is not misinterpreted as "the applicant must have a completed business plan before considered for admission." GCGI strongly believes that an important service of an incubator is to help the participant think through and develop its business plan, and may influence that plan to be different than what the entrepreneur envisioned when he/she entered the incubator. But this service is largely defeated if an incubator requires a final business plan before the candidate is even considered for admission.

7.0 Staffing Plan

a. This section does not adequately address the much discussed and acknowledged problem of the TVBA having only minimal staffing support. In estimating the value of what the City provides to participants, the assumption is that the City's Community and Economic Development Director and Community Development Specialist only devote 5% of their time to the incubator. Assuming a 40 hour work week, this translates to a combination of 4 hours of staff support per week. While additional City staff time is given sporadically (e.g., City Hall receptionist directing a TVBA participant's visitor to the incubator), the point is clear: the TVBA has inadequate staff support, and both its current operations and future prospects are greatly hampered by it. As discussed above, some in the incubator industry believe a manager must be full time to provide adequate time and attention to the program; GCGI does not subscribe to that philosophy, but we do believe it is difficult for a manager to oversee even a modestly-sized program in less than 50% of their time (or as much as 5 times what the TVBA staff can provide). Incubators cannot provide support services and business assistance if they do not have adequate staffing. Further, GCGI believes it is important for the incubator to have a full-time receptionist/administrative support person, so that the incubator is consistently under the watchful eye of someone who can be cognizant of everything from facility malfunctions to participant visitors' needing directions to personal or professional problems of a participant about which the manager should be informed.

8.0 Operating Budget for 2015

a. This section of the Phase II.2 business plan indicates that proposed 2015 revenues are $6000. Rent revenue is very small, both because of the small amount of rentable space in the TVBA facility in City Hall, and because of the rent subsidies offered to first and second year participants housed in the City Hall facility. In the context of the discussion above of the need for at least a 50% time manager and a full time support person, it should be clear that the TVBA is far from being financially self sustaining. This is a red flag that major changes must be made in the TVBA if it is to be viable in the intermediate and long term.
b. The last row of the table on page 12 of the Phase II.2 plan shows the other, and relatively massive, negative impact of the rent subsidy expense (i.e., the amount of money that the TVBA is paying off-site participants to subsidize their private-market rents). This subsidy pool is budgeted in FY2015 for $23,500. These off-site subsidies represent more than 50% of the FY2015 budget, and are almost 8 times that of the budget for business assistance. Further, the off-site rent subsidy went from an original budgeted amount of $10,000 in FY2014, to a revised amount that year of $22,000. GCGI believes the rent subsidy components of the TVBA are strangling the incubator financially, taking away funds that might otherwise be made available for staffing, programs and services, and must be greatly curtailed (or preferably eliminated) for the TVBA to have any opportunity to be sustainable and financially viable.
c. The recommendation by the TVBA Board of Directors that a part-time Executive Director be hired in FY2016 is correct, in terms of our discussion above about the need and what typical incubators have in the way of staffing, but it is not possible given the strained and unsustainable financial situation. <u>However, elimination of the rent subsidy program would free up enough funds (by increasing rental revenues and decreasing expenditures) to potentially fund at least a part-time position</u>.

9.0 Microenterprise Loans

a. It is not clear whether any TVBA participants have borrowed money through the microenterprise loan program. The modest cap of $10,000 per loan makes this program more attractive to non-technology entrepreneurs, although there may be less capital intensive technologies, like software, that might be able to work within this amount.
b. The plan indicates “incentives could also include partial/full loan forgiveness” in certain circumstances. GCGI discourages this, as it will lead to reduction over time in the funds available to lend, and thus reduce the “revolving” intention of this program.

10.0 Value of a Job

a. This is an interesting exercise, but GCGI believes more analysis and explanation of the results of the calculation is needed for the community and elected officials to fully understand why it is being presented and what it means.

Table 1 is GCGI’s assessment of where the current TVBA stands relative to the 2 principles and 10 best practices of successful business incubators that we presented in Section I of this report.

Table 1. TVBA Rating on Principles & Practices of Successful Business Incubation

Principles		Best Practices									
I. Aspire to ED impact	II. Sustainable bsns oper	1. Commit to principles	2. Mission consensus	3. Financial sustain	4. Recruit/ compensate mgr	5. Effective Board	6. Mgmt focus on client svcs	7. Customize to each client needs	8. Integrate into community	9. Develop Network	10. MIS, eval
H	L	M	M	L	L	H	L	M	M	M	L

GCGI has used a very simple scale of "low," "moderate," and "high" to score the TVBA against each principle and best practice. A "high" score means GCGI believes the current TVBA program is doing a good job of achieving that principle or practice. A "low" means we believe the TVBA is doing a marginal or poor job of achieving it. And "moderate," therefore, means it is somewhere between the high and low scores.

The TVBA gets highest marks for the principle of aspiring to have a positive economic impact through entrepreneurship—the board seems very committed to this. It also gets high marks on the effectiveness of its board of directors, primarily because of the high level of involvement the board has taken in providing mentoring to TVBA participants.

The lowest scores come in sustainability—both in Principle #II, and Best Practice #3. GCGI is very concerned that the TVBA is on very tentative footing financially, and could be forced to close down operations in at almost any time. We also are concerned that the TVBA does not have an adequate manager, in that its current reliance on the City's Community & Economic Development Director to run this incubator on 5% of his time (~2 hours per week) means the burden of business assistance falls largely on the volunteer board. Therefore, we've given low scores to Best Practices #4 and #6.

Moderate scores are given to the mission statement practice—TVBA has a mission statement, but there seems to be some confusion or disagreement of whether professional services industries are emphasized as well as technology ones. GCGI also gave a moderate score to Best Practice #7 because the TVBA relies extensively on board member mentoring, rather than offering a mix of assistance types, but does seem to vary the mentoring content and style a bit from one participant to another (although it is possible that this variability is caused by different preferences and styles of individual board members, rather than customization by participant need or learning style). GCGI also scores TVBA as moderate on integration into the community and resource network practices (Best Practices #8 and #9), because we see interest and cooperation within the TVBA leadership, but we believe the effectiveness is not as high as it needs to be.

In conclusion, the current TVBA has some very positive and commendable attributes, but GCGI is very concerned that its longevity is at very high risk, both because of the lack of a sustainable financial model, the sharply divided political support, lack of adequate staffing, and the heavy reliance on volunteer board members to provide business assistance to program participants. GCGI believes that significant changes must be made to the TVBA structure and operations, or its ultimate failure and closure is likely.

III. Options for TVBA Expansion

III.a Market analysis

Given GCGI's dire prediction that the TVBA cannot be sustained long term in its current form, our analysis turned to considering alternatives for the incubator that might be sustainable. As we considered those alternatives, we wanted to determine if there is a larger market that the TVBA could be addressing, beyond technology (and possibly professional services). The Phase II-2 business plan calls for keeping a waiting list of entrepreneurs interested in becoming clients but no such list currently exists and therefore cannot be used to judge the level of unsatisfied demand for the TVBA.[15] Even if such a list existed, GCGI would still want to "cast the net widely" to see how much interest there may be in an expanded or relocated TVBA in Scott County. Therefore, a market survey was prepared and distributed widely in the region.[16]

Beginning in the Fall of 2015 and continuing through February 2016, GCGI, City staff, and third parties like the Prior Lake Chamber of Commerce and Scott County First Stop Shop worked very hard to distribute the survey through direct mailings, Facebook posts, and distribution at an all-day workshop on the Small Business Innovation Research (SBIR) Program held in the Prior Lake City Hall. GCGI, First Stop Shop and City staff also teamed to send the survey to a database of hundreds of Scott County small businesses in technology and professional services industries. Despite these substantial efforts, a total of only 35 surveys were received back. In comparison, GCGI would like to receive 100 completed surveys, and got 115 survey responses when doing an incubator feasibility study in a rural, remote county in south central New Mexico.

Of the 35 survey responses received, 30 said they thought the TVBA was a good idea; that's 85% of respondents which sounds high, but is actually lower than the 90+% GCGI sees in its surveys regarding incubators elsewhere.

And out of the 35 respondents, a total of only 9 said they would be interested in becoming a tenant of the TVBA. This included 8 that were interested in being incubated, and two that said they might become anchor tenants of the incubator (discussed in greater detail later, but defined here as a tenant that does not need the business services provided in an incubator).[17] If we assume that the 7 current participants of the TVBA would want to be tenants of an expanded incubator, then this brings the total identified tenants of a new TVBA to 16 companies.

To put into perspective this number of survey respondents who might become tenants of the TVBA, Table 2 shows how many tenants are needed to achieve certain occupancy levels in a business incubator. The table shows occupancy levels ranging from 30% to 100%. Incubators typically start with

[15] GCGI heard that this list is not maintained because the TVBA space in the Prior Lake City Hall is full with no expected vacancies in the near term and there was concern that creating such a list would create false hope of entrepreneurs on it. GCGI also believes that staff has barely any time to work with existing participants in the TVBA, and therefore does not have any time to recruit, interview, and maintain lists of prospective participants.

[16] This survey is in addition to the one given to current and past participants in the TVBA, although there are some similar questions in both surveys.

[17] The number of incubating (8) and anchor (2) tenant candidates exceeds the total number of survey respondents who would consider becoming a tenant of the TVBA (9) because one respondent marked their survey to indicate an interest in being an incubator or anchor tenant.

lower initial occupancy levels, and then grow in the number and size of tenants with the goal of reaching around 90% occupancy.[18] The table also shows different incubator sizes: incubator facilities considered

Table 2. Tenants required to achieve various occupancy levels

Building Size (sq ft)	Occupancy Level							
	30%	40%	50%	60%	70%	80%	90%	100%
2,000	2	2	3	4	4	5	5	6
3,500	3	4	5	6	7	8	9	11
7,500	7	9	11	14	16	18	20	23
10,000	9	12	15	18	21	24	27	30
12,500	11	15	19	23	26	30	34	38
15,000	14	18	23	27	32	36	41	45
20,000	18	24	30	36	42	48	54	60

in this study varied considerably in their facility square footage, so Table 2 shows a range of 2,000 to 20,000 sf.[19] The green-shaded cells show the occupancy level that 16 tenants would achieve in incubators of various sizes. A tenant base of 16 entrepreneurs would fill an incubator that is 3,500 sf or less in size. However, the occupancy level achievable with 16 companies drops rapidly for larger incubators—it only fills 70% of a 7,500 sf incubator, and less than 30% of anything larger than 15,000 sf. GCGI typically likes to see an initial occupancy of about 60%.

Therefore, not only is the overall number of survey respondents modest, but it appears from Table 4 that the small number of respondents who would consider becoming tenants in the TVBA would provide a desirable 60% initial occupancy level only if the incubator is a relatively small 10,000 sf in size or less. Section III.f of this report delves into the operating financial projections for various sizes of a new TVBA facility, but suffice it to say here that is very difficult to reach self sustainability if the incubator is so far below the industry average of about 32,000 sf.

Table 3 indicates the general industries of the survey respondents interested in becoming tenants of the TVBA. Only a fraction would appear to meet a definition of "technology" or even "professional services," so this means that a TVBA catering to all of these potential tenants would need to be revamped as a "mixed-use" incubator that works with clients in a wide variety of industries.

Table 3. General Industries of Market Survey Respondents Who Are Potential TVBA Tenants

Restaurant/pub	Custom-made acoustic & electric string instruments	Nature-based apparel & accessories
Mobile specific product to real estate industry	Insurances—life, health, WI, accidental death	Software tools & data management
Chunky knit items	Vehicles (high speed, safe bike)	IT consulting services, cloud & web development

[18] It is virtually impossible for an incubator to have 100% occupancy, as will be discussed later in this report

[19] In this table, buildings are assumed to be 75% net leasable; e.g., in a 10,000 square foot facility, about 7,500 square feet would be available for lease to incubator tenants. Further, the average incubator tenant is assumed to occupy about 250 square feet, which is far below the average of about 1,700 to 1,900 square feet reported in the National Business Incubation Association (NBIA) publications Business Incubation Works (1997) and 1998 State of the Business Incubation Industry (SBII). The 2012 update to the SBII does not state an average, but other data in that report suggest it to be about 625-650 square feet

Before moving on, it should be noted that another 14 respondents to the market survey expressed interest in receiving services at an expanded TVBA, even though they would not want to become tenants of the incubator. This suggests that there is at least a modest market for non-tenant participants of the TVBA, who may be working out of their homes, or already have a business location that meets their needs. GCGI believes the TVBA should consider providing services to such off site clients, like it does to its current off-site participants who receive rent subsidies. They could expand the program's reach, and provide a modest revenue source as discussed in Section III.f. However, GCGI notes that these potential service users are not highly committed to becoming part of the TVBA: given a choice between indicating that they "likely" will use services at the incubator versus "maybe" use them, 80% chose the latter, less enthusiastic response.

Therefore, based on the market survey results, GCGI concludes there is only a very modest market for a TVBA-type incubator, beyond what is already being served in the current incubator. We feel the TVBA board and management must be very cautious about plans to expand, as massive increases in size and number of participants is not supported by the survey results.

It is possible that GCGI did not reach most or all of the entrepreneurs in Scott County that would like to become part of an expanded TVBA. As discussed later, some who received the survey may not have felt it was for anyone but Prior Lake residents and entrepreneurs. And one community leader, when told that we were not seeing many survey responses, offered an explanation that "people here don't like to fill out surveys," both because they fear that a virus or cookie is attached to an online survey, and because they are constantly being asked to complete surveys (he observed that several fast food chains ask you to fill out surveys after purchasing a meal).

To account for the possibility that the market survey did not reach its intended audience, GCGI collected and analyzed published data from the US Census Bureau, Internal Revenue Service, and Bureau of Labor Statistics.

Location quotients (LQs) are used to identify strengths and weaknesses in an area's economy. LQs, calculated by the U.S. Bureau of Labor Statistics (BLS), compare the distribution of jobs in a county with that of the nation. If a county has a higher than average concentration of jobs in a particular industry, then it has an LQ greater than 1 (>1). If it has a lower than average concentration of jobs in an industry, then the county's LQ for that industry is less than 1 (<1). LQs do not show how many jobs a community has in various industries, but instead show what industries have higher and lower concentrations of those jobs than an average community in the US. Note that, because they are based on employment, the BLS LQs do not consider microbusinesses and other non-employer business activity.

Table 4 shows BLS LQs for Scott County for 2014, the most recent year for which data are available. Data are broken down by 2 digit NAICS industry codes. Highlighted are those industries that have LQs that are higher than 1.25, or lower than 0.75. That means that the highlighted industries either have 25+% more employees in them in Scott County than the "average" community in the US, or has fewer than 75% as many employees as the average community. The "high" industries are indicated by green shading, and the "low" industries by pale red shading.

In a deeper analysis of the BLS LQs than reflected in Table 4, GCGI determined that the industry with the highest concentration of employees, compared to the national norm, is NAICS 323, Printing and Related Support Activities, with a score of 10.6.[20] That means Scott County has more than 10 times the number of employees in this industry than would be expected in a typical US County of its size. The industry with the lowest concentration is NAICS 523, Securities, Commodity Contracts and Investment Services, with an LQ of only 0.14. That means that Scott County only has 14% as many employees in this industry as would be expected.

The traditional interpretation of LQs is that high numbers (>1) represent industries in which the community's economy is strong, and likely represent industries where the community exports goods and services to other communities. GCGI believes this is probably an accurate reflection of NAICS 323, where the LQ of 10.6 reflects the Shutterfly operation in Shakopee that exports printing work outside of Scott County. The traditional interpretation also says that these high LQ industries represent strengths of the local economy that should be exploited, with economic development efforts focused on supporting and expanding those industries' presence in the community. Likewise, the traditional interpretation of low LQs (<1) is that these are industries that, for whatever reason, don't do well in the community, and therefore they should not be given much attention in economic development efforts. This might explain NAICS 448, Clothing and Clothing Accessories Stores, where the weak 0.17 LQ for Scott County could be interpreted to say that clothing stores don't do well here because shopping alternatives outside of the county, such as the Mall of America, meet that demand.

Table 4. Bureau of Labor Statistics Location Quotients for Scott County

Industry	Scott County, 2014
Base Industry: Total, all industries	1
NAICS 11 Agriculture, forestry, fishing and hunting	0.29
NAICS 21 Mining, quarrying, and oil and gas extraction	0.33
NAICS 22 Utilities	0.67
NAICS 23 Construction	1.77
NAICS 31-33 Manufacturing	1.41
NAICS 42 Wholesale trade	1.38
NAICS 44-45 Retail trade	0.95
NAICS 48-49 Transportation and warehousing	1.03
NAICS 51 Information	0.34
NAICS 52 Finance and insurance	0.4
NAICS 53 Real estate and rental and leasing	0.58
NAICS 54 Professional and technical services	0.73
NAICS 55 Management of companies and enterprises	0.21
NAICS 56 Administrative and waste services	0.82
NAICS 61 Educational services	0.34
NAICS 62 Health care and social assistance	0.81
NAICS 71 Arts, entertainment, and recreation	3.39
NAICS 72 Accommodation and food services	1.04
NAICS 81 Other services, except public administration	1.4
NAICS 99 Unclassified	NC

Using the traditional interpretation, then some LQs for Scott County do not bode well for the current focus of the TVBA. While there is no NAICS industry classification for technology, we might consider in Table 6 the industries NAICS 51, Information, NAICS 54, Professional and Technical Services, and NAICS

[20] This and other 3 digit NAICS industries are incorporated in the 2 digit data shown in the table here, but these values are not explicitly shown

61, Educational Services, as encompassing at least some such industries. Unfortunately, the LQs for these three NAICS industry codes are 0.34, 0.73, and 0.34, respectively. The traditional interpretation would say these are not strong industries in Scott County for whatever reason, and therefore they should not be given attention in economic development efforts.

However, there is an alternative interpretation of LQ data. That is, some under-represented industries (i.e., those with LQs less than 1) are opportunities for new entrepreneurial entry and growth of existing businesses because they are under serving the community. Similarly, this counter interpretation would say that some industries with LQs of more than 1 are overbuilt and over-represented industries that cannot be sustained in the long term. Presumably these overbuilt industries will go through a shakeout period during which they will reduce their presence in the community (thus lowering their LQ), but that likely will occur over time and won't be seen in a single year's LQ data.

GCGI believes that LQs highlight some industries that follow the traditional interpretation, and some that follow the alternative or counter interpretation. Therefore, we asked the TVBA Board of Directors to comment on the BLS LQ data, and got feedback that the BLS LQs suggest the technology market for the TVBA is limited, but that other data should also be considered in this analysis.

Subsequent to sending the BLS LQ data to the TVBA Board for comment, GCGI analyzed some data regarding the average size of various types of businesses in Scott County. In particular, we looked at the size of the average firm in NAICS 54, Professional & Technical Services. Table 5 shows that, while the average firm in this industry has more than doubled in size in Scott County in the past decade, the average firm in Scott County is still much smaller than those in the state or nation. This raises an

Table 5. Average Number of Employees per Company

Scott County, 2004	Scott County 2014	Minnesota 2014	USA, 2014
2.6	5.5	8.3	9.5

important point: is it possible that the LQs from the Bureau of Labor Statistics are not an accurate reflection of entrepreneurial activity and opportunities in Scott County? Put another way, 1 company employing 100 software developers would not be the same as 50 companies, each employing 2 developers, in terms of the level of potential entrepreneurial interest in something like the TVBA. Therefore, GCGI ran a second Location Quotient calculation, this one based on the number of businesses, rather than on number of jobs. Table 6 shows the results. LQ data are shown for three categories of businesses. The first is all business establishments that have 1 or more employees. The second is for only those establishments that have fewer than 5 employees. And the third is for businesses that have no employees, known as nonemployers. Again, we have highlighted cells for industries that have very high LQs (>125) and very low LQs (<75), with green indicating high and red indicating low.

Three industries mentioned above as containing some of technology businesses, Information (NAICS 51), Professional & Technical Services (#54), and Educational Services (#61) have higher company-based LQs than job or labor based LQs. For example, Professional & Technical Services had an LQ of only .73 on the BLS LQ data (Table 4 above), but has company-based LQs of 1.06 to 1.20 here. Put another way, even though the fraction of the Scott County workforce in Professional & Technical Services is far below the

Table 6. Company Based Location Quotients for Scott County

Industry	All Employer Establishments	Establishments <5 employees	Nonemployers
NAICS 11 Agriculture, forestry, fishing and hunting	0.42	0.53	0.71
NAICS 21 Mining, quarrying, and oil and gas extraction	0.57	0.14	0.06
NAICS 22 Utilities	0.65	0.28	0.59
NAICS 23 Construction	1.88	1.84	1.10
NAICS 31-33 Manufacturing	1.51	1.44	1.31
NAICS 42 Wholesale trade	1.09	1.03	1.15
NAICS 44-45 Retail trade	0.71	0.57	1.30
NAICS 48-49 Transportation and warehousing	1.15	1.16	0.93
NAICS 51 Information	0.48	0.46	0.84
NAICS 52 Finance and insurance	0.74	0.77	1.24
NAICS 53 Real estate and rental and leasing	1.06	1.13	1.06
NAICS 54 Professional and technical services	1.14	1.20	1.06
NAICS 55 Management of companies and enterprises	1.01	1.19	n/a
NAICS 56 Administrative and waste services	1.35	1.42	0.72
NAICS 61 Educational services	0.90	0.92	1.11
NAICS 62 Health care and social assistance	0.67	0.62	0.91
NAICS 71 Arts, entertainment, and recreation	1.25	0.92	1.06
NAICS 72 Accommodation and food services	0.71	0.55	0.44
NAICS 81 Other services, except public administration	0.87	0.74	0.89
NAICS 99 Unclassified	1.15	1.03	n/a

national average, the fraction of the County's business establishments in this industry is actually slightly higher than average. GCGI believes the latter is a more useful value when assessing an economic development project like an incubator, because it says there is an above average number of firms that could become participants and tenants. However, GCGI notes that the technology/professional services industries on which the TVBA has been focused are not the "best" under either the traditional or counter interpretations of LQs, with the possible exception of NAICS 51, information.

Under a traditional interpretation of LQs, and among the three NAICS categories that GCGI believes contains some technology-related businesses (#51, #54 and #61), it appears that the best opportunity would be business establishments with fewer than 5 employees who are in the Professional and Technical Services. This segment has an LQ of 1.20, suggesting there are 20% more professional & technical services firms who have only a few employees (<5) in Scott County than would be expected in an average county of this size.

So if firms in professional and technical services are a candidate industry for the TVBA, what kinds of businesses are in this industry? The full title of this NAICS category is "professional, scientific and technical services" (PSTS), and consists of the subindustries shown in the first column of Table 7. It includes some industries which GCGI assumes are not of interest to the TVBA as incubator tenants or participants, such as lawyers. However, there are some other very relevant subindustries, including computer system design, management/scientific/technical consulting, and scientific research & development.

The second column of Table 7 shows that there are over 1,500 nonemployer businesses in this industry in Scott County, with the bulk of them being in "other" services, consulting, and computer system design. This industry is dominated by these nonemployers in Scott County—there are 1,510 nonemployer firms in PSTS, while there are only 424 firms in this industry that have employees (see the third column of Table 7); put another way, there are over 3 nonemployer PSTS firms for every employer.

Table 7. Number of Firms in Professional, Scientific & Technical Services Industry

	Scott County, 2013			Prior Lake, 2013	
Professional/Sci/Tech	Nonemployers	All Employers	Employers w/ <5 Employees	All Employers	Employers w/ <5 Employees
Legal services	59	26	19	9	7
Accounting/tax	137	43	35	10	8
Architect/engineer	92	40	35	7	5
special design	130	17	16	3	2
computer system design	181	150	142	39	37
Mgmt/sci/tech consulting	317	84	73	32	31
Scientific R&D	3	5	4	1	1
Advertising	82	16	14	2	2
Other prof/sci/tech svcs	509	43	28	11	5
Total	1510	424	366	114	98

However, note that the mix of subindustries among Scott County employers in this industry is very different than the nonemployers: while "other" services makes up more than one-third of nonemployer PSTS firms, it is only about 10% of employer firms in this industry (43 of 424 employers). The largest subindustry among employers is computer system design, with 150 such firms in the County.

The fourth column of Table 7 makes an important point about the computer system design firms in Scott County: almost all of the ones that have employees have fewer than 5 employees. More specifically, 142 of the 150 employers in this subindustry have 4 or fewer employees. And when combined with nonemployers in this subindustry, computer system design includes almost 350 small firms. Given the success that the TVBA has had with software-related firms, GCGI believes these data are good news and could suggest that this subindustry needs to be further targeted by the incubator.

The last two columns of Table 7 help us make a very important point: the TVBA cannot, either in perception or reality, only cater to Prior Lake. Out of 150 computer system design firms in Scott County (the ones who have employees), only 39 are in Prior Lake, or only about 26% of the county's total.[21] Similarly, only 38% of management/scientific/technical consultants in the county are located in Prior Lake. Therefore, if the incubator is only open to Prior Lake residents and businesses, or is perceived to only be open to them, then the market for the TVBA is being cut to a small fraction of what it would be if the incubator appeals to a broader geographical market.

Unfortunately, a number of factors may make the current TVBA unattractive to "outsiders," i.e., entrepreneurs from outside of Prior Lake. First, a location inside of the Prior Lake City Hall may leave a perception that the TVBA is for "the people of Prior Lake." Second, the subsidies given to TVBA participants are guaranteed to be forgiven only if they remain in Prior Lake, which may not appeal to a resident of other parts of Scott County.[22] Third, the Phase II off-site subsidies are only available to businesses located in Prior Lake. Finally, the bylaws of the TVBA apparently stipulate that members of the government Board of Directors must be residents of, or have strong business ties to, Prior Lake.

[21] Note that no city-level data are available for nonemployers, and therefore this table does not include a nonemployer column for Prior Lake

[22] As indicated in Section ___, the EDA Board may make an exception and allow subsidy forgiveness if the firm remains in Scott County, but this is not well known nor is it assured—it still requires the board to make an exception, so this appears as a "must stay in Prior Lake" requirement

Given the success that the TVBA has had with software developers, and therefore that computer system design appears to be at least one subindustry which the TVBA may want to pursue more aggressively, GCGI did some further analysis of what kinds of firms are located in this subindustry. Table 8 shows the make up of this NAICS code 5415. Note that details are only available for business establishments with employees; i.e., nonemployer data at the 4 digit NAICS level are not available.

Table 8. Companies in Computer Systems Design Subindustry

	Scott County, 2013			Prior Lake, 2013	
NAICS 5415 Computer Systems Design	Nonemployers	All Employers	Employers w/ <5 Employees	All Employers	Employers w/ <5 Employees
Custom computer programming svcs		77	75	24	23
Computer systems design services		44	40	9	9
Computer facilities mgmt svcs		5	5	2	2
Other computer related svcs		24	22	4	3
Total	181	150	142	39	37

The largest segment of this subindustry is custom computer programming services—it makes up more than 50% of the subindustry, regardless of whether only smaller employers (fewer than 5 employees) are considered or whether we consider all of the County or just Prior Lake. GCGI believes this is positive, given that this would appear to be a relevant NAICS subindustry code for several of the current TVBA participants who are software developers. A distant second place, in terms of size, is computer system design services.

Once again, the importance of appealing and catering to the market of all of Scott County and not just Prior Lake is seen. Only about a third of the firms in custom programming are in Prior Lake, so broading the TVBA market appeal to the entire County could triple the number of potential software participants in the incubator.

The one other data point that should be emphasized is the ratio of nonemployer to employer firms in NAICS 5415, computer systems design. There are 181 nonemployer firms, compared to 150 employer firms in the County, or about 1.2 nonemployers for each employer. This is in sharp contrast to what was discussed earlier, namely that in Scott County there is an average, across all industries, of 3.6 nonemployers for each employer firm. Therefore, this is a subindustry that is not dominated by nonemployers like others are. This is not what GCGI would expect; we would expect something like software development to be dominated by nonemployers because of the low costs to entry for new entrepreneurs in this group as a result of this industry being a service and computers being relatively inexpensive. The lower ratio of nonemployer to employer could be the result several factors. One is that those who started as nonemployers have grown rapidly, had to add personnel, and therefore become employer firms. Another is that there has been a “shaking out” of nonemployers, perhaps because of the recent severe recession. Yet another is that software developers may be in high demand in the Twin Cities region, and therefore individuals who might have started their own, nonemployer small business have instead joined other firms that have made lucrative compensation offers.

To summarize this assessment, consideration of a location quotient that looks at numbers of firms rather than jobs suggests that the TVBA has been focusing on segments of the market that are reasonable but not the most lucrative ones. Further consideration of the make up of one such segment, the professional, scientific and technical services NAICS code, suggests there are substantial numbers of

such firms, including small ones (fewer than 5 employees) and microbusinesses (nonemployers) that might be candidates for the TVBA, but that this segment is much bigger if the entire Scott County area can be considered as a viable target. Finally, within that PSTS industry, the Computer Design Services subindustry is dominated in both Prior Lake and Scott County by custom software development firms, although the number of nonemployers is much smaller than would be expected relative to the number of employing firms in this subindustry.

GCGI concludes that the TVBA has been pursuing a reasonable target market, given the make up of the local economy. The lack of greater success, both in terms of numbers of entrepreneurs proactively seeking admission into the incubator and in terms of the low number of respondents to the market survey, suggests several things. First, as discussed above, GCGI is concerned that the TVBA has not given positive signals to non-Prior Lake entrepreneurs that they are welcomed into the incubator. Second, there may be a dampening effect, caused by the low number of nonemployers in computer design services, in terms of demand for the TVBA. Third, the TVBA may not be providing the breadth of services, or the appropriate facilities, to appeal to entrepreneurs in this area. Finally, GCGI believes that a broader focus than computer related entrepreneurs, or even technology entrepreneurs, needs to be taken to ensure a large enough market for the incubator, particularly as consideration is given to a relocated and expanded TVBA.

III.b Relocation/Expansion Alternatives

The RFP asks for consideration of both relocation as well as expansion of the TVBA in this analysis. GCGI believes there are few options for expansion in the current location. As discussed in the Phase II.2 Business Plan for the TVBA, acquisition of additional space within the Prior Lake City Hall is unlikely, for a variety of reasons. Further, as discussed in the prior subsection, GCGI believes that the City Hall location may provide the wrong signals to non-Prior Lake entrepreneurs who otherwise might be interested in participating in the TVBA.

A variation on expansion in the current location is to use the existing space more intensively. As discussed earlier, the TVBA space is about 2,000 sf in size, but only 5 leasable hard-walled offices are included. Assuming the offices average 200 sf in size, that means that only 1,000 sf, or only 50% of the space, is leasable under the current configuration. In contrast, GCGI's goal on other incubator projects is to reach 70-80% net leasable. A higher leasable fraction would allow the TVBA to accommodate more participants (or participants needing more than one space), and would increase rental revenues to push the incubator closer to financial sustainability (or, alternatively, to help pay for at least half time staffing for the TVBA).

Unfortunately, even if the current TVBA facility was reconfigured to be 80% leasable, it still could not begin to generate revenues needed to cover its operating costs. Under the current rental strategy of discounting first and second year participants' rents, GCGI estimates this more intensive incubator would generate about $18,000 in rental revenues, which is only two-thirds of the "Reimbursable Expenses" calculation used by the TVBA to estimate its most basic operating costs of the TVBA (and only including 5% of two staffers' time, or 4 hours total per week).

Another variation would be to continue to utilize the space in the Prior Lake City Hall, and supplement it with additional space elsewhere. GCGI has two concerns with this alternative. First, based on our first hand experience operating a business incubator with two locations, this would be a much more costly incubator to develop and operate, largely because of required duplications of resources such as conference rooms and office staff, and the inherent inefficiencies (i.e., lower net leasable fraction of space) of having two smaller facilities rather than one larger one. Second, the operating financials surrounding the City Hall location are so unfavorable that GCGI believes that operation of that location would drag down the financial viability of a second location that would, in effect, have to subsidize the losses on the City Hall location. And, as will be discussed below, GCGI does not perceive that there are many other locations that will generate sufficient net revenues of the magnitude needed to cover the losses on the City Hall location.

III.c Alternative Locations

Based on concerns expressed in Section III.a regarding expansion or continued use of the Prior Lake City Hall location, GCGI considered a variety of alternative new locations for the TVBA. Financial parameters for these alternatives are presented here, assuming these are used to house the TVBA instead of the current City Hall location. If one wants to consider the financials of a TVBA that includes one of these alternative locations as well as retaining the City Hall location, then the data presented here can be used to assess whether the combination would be financially viable or not in its operations, remembering again that the City Hall location is running a sizable operating deficit.

The starting point here was to identify real facilities and properties, currently on the market, that might be used to accommodate the TVBA. While it is possible that currently available properties will no longer be on the market by the time the TVBA relocates and expands, we want to base our financial projections on realistic examples of the types of properties that are available and at what cost. GCGI found very few alternatives in Prior Lake, and therefore included properties elsewhere in Scott County under the assumption that a more regional incubator, as mentioned in the RFP, would be a possible future for TVBA.

Table 9 summarizes the 7 properties that GCGI considered. Because the small size of the existing TVBA suggests what would feel comfortable to stakeholders, given the uncertain market for a larger incubator, and given what is currently available on the market, many of the properties are relatively small and all are below the NBIA average of 32,000 sf.

Property #1 is a professional office building located at 14070 Commerce Avenue NE in Prior Lake. Approximately 2,000 sf are available for lease at a rate of $12/sf per year, on a net basis, and another 6,040 sf can be purchased for an asking price of $800,000. GCGI considered both lease and purchase, and therefore considered both the 2,000 sf and 6,040 sf options.

Table 9. Alternative Properties for Relocated/Expanded TVBA

	1. Commerce Avenue	2. Savage Business Lofts	3. Downtown Prior Lake	4. Savage Center	5. Fish Point Rd	6. Boudin Street	7. Generic Existing Building
Own/lease	Own/lease	Own/Lease	Own/Lease	Lease	Own/Lease	Lease	Own
Incubator	2-6k sf	3.9k sf	3.3-4.3k sf	4.8k sf	10-21.6k sf	10k sf	10k sf
Anchor	0 sf	0 sf	0k sf	0 sf	0-25k sf	15k sf	5-10k sf
Total SF	2-6k sf	3.9k sf	3.3-4.3k sf	4.8k sf	10-46.6k sf	25k sf	15-20k sf

Property #2 is an office condominium project at 8696 Eagle Creek Parkway in Savage. A 3,846 sf unit is available for sale or lease; the price is $375,000 to purchase or $6,000 per month plus utilities, to lease.

Property #3 is located at 16154 Main Avenue SE in Prior Lake. It includes a 4,300 sf vacancy that could be used for office, service or retail. It is offered for lease at $15/sf per year, on a gross basis, or for sale at $430,000.

Property #4 is in Savage at 4801-4835 W. 124th Street. It appears to be a former strip shopping center that has been converted into offices. A total of 4,835 sf of space is currently available for lease at a rate of $9.50/sf per year, on a modified gross basis.

Property #5 is a large facility constructed of concrete at 16873 Fish Point Road in Prior Lake. It consists of 46,550 sf of space. It is being made available under a series of options. One is a straight lease of up to 21,900 sf of space at an attractive $4.50/sf per year. Another is a purchase of the entire facility for $2.7 million. Another is to purchase the entire facility, but then lease back 25,000 sf to the current owner.

With this latter possibility of having a non-incubating tenant in the TVBA facility, GCGI is introducing the concept of having one or more anchor tenants in the incubator. Anchors are defined as tenants who do not want or need incubator services and programs, but which occupy space in the incubator for a variety of reasons. First, anchor tenants sometimes serve as mentors or role models for other tenants that are start-up and early stage entrepreneurs. Second, anchor tenants sometimes represent market opportunities for other tenants, as the anchors may purchase goods and services from them. Third, in the case of anchor candidates in the business services industry, they might assist the incubator management in providing valuable business assistance to other tenants and clients of the incubator. Fourth, an anchor tenant might serve as a magnet to attract desirable types of existing and start-up businesses to the incubator. Finally, in the case of the TVBA, GCGI perceives there is an opportunity to generate considerable revenue from anchor tenants which can help the incubator achieve financial self sustainability. This later point is key, especially given the uncertain and perhaps smaller market for the TVBA, and therefore will be discussed further in a later subsection of this report.

It should be noted that anchor tenants are often included in business incubators. The 2012 State of the Business Incubation Industry (SBII) by NBIA indicates that 57% of North American incubators have anchor tenants, and those anchors occupied an average of 15% of the incubator space. It also is not necessary for the anchor to be in the same facility as the rest of the incubator, although such a division is not optimal since this reduces opportunities for the synergistic interactions between the anchor and incubating tenant companies.

Two of the TVBA market survey respondents expressed an interest in being anchors, although one of them also said they might become an incubating tenant. It is not clear that this respondent understood the distinction of anchor from incubating tenant.

GCGI believes there are several opportunities to attract anchor tenants to this incubator. For one, it may be possible to find an organization (for profit or not) that would like to support the TVBA incubator and Scott County entrepreneurship, and is willing to be an anchor to do this. For another, the lack of currently available commercial and industrial properties in Prior Lake,

especially consisting of 5,000 (or more) sf of space, suggests there may be a market among existing firms seeking such a larger space. And finally, the Prior Lake Economic Development Authority may want to have a "spec building" that they can market to relocating industries, and therefore the EDA might work with the incubator to provide "spec space" in a facility for the expanded TVBA.

Property #6 is a 25,000 sf neighborhood shopping center at 6880 Boudin Street NE in Prior Lake. Space therein is available for lease at $19/sf per year, triple net. GCGI assumed, for purposes of this analysis, that all 25,000 sf of space is available, and 15,000 sf feet would be subleased to one or more anchor tenants.

Finally, Property #7 is the only alternative considered by GCGI that is not an actual commercial/industrial property currently offered for sale or lease. GCGI assumed both 15,000 sf and 20,000 sf variations. GCGI also assumed that some fraction of this building, which would be purchased, would be leased to one or more anchor tenants. This alternative also would encompass new construction of the TVBA facility, under the assumption that construction costs would be similar to those of purchasing an existing building.

Therefore, GCGI considered both leasing a building, or acquiring or building one for the TVBA. We also considered sizes ranging from 2,000 sf to almost 22,000 sf of incubator space. Some alternatives assume anchor tenants are included, with their size ranging from 5,000 sf to 25,000 sf.

III.d Cost to Develop New TVBA

Given these seven alternatives, GCGI then estimated the cost of developing the TVBA in each. In some cases, GCGI had to consider 1 or more variations on the base scenario; for example, the Property #1 scenario includes one alternative where 2,000 square feet is leased by the TVBA, and a second one where 6,040 square feet is purchased by the incubator.

Table 10 details the approximate development cost for each property scenario and variations thereon. Assumptions behind these estimates include:

- Existing buildings are acquired at 90% of their asking price
- Renovation costs range from $20 to $80 per square foot, depending on whether existing space is being "freshened" (such as repainting and reflooring existing office space) or being newly constructed in an existing building shell.
- A$50,000 allowance is given for each scenario to provide basic common area furnishings, shared equipment like photocopiers, and basic telecommunications infrastructure
- Contingency is set at 8% of renovation, furnishings/equipment to cover unexpected costs and overruns

Two lines of Table 10 deserve attention: they are "facility cost" and "total development cost."

The "facility cost" line is a summation of costs associated with acquiring, renovating, constructing, and otherwise developing a TVBA business incubator facility. The facility cost of a relocated TVBA ranges

Table 10. Development Cost for All Scenarios

	1.1 Commerce Avenue Lease	1.2 Commerce Avenue Purchase	2.1 Savage Business Lofts Lease	2.2 Savage Business Lofts Purchase	3.1 Downtown Prior Lake Lease	3.2 Downtown Prior Lake Purchase	4. Savage Center Lease	5.1 Fish Point Rd 10k sf Lease
Bldg/land acquis		$720k		$338k		$ 387k		
Renovation	$ 40k	121k	$ 77k	77k	$ 215k	165k	$193k	$ 800k
Furnish/equip	50k	50k	50k	50k	50k	50k	50k	50k
New construction								
Soft costs								
Contingency	7k	14k	10k	10k	21k	17k	19k	68k
Facility Cost	$ 97k	$904k	$137k	$ 475k	$ 286k	$619k	$263k	$ 918k
Subsidy	700k+	530k+	915k+	550k+	950k+	600k+	575k+	680k +
Total Devel Cost	$ 797k+	$1,434k+	$ 1,052k+	$ 1,025k+	$ 1,236k+	$ 1,219+	$ 838k+	$1,598k+

	5.2 Fish Point Rd 15k sf Lease	5.3 Fish Point Rd 21.9k sf Lease	5.4 Fish Point Rd 46.6k sf Lease w/Anchor	5.5 Fish Point Rd 46.6k sf Purchase	5.6 Fish Point Rd 46.6k sf Purchase w/Leaseback	6. Boudin Street Lease	7.1 Generic Existing Building 15k sf Purchase	7.2 Generic Existing Building 20k sf Purchase
Bldg/land acquis				$ 2,426k	$ 2,426k		$1,283k	$1,710
Renovation	$ 1,200k	$ 1,752k	$ 3,724k	2,974k	1,724k	$ 2,000k	1,050k	1,300k
Furnish/equip	50k	50k	50k	50k	50k	50k	50k	50k
New construction								
Soft costs								
Contingency	100k	144k	302k	242k	142k	164k	88k	108k
Facility Cost	$ 1,350k	$ 1,946k	$ 4,076k	$ 5,691k	$ 4,341k	$ 2,214k	$ 2,471k	$ 3,168k
Subsidy	710k+	745k	150k+	0k	45k	2,100k+	250k+	30k
Total Devel Cost	$2,060k+	$ 2,691k	$ 4,226k+	$ 5,691k	$ 4,386k+	$ 4,314k+	$ 2,721k+	$ 3,198k

from $97,000 for Scenario #1.1 to about $3.2 million for Scenario #7.2. The major factors contributing to this wide range of facility costs are:

- A leased building is cheaper than an acquired one, because the cost of purchase/construction is avoided
- A small facility of 2,000 or 3,000 sf is much cheaper to acquire and/or renovate than a larger one of 25,000 sf to over 46,500 sf.
- Some facilities are perceived to require only minor renovation while others will require the build out of office space in what is currently open industrial space.

In addition to "facility cost," Table 10 shows the "total development cost" for each of the scenarios for the relocated TVBA incubator. The latter figure takes the facility cost and adds in the estimated operating subsidies that the incubator will require. In the ideal situation where the TVBA incubator eventually breaks even and covers its own operating costs, this subsidy is a temporary liability; of great concern are those scenarios where break even can never be achieved, and therefore the TVBA would require a perpetual operating subsidy.

Such perpetual subsidies are extremely dangerous for any incubator to rely on, and GCGI strongly recommends that the relocated TVBA be developed so that it has a strong likelihood of reaching breakeven. The potential for each scenario to reach breakeven will be discussed more in the next subsection, but the importance here is that all of the scenarios shown in Table 7 that have a plus sign (+)

behind the estimated subsidy will never reach breakeven, and therefore will require perpetual subsidization.

With all development costs considered, the total cost to develop the TVBA business incubator ranges from $797,000 to $5.7 million. This wide range reflects the differences in facility cost discussed above, as well as differences in the required subsidy. In some cases, most of the development cost is facilities cost and not operating subsidies (see Scenario #5.5 and #5.6, for example). It also should be noted that, for any scenario that requires a perpetual operating subsidy, the total development cost does not reflect the total cost over time. It only includes operating subsidies to cover first 5 years of operations; additional years will require additional subsidy, and therefore will drive up the development costs beyond what is shown in Table 10. To reflect this dangerous and unfortunate "open ended" required subsidy situation, a plus sign (+) is shown along with the "Total Development Cost" for any such scenario. Note that most of the scenarios considered for the relocated TVBA incubator will require perpetual operating subsidies, and therefore are not recommended.

III.e Potential Funding Sources to Develop New TVBA

Given the range of development costs, GCGI then considered possible sources of funding to cover them. Table 11 summarizes the identified sources and approximate dollar values for each.

The first source shown is the Federal Economic Development Administration (EDA), the largest Federal funder of business incubators. GCGI spoke with the EDA representative for Michigan, Minnesota and Wisconsin to make sure we were consistent with current EDA priorities and policies. EDA projects typically must meet economic distress criteria involving low per capita income and/or high unemployment. Unfortunately, neither Prior Lake nor Scott County meet either income or unemployment criteria. As options, an application could be submitted that targets particular zip codes or census tracts that do meet the criteria, but GCGI questions whether this can be done with a project like the TVBA emphasizing technology, and professional, scientific and technical services. Alternatively, eligibility could be established by way of a "special need," which is defined as a major job loss within the past 12 months of at least 250 jobs in non-retail, non-commercial occupations. Finally, Native American nations are eligible for EDA funding, regardless of whether they meet unemployment, income and/or special need criteria.

The amount of EDA grant money typically is tied to job creation (approximately $5,000 for each job created or retained), typically is restricted to 50% of project facility (i.e., hard) costs, and typically does not exceed $1 million per project—however, consideration will be given for requests of up to $2.5 million. GCGI abided by the 50% limit, but did assume amounts higher than $1 million for some of the more expensive TVBA relocation scenarios. An area of concern is the limitations on EDA funding for scenarios involving leased properties—EDA tends to not want to fund leasehold improvements to such property unless a long term (e.g., 20+ year) lease or commitment is in place. Acquisition of existing buildings also can be more difficult with EDA grant funds, but such costs are still eligible. Despite it already being an incubator, the TVBA relocation project would be eligible for EDA funds. When asked if the TVBA would need to show in its application to EDA, an ability to reach break even in its operations (i.e., cover its operating costs out of its operating revenues) within a few years, GCGI was told "absolutely." At this stage of analysis, GCGI assumed all property scenarios considered for the TVBA could meet the EDA eligibility criteria. Therefore, per Table 11, EDA is assumed to contribute between $49,000 and $2.8 million to the cost of developing a new TVBA facility.

Table 11. Funding Sources for All Scenarios

	1.1 Commerce Avenue Lease	1.2 Commerce Avenue Purchase	2.1 Savage Business Lofts Lease	2.2 Savage Business Lofts Purchase	3.1 Downtown Prior Lake Lease	3.2 Downtown Prior Lake Purchase	4. Savage Center Lease	5.1 Fish Point Rd 10k sf Lease
Econ Devel Admin	$49k	$ 452k	$ 69k	$ 237k	$ 143k	$ 310k	$ 131k	$459k
Grants (e.g., CDBG)	200k	400k	400k	350k	400k	375k	250k	525k
Local/state govt	475k	480k	500k	460k	500k	450k	400k	500k
Pvt donations	75k	100k	75k	75k	75k	75k	75k	100k
Loans, other debt	-	-	-	-	-	-	-	-
Total Available	$799k	$1,432k	$1,044k	$1,122k	$1,118k	$1,210k	$856k	$1,584k

	5.2 Fish Point Rd 15k sf Lease	5.3 Fish Point Rd 21.9k sf Lease	5.4 Fish Point Rd 46.6k sf Lease w/Anchor	5.5 Fish Point Rd 46.6k sf Purchase	5.6 Fish Point Rd 46.6k sf Purchase w/Leaseback	6. Boudin Street Lease	7.1 Generic Existing Building 15k sf Purchase	7.2 Generic Existing Building 20k sf Purchase
Econ Devel Admin	$ 675k	$973k	$2,038k	$ 2,846k	$2,171k	$1,107k	$ 1,235k	$1,584k
Grants (e.g.,CDBG)	650k	800k	1,000k	1,000k	900k	1,000k	750k	750k
Local/state govt	650k	800k	1,000k	700k	650k	1,150k	600k	750k
Pvt donations	100k	100k	200k	150k	150k	200k	150k	150k
Loans, other debt	-	-	-	1,000k	500k	-	-	
Total Available	$2,075k	$2,673k	$2,766k	$ 5,696k	$4,371k	$3,457k	$ 2,735k	$ 3,234k

The second funding category shown in Table 11 is grants. These would be in addition to those provided by EDA. One candidate for these grants is the Community Development Block Grant (CDBG) program. Larger communities (known as "entitlement communities") get an allocation of CDBG funds directly from the U.S. Department of Housing and Urban Development (HUD), but smaller communities like Prior Lake must compete for an allotment made by HUD to the State of Minnesota (known as a "Balance of State" program). A large fraction of these funds is used for affordable housing related initiatives, but some is available for economic development projects. Interestingly, CDBG funds can be used as the "local" match required by Federal sources such as EDA even though the funds are Federal in origin. The relatively positive economic conditions in Scott County and Prior Lake may cause a perception that the TVBA does not need CDBG funding. There is also an Indian Community Development Block Grant, restricted to Native American nations. Another possibility is to qualify for a grant from the Shakopee Mdewakanton Sioux Community, which was mentioned by several persons interviewed by GCGI during this project as a generous source of awards made to worthy community projects. GCGI assumed modest amounts of non-EDA grants of $200,000 to $350,000 in some scenarios, but also assumed major amounts of up to $1 million in some other scenarios.

The third funding source is "Local/state government." The City of Prior Lake, through its Economic Development Authority, is already providing funding to the TVBA, and perhaps could be enticed to make a larger, one-time contribution in return for the incubator making no future funding requests of the City. Scott County helped fund this TVBA assessment, and therefore may be willing to invest in relocating the TVBA. Some incubators are able to secure state funding through their elected officials inserting line items in state funding bills. These state and local government funds are assumed to range from $400,000 to $ 1.15 million.

The fourth source shown in Table 11 is "private donations." This can include cash donations, but often consists of donated furniture and office equipment (e.g., a gently used photocopier donated by a bank). It also can consist of discounted rates on architecture and engineering design costs, or construction

labor. GCGI varied the assumed amount of such donations would vary according to the parameters of the scenario; e.g., there is greater opportunity to get donated design or construction services on a project involving substantial renovation or new construction. Therefore, the amount of private donations is assumed to range from about $75,000 to $200,000 depending on the scenario.

Finally, GCGI has considered debt as a funding source for the TVBA. The value assigned here is basically a "gap filler," between the estimated development cost (see Table 10) and the value of other funding sources listed for each scenario in Table 11. While some consultants assert that debt cannot be used to fund incubators, GCGI has firsthand experience to the contrary. It is assumed here that the dollar amount shown for debt in Table 11 will be secured as long term debt (20 year payback), at a fixed rate of 4%. It is important to note that EDA would want first position on any facility built, renovated, or purchased in part with its grant funds, so the source(s) of debt here would have to be willing to assume a second position. It is a reasonable question whether the proposed incubator could service debt of the magnitude assumed in some of the scenarios, which can be as high as $1 million as shown in Table 11. The short answer is that it can in a few property scenarios and not in others, with the longer answer reserved for the next subsection in which the operating financials for the TVBA business incubator are considered.

The identified development funding sources for the proposed incubator, and the magnitude of those sources, raises some concerns.

First, in two of the property scenarios, the project requires debt financing. This puts additional risk on the project, because the debt must be repaid regardless of the performance of the incubator, and it puts an additional burden on the operating financials. And again, there is the issue of the lender(s) having to take a second position behind the EDA.

Second, all of the scenarios require at least four sources of funding. This means there will have to be a substantial effort to submit proposals to multiple funding sources, and there is a risk that one or more sources will not come through with funding. This again adds risk to the TVBA relocation/expansion project. However, this need to secure multiple funding sources is very common. In GCGI's experience, it is no longer likely that any incubator is being funded by one or two sources as they were decades ago.

Third, as will be discussed further in the following subsection, even with the assumption of large grants by EDA and others, most of the property scenarios for the TVBA business incubator cannot reach self sufficiency/break even. GCGI doubts that development funding can be secured for these scenarios, because funding sources like EDA are increasingly focused on projects that have strong likelihood of long term viability, and therefore must demonstrate their ability to reach breakeven and become financially self sustaining. Finally, one scenario, #6, appears to have a higher development cost than can be covered by reasonable amounts of the five funding sources discussed here. As a result, the total available funding of $3.5 million is shown in red in Table 11, to highlight that this falls short of the $4.3 million that GCGI believes this incubator will require in its development.

In summary, the cost of developing a relocated/expanded TVBA business incubator ranges widely, depending on a number of factors such as size of the building, whether it is in a leased or acquired facility, and the size and duration of any operating subsidy that is required. Significant investments by EDA and others are required, and some will even require debt funding to fill the gap between these grant sources and the development cost. Many of the 16 property scenarios considered also will never

be able to reach break even in their operations, which puts into question whether grant funding sources like EDA will want to invest in the TVBA project under those scenarios (and GCGI would discourage development of a new TVBA if it cannot achieve break even in its operations). Overall, GCGI is not optimistic that adequate funding sources can be secured to underwrite the cost of an expanded, renovated TVBA.

III.f Financial Viability in Operating a New TVBA

While the previous subsection addressed the cost of developing a new TVBA facility and where the funding might come from, this subsection focuses on whether the TVBA could be financially viable in its operations under any or all of the 16 property scenarios that have been identified. Simply put, strong preference and priority must be given to a TVBA that has strong potential for reaching "break even" during its operations, which is defined as where it begins generating enough revenues to cover its operating costs. Incubators that fail to do this must rely on perpetual funding subsidies, which are increasingly difficult to find, given limited financial resources of Federal, state and local governments, and increasing preference for sustainable economic development projects among funding sources. Some sources of development funding, like the EDA discussed in the previous subsection, do not want to invest in projects that have weak break even potential. GCGI strongly believes that the current TVBA, which is heavily dependent on subsidies from the City of Prior Lake, should be expanded and relocated and modified so that it will be a strong, viable incubator that, after requiring operating subsidies for a few short years during ramp up, is able to achieve and maintain financial self sustainability in its operations.

To estimate the financial sustainability potential of the alternative scenarios presented in the previous subsections for the future TVBA incubator, GCGI generated cash flow projections for the first 5 years of operations of the incubator under each scenario. Temporary operating subsidies are reasonable for up to the first 5 years after a new incubator begins operations and increases its occupancy level. By the end of 5 years, it should be clear in most incubators whether they will be able to reach breakeven and be financially sustainable.

In making these projections, GCGI made a variety of assumptions including:

- Rent subsidies for both inside and outside TVBA participants should be eliminated, both because the incubator can't afford to make them, they are counterproductive in terms of discouraging non-Prior Lake entrepreneurs from participating in the TVBA, and they reinforce the erroneous thought that the most important thing an incubator can provide its clients is cheap rent. To the latter point, Rice and Matthews write "Rather than being known as 'low rent space,' incubators need to be positioned as 'success environments.' Entrepreneurs should be expected to pay market rate rent for space—and even a small premium for flexible leasing terms and for access to all elements of this 'success environment.'"[23] Therefore, in this section, our financial projections will assume all tenants begin paying $16 per square foot per year for the space they occupy
- Rents will escalate at 4% per year. Incubator operating costs go up, so revenues also must be increased or the TVBA will soon find a mismatch between revenues and costs.

[23] p. 24

- Scenarios involving leased space will pay a rental rate equal to whatever currently is being requested by the landlord
- Utility expenses will be included in rental rates. Their costs are based on estimates found by GCGI during this project, or about $4.75/sf per year
- Similarly, property taxes are included in rental rates charged TVBA participants. After some discussion and receiving advice from the TVBA Executive Director on an appropriate amount, GCGI has used $2.50/sf per year in these projections
- Many scenarios, per Table 9, will include one or more anchor tenants. It is assumed that they will pay rental rates similar to those of incubating tenants, although sometimes the price per square foot is lower because anchors are charged for 100% of the space they use including common areas. In Scenario #5.6, it is assumed the seller of the building would only want to lease back space if it were at a rate similar to what they are asking under a lease—the latter is $4.50, so GCGI assumed an anchor lease rate of $6/sf per year
- The TVBA incubator includes non-tenant clients, known as affiliates, as well as tenants. Nine (9) such affiliates, paying $65 per month, are assumed (this number is equal to all of the survey respondents who said the "likely" would want to use services at the TVBA, and 50% of those who said they "might" want to). This is the relationship through which some TVBA participants would receive services from the incubator
- The incubator begins with significant vacancy, typically 40%. It is assumed that the vacancy rate drops each year until it is only 10%. It is impossible for an incubator, if it is actively recruiting and graduating tenants as it should be, to have zero vacancy consistently, and therefore GCGI assumes that vacancy never drops below 10%.
- The incubator will be staffed by two persons, including a full time receptionist/ administrative assistant and a half-time incubator manager. In GCGI's experience, it is important that the receptionist/admin assistant be full time so that the facility is always staffed, while the manager might be part time if the budget won't support a full time position. The annual salaries were estimated based on wages used in other GCGI feasibility studies, and the 2014 Salary Survey of the National Business Incubation Association, which indicates that full-time managers with less than 5 years of experience are earning $56-69,000 per year.
- The TVBA is assumed to be able to generate about $1.75/sf per year in additional revenues. This can come from photocopier usage, resale of telecommunications and internet access, rental of extraordinary use of the conference room, etc.
- The TVBA has a $25,000 per year contingency fund to cover unexpected operating costs. This amount escalates 6% per year.
- Insurance is assumed to be $0.25/sf per year, based on GCGI's experience elsewhere

Based on these assumptions, Table 12 summarizes several key operating financial parameters for the TVBA. Complete 5 year cash flow projections for all 16 scenarios are found in Appendix C.

The first parameter shown is "breakeven occupancy," which indicates how full the TVBA incubator must be with tenant companies to generate enough income to cover operating expenses. Out of the 16 scenarios considered in this analysis, only four are capable of breaking even. The other scenarios, which are designated as "n/a" on this parameter, will never reach breakeven, meaning they will require perpetual operating subsidies and, therefore, should be avoided, in GCGI's opinion. Further, of the four

scenarios that are capable of reaching break even, two (Scenarios #5.4 and #7.2) can only do so at very high occupancy levels approaching 90%. Having to reach such a high level of occupancy puts additional risk on the incubator, meaning that if such a scenario is pursued, the TVBA business incubator will be under constant pressure to reach and maintain this high occupancy level. This is made harder to accomplish given the nature of incubators, which is to have constant turn over in tenants as some mature and graduate and new ones move in. The scenario with by far the best performance on the "break even occupancy "is #5.5, which can reach breakeven at a very impressive 44% occupancy. A distant second place is Scenario #5.6, where only 73% occupancy is required to breakeven.

The second parameter in Table 12 is "breakeven year," which indicates the approximate number of years after the new, expanded and relocated TVBA incubator begins operations before it will reach break even. Obviously, the sooner this occurs, the better the financial performance of the incubator. A period of five years is acceptable, with 3 or 4 years preferable, and anything over 5 years is undesirable. Once again, of the 16 scenarios considered, only four have a breakeven year (because there are only four scenarios that can reach breakeven occupancy as discussed in the previous paragraph). All four scenarios are able to reach breakeven within the desirable 5 year time period, and once again Scenario #5.5 excels with only 1 year of operations needed to reach breakeven. Scenario #5.6 comes in a close second on this parameter, with about 2 years needed to reach breakeven, and Scenario #7.2 does well with 3 years needed.

Table 12. Operating Financial Parameters for All Scenarios

	1.1 Commerce Avenue Lease	1.2 Commerce Avenue Purchase	2.1 Savage Business Lofts Lease	2.2 Savage Business Lofts Purchase	3.1 Downtown Prior Lake Lease	3.2 Downtown Prior Lake Purchase	4. Savage Center Lease	5.1 Fish Point Rd 10k sf Lease
Breakeven occupancy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Breakeven Year	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Accum Subsidies	$702k+	$529k+	$915k+	$555k+	$693k+	$593k+	$569k+	$680k
Yr 5 Net revenues	<-$151k>	<-$114k>	<-$193k>	<-$121k>	<-$144k>	<-$130k>	<-$118k>	<-$140k>

	5.2 Fish Point Rd 15k sf Lease	5.3 Fish Point Rd 21.9k sf Lease	5.4 Fish Point Rd 46.6k sf Lease w/Anchor	5.5 Fish Point Rd 46.6k sf Purchase	5.6 Fish Point Rd 46.6k sf Purchase w/Leaseback	6. Boudin Street Lease	7.1 Generic Existing Building 15k sf Purchase	7.2 Generic Existing Building 20k sf Purchase
Breakeven occupancy	n/a	n/a	87%	44%	73%	n/a	n/a	88%
Breakeven year	n/a	n/a	Yr 4	Yr 1	Yr2	n/a	n/a	Yr 3
Accum Subsidies	$707k+	$744k+	$172k	$0	$43k	$2.1m+	$247k+	$29k
Yr 5 Net revenues	<-$141k>	<-$142k>	$15k	$152k	$50k	<-$408k>	<-$41k>	$13k

The third parameter in Table 12 is "accumulated subsidies," which is an estimate of how much subsidy must be pumped into the new, relocated and expanded TVBA business incubator before it reaches breakeven. The lower the dollar amount required for subsidies, the better—and it helps reduce the development cost discussed in the previous section, because GCGI's model requires identifying funds for such subsidies as part of the development funding effort. Once again, those scenarios that can break even quickly and at low occupancy levels tend to be the same scenarios that require little or no

operating subsidy. Scenario #5.5 excels once again, with no expected operating deficit before it reaches breakeven. It is followed by Scenarios #7.2 and #5.6 that only accumulate deficits of $29,000 and $43,000, respectively, before they breakeven. At the opposite extreme are the scenarios that cannot break even, especially the large, expensive projects (requiring more debt capital to cover development costs, which puts additional strain on the operating financials)—note that Scenario #6 requires $2.1 million to cover operating deficits, and this understates the actual required subsidy because the "+" behind each subsidy estimate suggests that the indicated dollar amount only will cover the first 5 years' operating deficits. Clearly, there are some scenarios that must be avoided given the horrendous financial burden that they would create for the operators and financial stakeholders of the TVBA.

The fourth parameter shown in Table 12 indicates, from the cash flow projections, whether the Year 5 net revenues from operations will be positive or negative. Preference obviously is for positive net revenues, and the larger the better. Once again, the differences among the scenarios are substantial: the best scenario (#5.5) is estimated to generate annual net revenues of $152,000 by the fifth year, while the worst one (#6) will still be losing $408,000 that year. Those scenarios with healthy net revenues could use the surplus funds to expand operations, bring the manager on full-time, add new services and programs, or more quickly retire debt. In contrast, those losing money will be forced to spend resources on fund raising rather than providing services to incubator clients, and will face increasing reluctance among funders to put money into "a sinking ship."

In summary, most of the scenarios for a relocated and expanded TVBA business incubator are extremely dangerous in that they have horrendous operating financials that would lead to massive and long term (perpetual) operating deficits because they can never reach breakeven in their operations. In contrast, there are a few other scenarios that have good potential for operating financial success, particularly Scenario #5.5, and to a lesser extent Scenarios #5.6 and 7.2. Therefore, the viability of the new TVBA incubator will be highly dependent on the scenario it follows. It will be imperative that the facility, funding sources, and financial parameters be selected carefully to maximize potential for a financially viable TVBA incubator that will cover its operating costs out of its operating revenues.

GCGI would summarize some of the key considerations in whether a particular facility will be a viable alternative for the TVBA, in terms of financial sustainability, as follows:

- Can't be too small
- Can't pay high rent relative to incubator tenant rates
- In general, anchor tenants can help operations financial performance by creating a stable, ongoing source of revenue

III.g Development Cost vs. Operating Viability

In Section III.d, we estimated the cost of developing the new, expanded and relocated TVBA under a variety of scenarios, concluding the cost ranges from under $800,000 to almost $5.7 million. Obviously, from a cost perspective, a scenario that is less expensive to develop is preferred. However, in Section III.f we looked at another important financial consideration, namely whether the new TVBA could reach breakeven and achieve financial sustainability. Once again, the obvious preference is for scenarios that can break even and do so quickly and at a low occupancy rate.

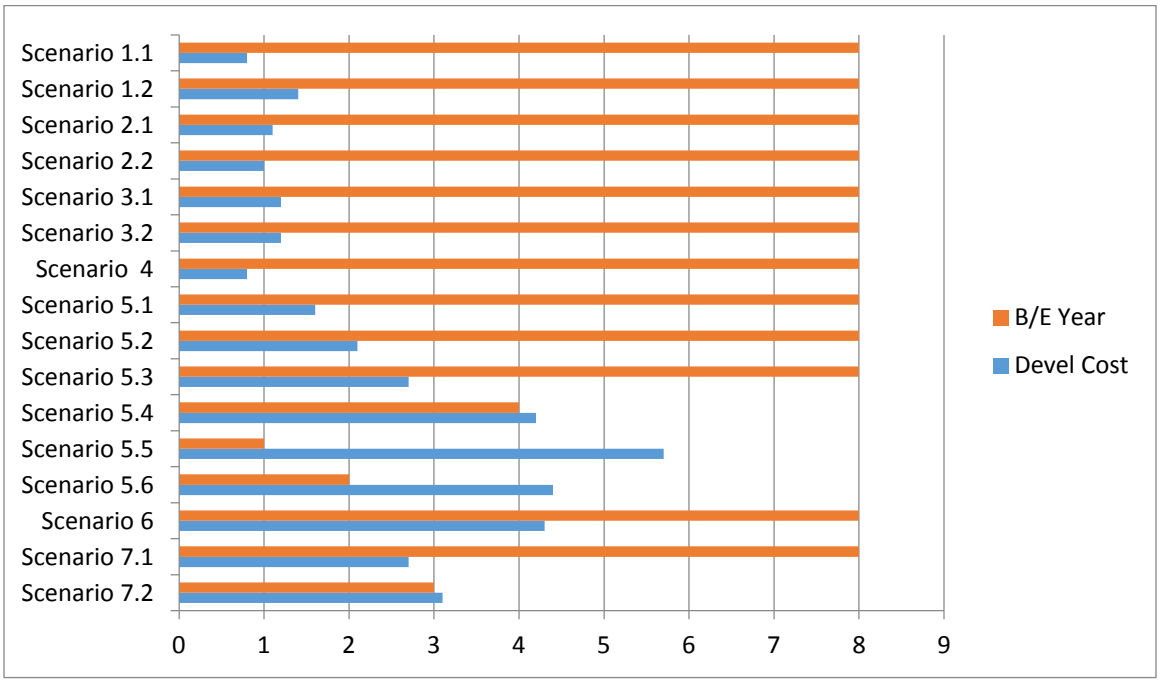
The challenge is to see if any scenarios considered are good in terms of low development cost and "easy" break even.

Figure 4 summarizes two relevant parameters that allow us to make this assessment. The blue lines indicate the approximate development cost for each scenario, and reflect the total development costs shown in Table 10. The brown lines indicate the approximate year that each scenario can reach breakeven, based on the data shown in Table 12. It is important to note that, in the case of scenario that are incapable of ever reaching breakeven, GCGI has input into Figure 4 a value of 8 for breakeven year. This should not be misinterpreted to mean that breakeven is possible in Year 8 of operations.

Figure 4 indicates that the scenarios that are less expensive to develop also typically are unable to reach breakeven, and those scenarios that have the best chance of reaching breakeven are the more expensive ones to develop. This is not good news in terms of identifying a "best of both financial worlds" alternative for the new TVBA.

GCGI believes the best compromise is likely Scenario 5.6, which will cost about $4.4 million to develop but could reach break even by Year 2 of operations. However, such an expensive project will require major investments by EDA, local and state government, and other grant sources, which are not givens per the discussion in Section III.e.

Figure 4. Breakeven Year & Development Cost for All Scenarios



III.h Attempt to Find a Viable TVBA Scenario

Given that the existing TVBA, based in the Prior Lake City Hall, is not financially sustainable, and given the disappointing results presented in Sections III.f and III.g of alternative scenarios for a new TVBA facility and location, GCGI made three adjustments to the assumptions behind the scenarios in an

attempt to find one that would be a better compromise between development costs and financial sustainability. The three adjustments were:

- Increase rental rates on TVBA participants by $1 per square foot per year
- Eliminate the receptionist/administrative support position
- Only pay 90% of a landlord's asking price in terms of rental rate (if applicable; not relevant to scenarios in which properties are acquired rather than leased)

All 16 scenarios were re-run with these adjustments. Disappointingly, the changes made only modest improvements to the development costs and operating financials of most of the scenarios. There was one exception, in which one of the scenarios that previously had been deemed unsustainable and therefore undesirable and not recommended for the future of the TVBA appears to be viable under the adjustments. That scenario is #7.1, the acquisition (or construction) of a generic 15,000 square foot facility, with 10,000 square feet used for incubating companies and 5,000 square feet used for anchor tenant(s). Table 13 summarizes the adjusted scenario.

Table 13. Financial Parameters of Adjusted Scenario #7.1

Development Cost			**Sources of Development Funding**	
Bldg/land acquis	$1,283k		EDA	$1,235k
Renovation	1,050k		Grants (e.g., CDBG)	600k
Furnish/equip	50k		Local/state govt	510k
New construction			Pvt donations	150k
Soft costs			Loans, other debt	
Contingency	88k			
Facility cost	$2,471k			
Subsidy	25k			
Total Devel Cost	$2,496k		Total available	$2,495k
Operating Financial Parameters				
Breakeven year	Yr 2			
Break even occupancy	70%			
Accum subsidies	$12k			
Yr 5 Net revenues	$26k			

The cost of development is reduced modestly to about $2.5 million, down from $2.7 million in the original Scenario #7.1. Sources of funding remain the same, but both the grants and government investments are modestly reduced. The most dramatic improvements are in the operating financial parameters, where this adjusted scenario can break even in Year 2 of operations at a very acceptable 70% occupancy rate, after accumulating only about $12,000 in subsidy requirements. This is a vast improvement over the original Scenario #7.1, which could not reach break even in any year and at any occupancy, would have accumulated almost $250,000 in subsidies, and would have been running a Year 5 deficit of $41,000 versus a $26,000 surplus under the adjusted scenario.

Another advantage of this scenario is that, of the 15,000 sf facility, a significant portion (5,000 sf) would be an anchor tenant (or an economic development "spec building"). The remaining 10,000 sf space would be incubator, and per Table 2, GCGI estimates it could achieve the desirable 60% initial occupancy with approximate the number of tenants that have been identified per Table 2.

GCGI believes this is a very good compromise scenario, where the $2.5 million cost is far below the $3.2 to $5.7 million needed to develop the best performing scenarios (in terms of operating financial viability) in the original analysis in Section III.g, and the TVBA could be breaking even relatively quickly and at a conservative occupancy level after amassing only minor subsidy requirements.

The main problems with this Adjusted Scenario #7.1 are twofold. First, this represents a "generic" 15,000 square foot building that could be acquired for the incubator. In other words, there is no real or specific building behind this scenario. Therefore, there is a large element of uncertainty whether such a building will emerge for acquisition (or construction) for the TVBA. Second, it will be very difficult to operate the TVBA with only a half time manager and no support staff.

GCGI believes neither problem is insurmountable. The first one may be addressed by the TVBA Board keeping an eye out for a facility that meet the basic parameters—about 15,000 square feet in size, available for purchase (not lease, as that would introduce payment of rent to a landlord which will quickly negate this Adjusted Scenario #7.1's ability to break even in its operations), and suitable configuration and location for the incubator. This second one may be handled in a variety of ways. First, the City of Prior Lake, and perhaps other cooperating local governmental entities, might make a support staff member available on a part-time basis at the TVBA. Second, a half time receptionist/administrative support person might be hired, rather than a full-time one as envisioned in the original Scenario #7.1.

Therefore, we believe the adjusted Scenario #7.1 to be a good future direction for the TVBA, and recommends that it become the focus of the TVBA Board for the intermediate and long-term futures of the incubator.

III.i Revisiting: Combining the Existing TVBA with a New Location

As discussed in Section III.b, GCGI believes there are a number of reasons to avoid having the TVBA in two different locations, such as keeping the current Prior Lake City Hall location and adding a new second site. We made the point at that time that the negative operating financials of the current TVBA could greatly hamper the ability of a new TVBA location/facility to be financially viable. Based on the analysis of operating cash flows in Section III.f, it is now clear that the new TVBA location, under most scenarios will not have the net operating revenues to subsidize the existing City Hall location. The one exception would be Scenario #5.5, but this massive 46,600 square foot facility would require much attention by the TVBA board and staff, and therefore even if this scenario is pursued, GCGI recommends that the existing TVBA location in City Hall not be continued.

III.j Needed Services

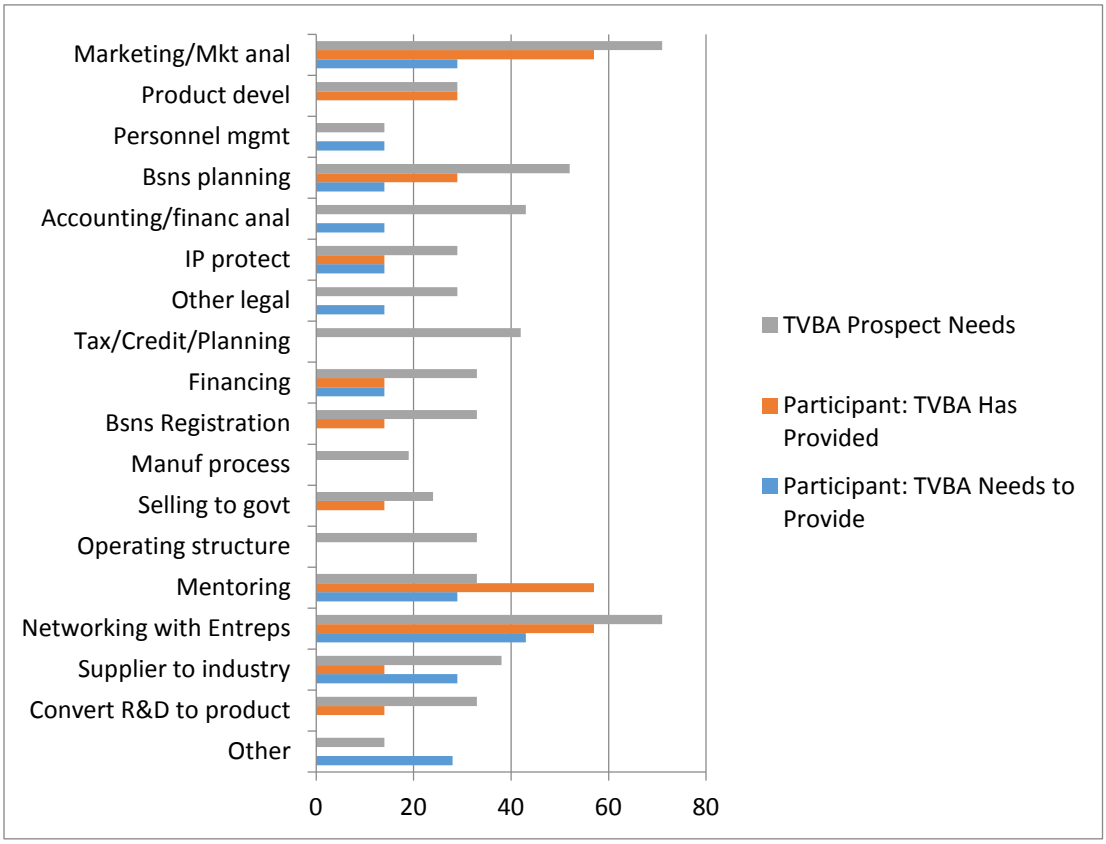
Figure 1 was used early in this report to indicate the kinds of assistance received by current and past TVBA participants, and kinds that they would like to see more of from the TVBA. It should be expected that expansion of the TVBA will require consideration of the business assistance needs of entrepreneurs who are prospective participants in the incubator. The Principles and Best Practices of high quality business incubation require a high priority be put on services and programs for clients; for example, Principle #I calling for emphasis on building successful entrepreneurs and Best Practices #6 and #7 about focus on services and customization by client.

As a start in the effort to identify those needs, GCGI is showing in Figure 5 below the same data as Figure 1, in which current and past TVBA participants indicate what help they'd received that they valued most and where they still need help. But Figure 5 is supplemented with the "areas of business assistance need" expressed by respondents to the TVBA market assessment who are interested in becoming <u>new</u> tenants or service users of the incubator. As in Figure 1, the brown bars show current and past TVBA participants' answers to the survey question "in what areas has the Technology Village.been most

helpful to your business?", while the blue bars show their answers to "in what areas could the TVBA be more helpful to your business?" In contrast to Figure 1, these bars in Figure 5 show the percentage of respondents who indicated a particular area of help or need, versus Figure 1 showed raw data (total number of respondents' indications). Supplementing these data is the gray bar, which indicates the percentage of survey respondents who indicated an interest in becoming a TVBA tenant or service user.

There are a number of areas of consistency between the current and past TVBA participants and potential tenants/service users. For example, marketing and market analysis is something that prospective tenants/service users need, and current/past TVBA participants feel that the incubator has provided and should provide more of. Networking is another area of consistency. These areas suggest that, in some respects, the TVBA can continue to provide current services and be compatible with the expectations and needs of new participants in an expanded TVBA program, although this does not mean that no adjustments or refinements will be needed. However, there are other areas where Figure 5 suggests there are significant differences in what current/past TVBA participants have received or need from the incubator and what potential tenants/service users want. A key example is mentoring. Figure 5 indicates current/past participants feel the incubator has been very helpful with mentoring, and some feel that even more mentoring is needed; in contrast, less than 40% of prospective tenants/service users

Figure 5. Needs of Potential TVBA Clients vs. Areas of Help by TVBA to Current Participants



feel that they need mentoring. Given that the TVBA relies heavily on mentoring as a means of providing assistance to its participants, this suggests that the incubator needs to diversify into other means if it is going to meet the needs and expectations of incoming clients. This should become easier to do if the

TVBA moves towards at least a half-time manager who can help provide business assistance (either directly or by linking program participants with third party sources) and take some of this burden off of members of the TVBA Board of Directors.

IV. Recommendations for TVBA Manager/Program Director

As discussed above, the current TVBA program and facility is overseen by the Community and Economic Development Director (CEDD) of the City of Prior Lake and his staff. The TVBA is one of many responsibilities of the CEDD, and he is only able to allot about 5% of his time and an equal amount of his Community Development Specialist (CDS). Other City staff provide small amounts of time to the incubator, such as when the receptionist at City Hall directs the visitor of a TVBA participant to the incubator facility.

Under the assumption that the CEDD and the CDS are sharing management responsibilities for the TVBA, they combined are only devoting about 4 hours per week. In contrast, according to the NBIA, the average manager spends 33 hours per week on his/her business incubator program.[24] And the average incubator receives a combined 77 hours per week from all paid incubator staff, according to the same 2012 NBIA survey of incubation programs in North America.[25]

The CEDD and CDS are aware that they are not devoting nearly as much time to the TVBA as they believe they should and, to their credit, they have repeatedly indicated that this needs to change. This change is also required for the TVBA to better align with business incubator Best Practices, especially #4 (achieve mission, help companies grow), #6 (put manager's time on client assistance) and #7 (develop methods, tools, etc. for effective service delivery).

Unfortunately, under the current TVBA operations, it is not possible for an increase in incubator staffing. There is no funding for even the minor amount of City staff support to the TVBA that is already being provided.

Fortunately, under the alternatives considered for the TVBA's relocation and expansion, GCGI has included funding for a half-time incubator manager. As discussed above, GCGI has assumed a half-time manager, earning $31,000 per year (or half of the estimated average annual salary of an incubator manager, per the most recent NBIA compensation survey) plus a 30% allowance for benefits.

There has been debate in the incubator industry whether an incubator can be managed effectively on a part-time basis, or by someone who is job sharing the manager role with other responsibilities. GCGI believes that it can, and its principals have firsthand experience managing incubators on a part time basis. GCGI envisions there will be several challenges to the TVBA being run by a half-time manager:

- Finding someone to work part time or job share. A number of individuals may find the idea of managing a business incubator as an exciting career opportunity. However, the interest of many in the TVBA manager job will diminish when they learn that it is only half time. This may be offset somewhat in the Prior Lake area, given the belief that there are a number of retirees from

[24] 2012 NBIA State of the Business Incubation Industry, p. 37
[25] P. 38

industry in the community, some of whom may welcome this challenge and opportunity but also not want a full time commitment

- Finding someone to accept this salary. While GCGI believes it is using a salary figure that is consistent with the NBIA compensation survey, it does not seem like much money for a person with the responsibilities of the TVBA manager, and who needs a strong entrepreneurial skill set.
- Potentially no support staff. If the TVBA pursues the compromise presented in Section III.h as "Adjusted Scenario #7.1," then the manager may not have any support staff. This will make the manager's role even more difficult: not only are they to serve TVBA participants, but they also are expected to do facility management, arrange maintenance and repair, direct visitors within the incubator, and organize and staff networking events.

With all of that said, GCGI offers the following two lists relevant to defining what is desired in an incubator manager. We recommend that they be used by the TVBA Board of Directors to think about, discuss and decide what is needed in the manager of the TVBA, and then to develop a job description.

The first comes from the Rice & Matthews book in which the principles and practices of successful business incubation were first stated. According to those authors, the manager should possess the following characteristics

- All the personality characteristics of an entrepreneur, including high energy, high need for achievement persistence, capacity to learn from mistakes, drive to keep moving ahead adaptability, strong work ethic, self confidence, self-starting capacity, and the ability to operate independent with minimal direction
- A personality that includes the qualities of caring and high integrity
- Some experience as an entrepreneur or with entrepreneurship, and the skills and wisdom that come with that experience. Some experience with failure
- High tolerance for the low probabilities of success coupled with a 'mad dog' drive for success reflected in a total commitment to the process of helping entrepreneurs grow their companies
- Excellent communication, sales, negotiating, decision-making and networking skills
- Superior mentoring, teaching and advising skills
- Dynamic motivational and leadership skills
- The business savvy necessary to help companies grow, including competence in finance, team building, sales/marketing, the product development process and the strategies of business development
- The business savvy to help the incubator make it through its own start-up and become financially self-sustainable
- The capacity to develop a strong community and extended network.[26]

A key point in this list, in GCGI's opinion, is that academic achievement and credentials are not mentioned. This is not to say that they are not important, but it helps make the point that a relevant degree, such as an MBA, is not significant unless the holder of that degree has had entrepreneurial work experience and possesses the entrepreneurial mind set.

[26] Rice & Matthews, p. 75. They use the term "president" in referring to this individual, but the role and position as a paid staff member indicates this is what today is commonly referred to as the "manager," and should not be confused with the president of an incubator's board of directors.

The second list has been developed by GCGI to describe the typical responsibilities of an incubator manager. It is based on our many years in the incubation industry, including the principals' 11 year experience managing two mixed-use incubators.

The responsibilities for the incubator manager should include the following:

1. ability to develop and use skills in identifying affiliate and tenant needs and problems, and identifying appropriate resources for meeting those needs;
2. creativity and receptivity in bringing SBDC and similar resources and training activities to the incubator and its affiliates and tenants
3. willingness and ability to identify and make linkages between affiliates or tenants and suitable outside service providers who have appropriate expertise and, preferably, who will provide discounted fees for services;
4. willingness to be proactive in approaching affiliate or tenant companies in unobtrusive ways to learn of their needs;
5. possession of, or willingness to improve, skills and knowledge in areas of relevance to general affiliate or tenant needs (e.g., become knowledgeable of the procedures for registering a new business with the federal, state, county, and city governments);
6. ability to establish and maintain a cooperative and mutually supportive relationship with other small business service providers in the area, including both for-profit and non-profit/public;
7. strive to help affiliates and tenants identify sources of capital for their businesses, coach them on how to approach and make presentations to potential lenders and investors, and advise them on credit maintenance and repair as necessary;
8. willingness to proactively establish relationships with sources of small business funding, determine their investment parameters, and link them with appropriately qualified tenants and affiliates;
9. make economic development organizations in the region aware of incubator's willingness to provide initial "beach head" offices to out-of-town firms being recruited to the area;
10. ability to be self motivated and disciplined without direct supervision;
11. development and administration of procedures for security, maintenance, upgrade, and repair of the physical facilities, equipment, and furnishings;
12. development of standard affiliate agreement and tenant lease documents (including those for coworking or collaboration tenants), responsibility for any modifications thereto for specific affiliates and tenants, and signature authority on individual affiliate agreements and tenant leases;
13. preparation of periodic reports to the Board of Directors regarding the number of affiliates and tenants, occupancy levels and corresponding operating financial projections, especially during start-up and early operational stages of the incubator;
14. development of, and periodic review and modifications to, the pricing structure for rents and other fees charged to affiliates and tenants, including creation and implementation of an annual escalation factor;
15. responsibility for timely collection and deposit of amounts due from affiliates and tenants, payment of financial obligations, and prompt notification of the incubator Board of any anticipated financial problems and recommendations for their resolution;
16. day-to-day supervision of all incubator-related staff, contractors and consultants, including maintenance personnel and business assistance providers and trainers;

17. responsibility for keeping the Board informed of all relevant matters pertaining to the incubator, and recommending policy for Board consideration pertaining to operational issues;
18. primary responsibility for contact with members of the media regarding the incubator and affiliate and tenant relations, in consultation and cooperation with the Board chairperson;
19. primary responsibility for implementing an active marketing campaign, particularly during the development and start-up stages of the incubator;
20. oversee development of the printed brochure, website, social media, and other marketing tools to be used in promoting the incubator to prospective tenants and affiliates as well as the general community;
21. identify candidates for future openings on the incubator board of directors, and recommend those individuals to the nominating committee of the Board;
22. meet prospective affiliates and tenants to determine their suitability (relative to guidelines or criteria), provide tours of the incubator to those who appear promising, and negotiate agreements or leases with those that wish to enter the incubator;
23. develop and implement across the incubator staff, Board, and contractors and consultants, a procedure for insuring confidentiality matters relative to individual clients and tenants;
24. meet reporting requirements of any incubator sponsors, especially any that provided grant moneys for the initial renovation and working capital, to be forwarded to the Board for its consideration and conveyance to the sponsor;
25. seek additional ways in which the incubator can contribute to economic development efforts and the overall health of small businesses in the greater area; and
26. develop, use, and encourage tenant use of the incubator telecommunications systems ranging from Internet marketing to low cost videoconferencing via Skype technology.

The education and qualifications of the manager should reflect an ability to empathize with, and provide answers to, typical problems encountered by small businesses and entrepreneurs. Someone with strong credentials in Fortune 500 management, for example, may have little appreciation for the capital, market entry and penetration, loneliness, and frustration issues that face a budding entrepreneur who has just quit his or her job to start a software development business. GCGI feels that experience is more important than academic credentials; it is desirable to have a manager who has a bachelor's or master's degree in business administration, but such specific formal education is not nearly as valuable as, for example, an individual with a more general college degree who has built his or her own business from scratch.

It is preferable if the incubator manager has experience in starting and/or operating small businesses, a working knowledge of facilities management (and a willingness to serve the role of landlord and facility manager), basic bookkeeping and cash management skills, strong interpersonal skills, a bent towards creativity and innovation, and an ability to build relationships with other business assistance service providers. However, the role of the incubator manager has shifted from "service provider" to "triage specialist and broker," meaning managers cannot be expected to know all aspects of all needs of small and start up businesses, but should be expected to be able to understand what such a business needs and where that help can be found.

GCGI recommends that the incubator manager training consist of five primary activities. First, the Manager should attend the annual meeting of the NBIA, typically held in the late spring, in order to begin building a network with other incubator operations and to glean the latest thinking of the small business incubator industry. Second, the Manager should attend the NBIA's Fall Training Institute, if there is a session for incubator managers, to further develop management skills, and to learn about common problems and concerns of incubator operations and how to solve them. Third, the Manager should participate actively in the any state- or region-wide incubation association. Fourth, the Manager should pursue certification through the NBIA. Finally, GCGI recommends that the Manager tour and meet the managers of at least two different functioning incubators per year to see the day-to-day operations of other incubator programs.

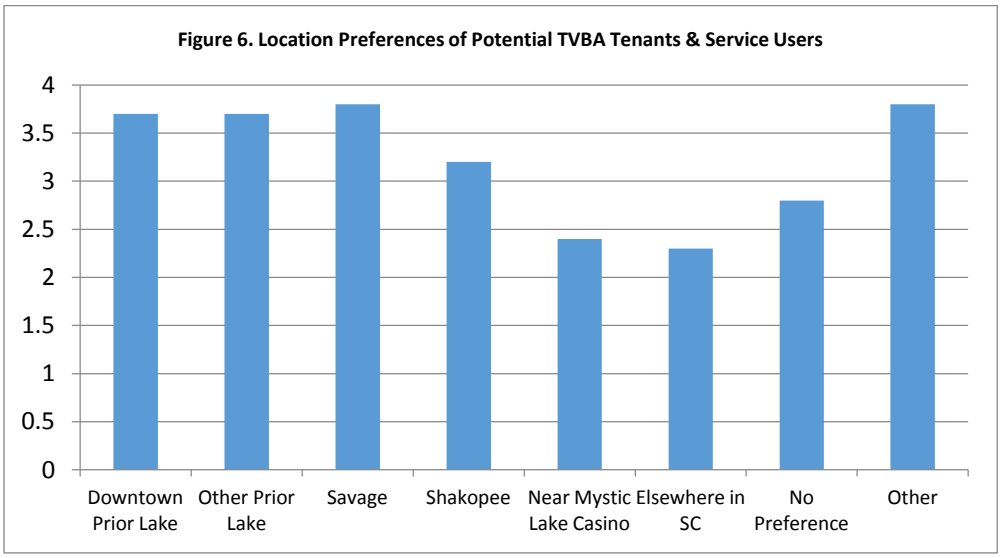
The TVBA board will likely want to supplement the content of these two lists with characteristics and responsibilities that are unique to this incubator, and its future direction as it relocates and expands beyond its current status.

V. Partnership/Sponsorship Options with Scott County & Other Communities

As discussed above, GCGI believes that the future TVBA must be broader than just a Prior Lake economic development initiative. Key reasons for this incubator becoming more of a regional initiative include:

- Market is too small locally. As shown in Table 8, if the TVBA were to only cater to custom software developers located in Prior Lake, then the market is only 24 companies. If it expands its market to include all of Scott County, the number of developers more than triples to 77 custom software developers. Similarly, the entire market of professional/scientific/technical service providers is only 114 companies in Prior Lake, compared to 424 firms throughout Scott County. TVBA needs to broaden its market to the entire County, or it will never serve a sufficiently large market to meet the size and occupancy levels needed to become financially self sustaining in the future.
- Prior Lake real estate market is too small and limited. GCGI only identified a handful of potential locations for the TVBA within the city boundaries of Prior Lake, but the number and variety increased considerably when we considered other communities in Scott County.
- Cost of development needs to be shared. GCGI estimates that it will take several million dollars to create a new expanded, relocated TVBA. Sources of outside funding are very limited, especially given the relative wealth and economic prosperity on Scott County and Prior Lake, which limit the opportunity to secure grants from traditional sources like the Federal Economic Development Administration (EDA). Table 11 indicates local and state government donations will need to be between $400,000 and $1 million, and private donations (which will come primarily from nearby sources) will need to be between $75,000 and $200,000. GCGI believes it will be easier to secure funding of this magnitude if the TVBA is seen as a regional or Scott County wide initiative.
- There is a precedence for regional initiatives in Scott County, such as the First Stop Shop
- There is interest, among respondents to the TVBA market survey, for locations outside of downtown Prior Lake, and even outside of Prior Lake. Figure 6 shows the average preference

score given to each potential location by survey respondents who are interested in becoming either tenants of the new TVBA, or at least receive services there. The most favored location by a slight margin, is Savage, followed by downtown Prior Lake and other Prior Lake locations. This suggests to GCGI that potential participants in the new expanded and relocated TVBA are receptive to a regional approach potentially with a location outside of Prior Lake.



Challenges to making it a County-wide initiative include:

- Given its origins and current location, GCGI believes the TVBA is seen by many in the region as exclusively a Prior Lake project Therefore, to shift to a regional focus, the TVBA will have to change the perceptions of entrepreneurs and community leaders alike throughout Scott County.
- As described earlier, GCGI believes the TVBA has several features that discourage participation by non-Prior Lake entrepreneurs. The primary one is the requirement that TVBA graduates keep their businesses in Prior Lake for 5 years, with only an uncertain possibility that staying in the greater Scott County will be a suitable alternative location. Not only is this discouraging to non-Prior Lake entrepreneurs who otherwise might consider become a TVBA participant, but it also signals leaders of other Scott County communities that the TVBA is a Prior Lake initiative to just benefit Prior Lake.
- Many of the scenarios for the future of TVBA are either very expensive to develop, or have little or no chance of becoming financially self sustaining in operations, or both. It is hard to entice other Scott County communities to join an initiative that looks expensive and that could have a long term demand for operating subsidies

GCGI sees an attractive opportunity for including the Shakopee Mdewakanton Sioux Community (SMSC) in the new expanded and relocated TVBA, including perhaps locating the new incubator facility within its boundaries. SMSC appears to have considerable interest and experience in constructing new commercial facilities, and is expanding its real estate holdings. The Community is within reasonable distance and accessibility of Prior Lake, Shakopee, and Savage. It appears that funding from the Federal EDA and Community Development Block Grant programs might be more accessible by SMSC than by

other, non-Native American communities in Scott County. And, as a related consideration, SMSC was mentioned repeatedly during this project as a generous source of local grants to important community projects, and perhaps the TVBA could be considered for such support.

Further, an SMSC location could help the TVBA avoid a sizable and aggressive property tax law in Minnesota. In most other states in which GCGI has done incubator projects, there are opportunities for non-profit organizations, and for economic development projects of local units of government, to avoid property taxes. But based on information gathered from the cities of both Prior Lake and Shakopee, there appear to be no such exemptions in Minnesota. Therefore, an economic development initiative like the TVBA is subject to property tax, which is estimated at about $2.50/sf per year. This adds between $5,000 and $62,500 to the annual operating cost of the 16 scenarios considered in Section III.c of this analysis. SMSC lands are not subject to the property tax, and therefore this burden could be lifted off of the TVBA's operations. While GCGI's assessment is that removal of the property from the 16 scenarios considered for the TVBA would not lead to wholesale changes in which scenarios are financially sustainable, it would create an important source of funds for, as an example, including at least a half time receptionist/support person for the incubator.

However, there are several challenges with considering a SMSC location for the new expanded, relocated TVBA. First, a site near the Mystic Lakes Casino received relatively low ratings among respondents to the TVBA market survey when they were asked where would be a suitable location for the new incubator facility (see Figure 6). This could be in reaction to the reports that local residents are not pleased about SMSC land acquisitions that have taken lands out of the tax rolls, or it could simply indicate that respondents reacted negatively to the idea of locating their businesses near a casino.

Second, SMSC has indicated that it has many initiatives and priorities underway, and that it would not be interested in participating in an incubator project at the current time.

Third, friction is reported to exist between the elected officials of the City of Prior Lake and SMSC. While it is reported that the City's Mayor and Chairman of SMSC's Business Council have a positive working relationship, apparently the same is not true of all other elected officials.

Therefore, GCGI believes that the TVBA should become a regional initiative in Scott County, and that a non-Prior Lake location be considered for the new expanded and relocated incubator site. There are advantages to a location on the SMSC, but GCGI believes this is not the right time to be considering that alternative.

VI. Next Steps & Implementation Schedule

As presented throughout this analysis, GCGI believes that the TVBA must make major changes in its location, programming, and approach or it at risk of failing to be sustainable and may be shut down in short order if either political support or volunteer effort (primarily by the TVBA Board of Directors) wanes. In Section III.a, GCGI has suggested pursuing an expanded market, particularly to look throughout Scott County for new TVBA participants. And in Section III.h, GCGI concluded that Adjusted Scenario #7.1, which is based on acquisition or construction of a 15,000 sf incubator facility of which 5,000 sf is leased to an anchor tenant, is the best alternative future for the TVBA. To begin the transition

to its new future, GCGI recommends that the TVBA Board plan and implement three major sets of actions.

1. Seek report acceptance, concurrence

   1.1 Review this report thoroughly.

   1.2 Discuss the report content among TVBA Board members, and with staff

   1.3 Modify the conclusions and recommendations of the report as the TVBA Board sees fit to do so, but it is very important, in GCGI's opinion, that it stays focused on a financially sustainable model

   1.4 Board adopts the report and its recommendations, with modifications as appropriate, as the basis for the future TVBA

2. Shore up of the existing TVBA so that it will remain operational and effective during the transition

   2.1 Board should notify the Economic Development Authority and City of intent to relocate TVBA at time not certain in future

   2.2 Seek City Administrator, City Council and Economic Development Authority support through the transition period

   2.3 Begin phase out of rent subsidies. They are expensive, are not consistent with current thinking of what incubators do, and should not be used in lieu of effective programming and services for tenants

   2.4 Begin phase out (or extensive modification) to post-graduation requirements. At a minimum, they should be modified to allow graduates, at their option, to locate anywhere within Scott County without prior permission of the TVBA Board or staff

   2.5 Adopt a different "interim model" for the TVBA as the third set of actions is undertaken. This interim model is discussed in Appendix

3. Set groundwork for the new TVBA (under assumption Board concurs with GCGI's assessment that the current TVBA is not sustainable, and desires to morph to a new TVBA rather than just close down the incubator. This decision should be part of Step 1.2 through 1.4 above)

   3.1 Look for volunteer to champion the project. City staff does not have time or resources to do so; therefore a volunteer (perhaps a member of the TVBA or EDA Board) will be needed

   3.2 Understand the market better. Per Section III.a, GCGI believes there are opportunities to better serve the technology, PSTS and software developer submarkets, and that there are other market segments that should be considered for an expanded TVBA. A more complete analysis of the market, and of the needs and wants of the software developers in Scott County, should be done

   3.3 Seek buy in from other communities. Representatives of Savage, Shakopee, Scott County, SMSC, and others, as appropriate, should be briefed on the project. If TVBA Board agrees the

future incubator should be regional, then begin asking for input and involvement from the region in planning for the new TVBA. Modify or restate TVBA bylaws accordingly.

3.4 Get feelers out for prospective buildings. Commercial realtors and property owners throughout Scott County should be notified of the parameters being sought in a new TVBA facility. Parameters include about 15,000 sf of size, available for purchase (or new construction), suitable type and configuration for the TVBA incubator, and in an appropriately acceptable location

3.5 Explore with funding sources including EDA, State/CDBG, local government. Brief them on the project, ask about investment criteria and interest in the new TVBA, ask about application process. Begin process as appropriate.

3.6 Begin identifying potential anchor tenants. Get word out to bankers, Economic Development Authority members, commercial and industrial real estate brokers that TVBA is seeking one or more anchor tenant candidates occupying approximately 5,000 sf that must be compatible with the TVBA and the building being sought. Preference should be given for anchors that will have some synergy with TVBA incubating clients. Alternatively, seek Economic Development Authority interest and commitment to treat as a "spec building" space, with the Authority providing subsidy until an appropriate economic development prospect is secured as a tenant.

The following timeline in Figure 7 shows the approximate timeframe for each of these steps to be undertaken and completed. It is important to note that these timeframes are very approximate; for example, if a suitable building were to become available in early 2017, many of the steps would need to be done sooner, or completed in parallel with each other.

Figure 7. Timeline for Implementing Next Steps in TVBA Future

	2016			2017				2018	
STEPS	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr
1.1 Digest report									
1.2 Discuss report									
1.3 Modify conclusions									
1.4 Adopt modified report									
2.1 Intentions to City									
2.2 Request Support									
2.3 Phase out subsidies									
2.4 Modify incentives									
2.5 Adopt Interim Model									
3.1 Find champion									
3.2 Better understand market									
3.3 Regional buy in									
3.4 Feelers for bldg									
3.5 Brief funders									
3.6 Feelers for anchors									

Appendix A. Summary of Current/Past TVBA Participant Survey Responses

Survey: Tech Village Current Participant Survey
Deploy Date: 11/05/2015
Total Responses: 7

1. Please briefly describe what your business does:
Responses Percent
My company provides:: 7 100%
for customers who need:: 7 100%
Total Responded to this question: 7 100%
Total who skipped this question: 0 0%
Total: 7 100%
1. Please briefly describe what your business does:
Response My company provides:
1 software
2 custom software solutions in the ATM/POS processing and Trust Accounting industries
3 Corporate branding
4 Supply Chain IT Consulting
5 custom software development
6 branding for small to medium sized businesses
7 a cloud based solution
Response for customers who need:
1 insight into improving operational efficiencies, and therefore customer experiences and ROI
2 ATM/POS switching solutions, custom ATM/POS applications, Trust Accounting and Trust Management software
3 Logos, marketing materials, websites, merchandise, social media strategy
4 Supply chain IT programming and maintenance
5 custom software
6 logos, marketing materials, websites, advertisements, social media
7 to streamline the ordering supply chain in the restaurant business.

2. In what areas has the Technology Village (through its staff, mentors, & introductions to outside service providers) been the most helpful to your business? Please mark all that apply:
Responses Percent
Marketing/market analysis: 4 57.14%
Product development: 2 28.57%
Hiring, firing, personnel management: 0 0%
Business planning: 2 28.57%
Accounting/financial analysis: 0 0%
Intellectual property protection: 1 14.29%
Other legal issues: 0 0%
Taxes, credits, planning: 0 0%
Business registration: 1 14.29%
Debt/equity financing: 1 14.29%
Business registration: 0 0%
Manufacturing process: 0 0%
Selling to government: 1 14.29%
Operating structure (partnership,corporation, LLC, etc): 0 0%
Mentoring: 4 57.14%
Networking opportunities with other entrepreneurs: 4 57.14%
Becoming a supplier to larger companies in the area: 1 14.29%
Converting R&D into marketable products and/or services: 1 14.29%
If other, please specify: 0 0%
Total Responded to this question: 7 100%
Total who skipped this question: 0 0%
Total: 7 100%

3. In what areas could the TVBA be more helpful to your business? Please mark all that apply:
Responses Percent
Marketing/market analysis: 2 28.57%
Product development: 0 0%
Hiring, firing, personnel management: 1 14.29%
Business planning: 1 14.29%
Accounting/financial analysis: 1 14.29%
Intellectual property protection: 1 14.29%
Other legal issues: 1 14.29%
Taxes, credits, planning: 0 0%
Business registration: 0 0%
Debt/equity financing: 1 14.29%
Business registration: 0 0%
Manufacturing process: 0 0%
Selling to government: 0 0%
Operating structure (partnership, corporation, LLC, etc): 0 0%
Mentoring: 2 28.57%
Networking opportunities with other entrepreneurs: 3 42.86%
Becoming a supplier to larger local companies: 2 28.57%
Converting R&D into marketable products and/or services: 0 0%
If other, please specify: 2 28%
Total Responded to this question: 7 100%
Total who skipped this question: 0 0%
Total: 7 100%

3. In what areas could the TVBA be more helpful to your business? Please mark all that apply:

Response Comments
1 None. We'e been able to get advice on every subject for which we have sought it!
2 technical insight into software development

4. If the TVBA relocates or expands, or its features change, which of the following would be most useful or important to your business (please mark all that apply)?
Responses Percent
Light laboratory space: 1 14.29%
Retail space: 0 0%
Open office/coworking space: 6 85.71%
Light assembly/production space: 0 0%
Hard walled office space: 2 28.57%
Warehousing/storage space: 0 0%
Classroom/training space: 3 42.86%
Commercial kitchen (to make food products): 0 0%
Other types of space (please specify what type under "other" below): 0 0%
Full time manager: 1 14.29%
Part time manager: 1 14.29%
Full time admin assistant: 1 14.29%
Part time admin assistant: 5 71.43%
Business counseling: 3 42.86%
Business training: 0 0%
Business mentoring: 3 42.86%
Small business loan fund: 4 57.14%
Business coaching: 5 71.43%
Introductions to investors: 5 71.43%
High-speed Internet access: 5 71.43%
Networking opportunities: 6 85.71%
Video conferencing capability: 4 57.14%
Flexible leases: 5 71.43%
Short-term leases: 4 57.14%
Shared services (e.g., conference room, high capacity copier, lunch room, receptionist):6 85.71%
Other resources (please specify below): 0 0%
If other, please specify: 1 14%
Total Responded to this question: 7 100%
Total who skipped this question: 0 0%
Total: 7 100%

4. If the TVBA relocates or expands, or its features change, which of the following would be most useful or important to your business (please mark all that apply)?
Response Comments
1 designated data center & private telecom options

5. Please indicate your level of interest in the Technology Village Accelerator as it goes through a possible relocation or expansion, and revamping of services and features:
Responses Percent
I would like to continue being a participant in the TVBA: 7 100%
I likely would use services at the TVBA, but no longer locate my business there: 0 0%
I might use services at the TVBA, but no longer locate my business there: 1 14.29%
I do not anticipate using the TVBA for my company in the future: 0 0%
I would consider staying in the TVBA as an anchor tenant (defined as a firm not needing the business services provided in an incubator): 3 42.86%
I would likely refer others to the TVBA: 5 71.43%
If other, please specify: 1 14%
Total Responded to this question: 7 100%
Total who skipped this question: 0 0%
Total: 7 100%

5. Please indicate your level of interest in the Technology Village Accelerator as it goes through a possible relocation or expansion, and revamping of services and features:
Response Comments
1 Currently not located in TVBA building, but would consider moving to new TVBA location once lease is up at our current location and layout/services are advantageous to our company

6. Is your interest in continuing to be a part of the TVBA affected by it moving to a different location? Responses Percent
I am only interested in being part of the TVBA if it moves to a new location:0 0%
I am only interested in being part of the TVBA if it stays in its current location0 0%
Location does not impact my level of interest: 6 85.71%
If other, please specify: 1 14%
Total Responded to this question: 7 100%
Total who skipped this question: 0 0%
Total: 7 100%

6. Is your interest in continuing to be a part of the TVBA affected by it moving to a different location? Response Comments
1 Not currently located at TVBA location

7. If the TVBA expands or moves into a new facility elsewhere in the area, where do you think it should be located? Please mark all possible locations, indicating how suitable each is.

	Preferred	'	Acceptable	'	NotAcceptable	Total
Downtown Prior Lake:	4(80%)	0(0%)	1(20%)	0(0%)	0(0%)	5
Other Prior Lake location:	2(40%)	2(40%)	1(20%)	0(0%)	0(0%)	5
Savage:	0(0%)	1(20%)	3(60%)	1(20%)	0(0%)	5
Shakopee:	0(0%)	1(20%)	2(40%)	2(40%)	0(0%)	5
Near Mystic Lake Casino:	1(20%)	1(20%)	1(20%)	1(20%)	1(20%)	5
Elsewhere in Scott County:	0(0%)	0(0%)	1(25%)	2(50%)	1(25%)	4
No preference:	1(50%)	0(0%)	0(0%)	0(0%)	1(50%)	2
Other (plz specify below):	0(0%)	0(0%)	0(0%)	0(0%)	1(100%)	1

Total Responded to this question: 6 85.71%
Total who skipped this question: 1 14.29%
Total: 7 100%

9. What kinds of technology should TVBA cater to, in terms of entrepreneurs it assists? Please mark all that apply
Responses Percent
Information: 4 66.67%
Energy/green/environment: 3 50%
Defense-related: 0 0%
Aerospace: 0 0%
Media/video: 4 66.67%
Bio/medical: 2 33.33%
Chemical: 1 16.67%
Homeland security: 0 0%
Education/STEM/training: 2 33.33%
Financial/Gaming: 1 16.67%
Any industry using technology in its products, services, or operations: 5 83.33%
If other, please specify: 0 0%
Total Responded to this question: 6 85.71%
Total who skipped this question: 1 14.29%
Total: 7 100%

10. Which of the following business organizations have you sought help from, and how helpful were they?

	Very Helpful	Helpful	Not Very Helpful	Not Used	Not Aware Of	Total
First Stop Business Counselor :	0(0%)	0(0%)	0(0%)	3(100%)	0(0%)	3
TVBA Board member mentor	4(66.67%)	2(33.33%)	0(0%)	0(0%)	0(0%)	6
Chamber of Commerce:	0(0%)	1(25%)	1(25%)	2(50%)	0(0%)	4
MN-SBIR:	0(0%)	0(0%)	0(0%)	4(100%)	0(0%)	4
Small Business Devel Ctr(SBDC):	0(0%)	0(0%)	0(0%)	4(100%)	0(0%)	4
Small Business Assistance Office:	0(0%)	0(0%)	0(0%)	4(100%)	0(0%)	4
Small Business Minnesota:	0(0%)	1(25%)	0(0%)	3(75%)	0(0%)	4
SCORE:	0(0%)	2(40%)	0(0%)	3(60%)	0(0%)	5
Attorney:	2(40%)	1(20%)	0(0%)	1(20%)	1(20%)	5
Accountant/bookkeeper:	1(20%)	2(40%)	0(0%)	1(20%)	1(20%)	5
Banker:	0(0%)	1(20%)	1(20%)	2(40%)	1(20%)	5
Equity Investor (Angel,VC):	0(0%)	1(25%)	0(0%)	2(50%)	1(25%)	4
Management Consultant:	0(0%)	0(0%)	1(25%)	2(50%)	1(25%)	4
Other (please specify below):	0(0%)	0(0%)	0(0%)	0(0%)	0(0%)	0

Total Responded to this question: 6 85.71%
Total who skipped this question: 1 14.29%
Total: 7 100%

12. Do you know anyone who might be interested in the TVBA who we should contact? If so, please provide name and any possible contact information (e.g., address, phone number, email address)
Responses Percent
Responses: 2 100%
Total Responded to this question: 2 28.57%
Total who skipped this question: 5 71.43%
Total: 7 100%

12. Do you know anyone who might be interested in the TVBA who we should contact? If so, please provide name and any possible contact information (e.g., address, phone number, email address) Response Response Text
1 Not at this time.
2 sprasanna@scvalue.com

13. Are there any other comments or suggestions that you would like to make to help us better understand your opinion on relocating or expanding the TVBA, or modifying its services and programs? Responses Percent
Responses: 3 100%
Total Responded to this question: 3 42.86%
Total who skipped this question: 4 57.14%
Total: 7 100%

13. Are there any other comments or suggestions that you would like to make to help us better understand your opinion on relocating or expanding the TVBA, or modifying its services and programs? Response Response Text
1 The services offered thus far have been very helpful and the cost is very reasonable. The mentoring and networking has been especially invaluable. We will certainly continue to participate if the TV relocates or modifies it's services and programs.
2 TVBA Buyin/
participation and/or introduction of existing Scott businesses to
include Mystic Lake may
help create networking and
new business opportunities.
3 I think a scheduled time that a mentor / board member is in the TVBA space to make a presence would be good & a scheduled colaborative time with tenants.

14. Please provide the following so that we can follow up with you if necessary.
Responses Percent
Name: 5 100%
Company (if any): 5 100%
Address: 4 80%
City/Zip Code: 4 80%
Email Address: 5 100%
Total Responded to this question: 5 71.43%
Total who skipped this question: 2 28.57%
Total: 7 100%

Appendix B. Summary of Potential TVBA Tenant Survey Responses

Deploy Date: 11/06/2015
Closed Date:
Total Responses: 35
Completes: 31
Partials: 4

1. If you have a company or are thinking of starting one, please briefly describe what your business does or will do: Responses Percent
My company provides:: 9 100%
for customers who need:: 9 100%
Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

1. If you have a company or are thinking of starting one, please briefly describe what your business does or will do:
Response My company provides:
1 Restaurant/Pub
2 beatutiful custom-made acoustic and electric string instruments
3 nature-based apparel and accessories
4 Mobile specific product to the Real Estate industry
5 insurances--life, health, WI, accidental death
6 software tools & data management
7 chunky knit items
8 vehicles
9 IT Consulting Services , Cloud and Web development

Response for customers who need:
1 Food/Beer/Wine
2 powerful, pure, wide-ranging acoustical expression on stage and in the studio
3 to be reminded of nature in theire everyday life
4 Business Function/ Marketing
5 to protect their assets
6 to improve/automate business
7 trendy style in their homes
8 high speed, safe bike commuting
9 Web development and cloud computing and information technology services

2. If you have an existing small business, or may be starting one, in what areas would you like more help? Please mark all that apply: Responses Percent
Marketing/market analysis: 5 55.56%
Product development: 3 33.33%
Hiring, firing, personnel management: 2 22.22%
Business planning: 5 55.56%
Accounting/financial analysis: 5 55.56%
Intellectual property protection: 3 33.33%
Other legal issues: 2 22.22%
Taxes, credits, planning: 5 55.56%
Business registration: 4 44.44%
Debt/equity financing: 5 55.56%
Business registration: 3 33.33%
Manufacturing process: 4 44.44%
Selling to government: 3 33.33%
Operating structure (partnership, corporation, LLC, etc): 4 44.44%
Mentoring: 4 44.44%
Networking opportunities with other entrepreneurs: 7 77.78%
Becoming a supplier to larger companies in the area: 5 55.56%
Converting R&D into marketable products and/or services: 4 44.44%
If other, please specify: 1 11%
Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

2. If you have an existing small business, or may be starting one, in what areas would you like more help? Please mark all that apply: Response Comments
1 conference room meeting space

3. In general, do you think a business incubator like the TVBA is a good idea for the Scott County region? Responses Percent
Yes: 9 100%
No: 0 0%
Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

4. Remembering that this business incubator serves existing as well as start up small businesses, is the TVBA something that you might use? Responses Percent
Yes: 8 100%
No: 0 0%
Total Responded to this question: 8 88.89%
Total who skipped this question: 1 11.11%
Total: 9 100%

5. If you might use the space or services of the TVBA, please indicate the features that would be useful to your business (please mark all that apply) Responses Percent

Light laboratory space: 0 0%
Retail space: 2 22.22%
Open office/coworking space: 3 33.33%
Light assembly/production space: 3 33.33%
Hard walled office space: 2 22.22%
Warehousing/storage space: 2 22.22%
Classroom/training space: 4 44.44%
Commercial kitchen (to make food products): 1 11.11%
Other types of space (please specify what type under "other" below): 1 11.11%
Full time manager: 0 0%
Part time manager: 1 11.11%
Full time admin assistant: 1 11.11%
Part time admin assistant: 4 44.44%
Business counseling: 2 22.22%
Business training: 0 0%
Business mentoring: 3 33.33%
Small business loan fund: 5 55.56%
Business coaching: 2 22.22%
Introductions to investors: 6 66.67%
High-speed Internet access: 5 55.56%
Networking opportunities: 6 66.67%
Video conferencing capability: 2 22.22%
Flexible leases: 7 77.78%
Short-term leases: 4 44.44%
Shared services (e.g., conference room, high capacity copier, lunch room, receptionist):4 44.44%
Other resources (please specify below): 0 0%
If other, please specify: 1 11%
Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

5. If you might use the space or services of the TVBA, please indicate the features that would be useful to your business (please mark all that apply) Response Comments
1 workshop-like space that can support various machining and production tools, some of which may require dust collection and/or may be slightly noisy in use

6. Please indicate your level of interest in the Technology Village Business Accelerator as it goes through a possible relocation or expansion, and revamping of services and features: Responses Percent
I would consider becoming a tenant in the TVBA: 8 88.89%
I likely would use services at the TVBA, but not locate my business there: 0 0%
I might use services at the TVBA, but not locate my business there: 1 11.11%
I do not anticipate using the TVBA for my company: 0 0%
I would consider joining in the TVBA as an anchor tenant (defined as a firm not needing the business services provided in an incubator):2 22.22%
I would likely refer others to the TVBA: 5 55.56%
If other, please specify: 1 11%
Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

6. Please indicate your level of interest in the Technology Village Business Accelerator as it goes through a possible relocation or expansion, and revamping of services and features: Response Comments
1 it's a long commute for me. I would consider it if there was an incentive

7. Is your interest in becoming part of the TVBA affected by it moving to a different location? Responses Percent
I am only interested in being part of the TVBA if it moves to a new location:1 14.29%
I am only interested in being part of the TVBA if it stays in its current location:0 0%
Location does not impact my level of interest: 5 71.43%
If other, please specify: 1 14%
Total Responded to this question: 7 77.78%
Total who skipped this question: 2 22.22%
Total: 9 100%

7. Is your interest in becoming part of the TVBA affected by it moving to a different location? Response Comments
1 Don't know where it's current location is

8. If the TVBA moves or expands into a new facility elsewhere in the area, where do you think it should be located? Please mark all possible locations, indicating how suitable each is.

	Preferred	'	Acceptable	'	NotAcceptable	Total
Downtown Prior Lake:	3(37.5%)	1(12.5%)	3(37.5%)	1(12.5%)	0(0%)	8
Other Prior Lake location:	3(50%)	1(16.67%)	1(16.67%)	1(16.67%)	0(0%)	6
Savage:	4(57.14%)	1(14.29%)	1(14.29%)	0(0%)	1(14.29%)	7
Shakopee:	2(28.57%)	1(14.29%)	4(57.14%)	0(0%)	0(0%)	7
Near Mystic Lake Casino:	1(14.29%)	1(14.29%)	2(28.57%)	1(14.29%)	2(28.57%)	7
Elsewhere in Scott County:	0(0%)	1(14.29%)	4(57.14%)	2(28.57%)	0(0%)	7
No preference:	0(0%)	0(0%)	2(66.67%)	1(33.33%)	0(0%)	3
Other (plz specify below):	2(66.67%)	1(33.33%)	0(0%)	0(0%)	0(0%)	3

Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

9. If you answered "other" on the previous question for TVBA location preferences, please briefly describe that location: Response Response Text
1 Near Highway 169
2 CR 42 & 21, or 42 & 18 that might grow into gdspots
3 as close to MPLS as possible

10. What kinds of technology should TVBA cater to, in terms of entrepreneurs it assists? Please mark all that apply Responses Percent
Information: 6 66.67%
Energy/green/environment: 4 44.44%
Defense-related: 0 0%
Aerospace: 0 0%
Media/video: 3 33.33%
Bio/medical: 1 11.11%
Chemical: 0 0%
Homeland security: 1 11.11%
Education/STEM/training: 3 33.33%
Gaming/Financial: 0 0%
Any industry using technology in its products, services, or operations: 6 66.67%
If other, please specify: 3 33%
Total Responded to this question: 9 100%
Total: 9 100%

10. What kinds of technology should TVBA cater to, in terms of entrepreneurs it assists? Please mark all that apply Response Comments
1 Manufactoring (graphic design/CAD drawings to automated manufactoring)
2 Not sure of the question
3 growth businesses

11. Which of the following business organizations have you sought help from, and how helpful were they?

	Very Helpful	Helpful	Not Very Helpful	Not Used	Not Aware Of	Total
First Stop Business Counselor:	0(0%)	0(0%)	0(0%)	3(42.86%)	4(57.14%)	7
TVBA Board member mentor:	0(0%)	0(0%)	0(0%)	3(42.86%)	4(57.14%)	7
Chamber of Commerce:	0(0%)	2(33.33%)	0(0%)	4(66.67%)	0(0%)	6
MN-SBIR:	0(0%)	3(37.5%)	0(0%)	3(37.5%)	2(25%)	8
Small Business Development Center (SBDC):	0(0%)	1(16.67%)	0(0%)	4(66.67%)	1(16.67%)	6
Small Business Assistance Office:	0(0%)	1(16.67%)	0(0%)	3(50%)	2(33.33%)	6
Small Business Minnesota:	0(0%)	1(16.67%)	0(0%)	4(66.67%)	1(16.67%)	6
SCORE:	0(0%)	0(0%)	1(16.67%)	4(66.67%)	1(16.67%)	6
Attorney:	4(50%)	1(12.5%)	0(0%)	3(37.5%)	0(0%)	8
Accountant/bookkeeper :	2(28.57%)	1(14.29%)	1(14.29%)	3(42.86%)	0(0%)	7
Banker:	0(0%)	1(16.67%)	1(16.67%)	4(66.67%)	0(0%)	6
Equity Investor (Angel,Venture Capitalist):	0(0%)	1(16.67%)	0(0%)	5(83.33%)	0(0%)	6
Management Consultant:	0(0%)	1(16.67%)	0(0%)	4(66.67%)	1(16.67%)	6
Other (please specify below):	1(50%)	0(0%)	0(0%)	0(0%)	1(50%)	2

Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

12. If you answered "Other" to the previous question, please specify the organization (s) here: Response Response Text
1 barley stage bus

13. Do you know anyone who might be interested in the TVBA who we should contact? If so, please provide name and any possible contact information (e.g., address, phone number, email address) Responses Percent
Responses: 3 100%
Total Responded to this question: 3 33.33%
Total who skipped this question: 6 66.67%
Total: 9 100%

13. Do you know anyone who might be interested in the TVBA who we should contact? If so, please provide name and any possible contact information (e.g., address, phone number, email address) Response Response Text
1 john@redshedtechnology.com
2 Gopher Angels, MN Innovates
3 No

14. Are there any other comments or suggestions that you would like to make to help us better understand your opinion on relocating or expanding the TVBA, or modifying its services and programs? Responses Percent
Responses: 5 100%
Total Responded to this question: 5 55.56%
Total who skipped this question: 4 44.44%
Total: 9 100%

14. Are there any other comments or suggestions that you would like to make to help us better understand your opinion on relocating or expanding the TVBA, or modifying its services and programs? Response Response Text
1 This may be a strech, but a person who wants to start a business often has to put up capital and invest time in product development before a single sale is made. While typical, it can retard people who have to bring in household income from launching their business. What if TVBA offered a stipend type program, whereby the enterpenuer put down money and time, and in month three was also paid a small stipend. The return for TVBA could be a percentage of sales after and for a set period of time.
2 I would like to learn more about this program
3 There are some ad new incubator models out there and they are succeeding. We used better space to locate and grow our business. We really, really, really, really need software developers. Having educ training facilities in Scott County would help a lot. For software devel. Solve that and bring lots of companies to the area
4 Great idea. Would like to be involved somehow
5 No

15. Please provide the following so that we can follow up with you if necessary. Responses Percent
Name: 8 88.89%
Company (if any): 6 66.67%
Address: 7 77.78%
City/Zip Code: 6 66.67%
Email Address: 6 66.67%
Total Responded to this question: 9 100%
Total who skipped this question: 0 0%
Total: 9 100%

Appendix C. Cash Flow Projections for All Scenarios

Scenario #1.1 Commerce Avenue-Lease of 2k sf

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wall	$ 40,000	$20/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	7,200	8% of renov, construct & furnishings
Facility Cost	97,200	
Operating s	700,000	only covers 1st 5 years operating deficits
Total Cost	$ 797,200	

Source

Econ Devel	48,600	Assume 50% of project hard cost (not subsidy)
Grants (CDI	200,000	Can be used as Federal (EDA) match
Local govt	475,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	75,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail.	$ 798,600	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($131,720)	($269,048)	($409,344)	($555,790)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 24,000	$24,960	$25,958	$26,997	$28,077	75% leasable @$16/sf gross	2000	1300
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	2,800	2,940	3,473	3,647	3,829	$1.75/sf occupied incub space,5% escal	2000	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(4,800)	(4,992)	(2,596)	(2,700)	(2,808)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(1,340)	(1,395)	(1,472)	(1,532)	(1,595)	5% of rent & svcs		
Net cash in	$ 27,680	$ 28,884	$ 33,103	$ 34,538	$ 36,035			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	9500	$10,070	$10,674	$11,315	$11,994	$4.75/sf/year per TVBA website		
Insurance	500	530	562	596	631	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$24,000	$24,000	$24,000	$24,000	$24,000	Per askng price of $12/sf nnn		
R/E taxes	5000	$5,300	$5,618	$5,955	$6,312	$2.50/yr per Dan Rogness		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$159,400	$166,212	$173,399	$180,985	$188,992			
Cash @ En	$ (131,720)	$ (269,048)	$ (409,344)	$ (555,790)	$ (708,747)			
Change in	$ (131,720)	$ (137,328)	$ (140,296)	$ (146,447)	$ (152,957)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #1.2 Commerce Avenue-Purchase

Facility & Operating Cost

Building/la	$ 719,910	90% of asking price
Renov, wal	$ 120,800	$20/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	13,664	8% of renov, construct & furnishings
Facility Cost	904,374	
Operating s	530,000	only covers 1st 5 years operating deficits
Total Cost	$ 1,434,374	

Source

Econ Devel	452,187	Assume 50% of project hard cost (not subsidy)
Grants (CDI	400,000	Can be used as Federal (EDA) match
Local govt	480,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	100,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 1,432,187	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($96,287)	($198,277)	($297,382)	($402,566)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 72,480	$75,379	$78,394	$81,530	$84,791	75% leasable @$16/sf gross	6040	3926
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	8,456	8,879	10,488	11,012	11,563	$1.75/sf occupied incub space,5% escal	6040	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(14,496)	(15,076)	(7,839)	(8,153)	(8,479)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(4,047)	(4,213)	(4,444)	(4,627)	(4,818)	5% of rent & svcs		
Net cash in	$ 69,413	$ 72,340	$ 84,338	$ 87,889	$ 91,590			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	$ 28,690	$30,411	$32,236	$34,170	$36,220	$4.75/sf/yr per TVBA website		
Insurance	1,510	1,601	1,697	1,798	1,906	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	n/a because building is acquired		
R/E taxes	15100	$16,006	$16,966	$17,984	$19,063	$2.50/yr per Dan Rogness		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$165,700	$174,330	$183,444	$193,072	$203,245			
Cash @ En	$ (96,287)	$ (198,277)	$ (297,382)	$ (402,566)	$ (514,221)			
Change in	$ (96,287)	$ (101,990)	$ (99,106)	$ (105,183)	$ (111,655)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #2.1 Savage Business Lofts-Lease

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wal	$ 77,000	$20/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	10,160	8% of renov, construct & furnishings
Facility Cost	137,160	
Operating s	915,000	only covers 1st 5 years operating deficits
Total Cost	$ 1,052,160	

Source

Econ Devel	68,580	Assume 50% of project hard cost (not subsidy)
Grants (CDI	400,000	Can be used as Federal (EDA) match
Local govt	500,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	75,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 1,043,580	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($174,480)	($354,610)	($535,030)	($721,566)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 46,200	$48,048	$49,970	$51,969	$54,047	75% leasable @$16/sf gross	3850	2502.5
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	5,390	5,660	6,685	7,020	7,371	$1.75/sf occupied incub space,5% escal	3850	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(9,240)	(9,610)	(4,997)	(5,197)	(5,405)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(2,580)	(2,685)	(2,833)	(2,949)	(3,071)	5% of rent & svcs		
Net cash in	$ 46,791	$ 48,784	$ 56,565	$ 58,969	$ 61,475			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	18288	$19,385	$20,548	$21,781	$23,088	$4.75/sf, per TVBA website, esc 6%		
Insurance	963	1,020	1,081	1,146	1,215	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$71,995	$71,995	$71,995	$71,995	$71,995	At asking price of $18.70/sf		
R/E taxes	9625	$10,203	$10,815	$11,464	$12,151	$2.50/sf, per Rogness 3/17 email, esc 6%		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$221,270	$228,915	$236,984	$245,505	$254,504			
Cash @ En	$ (174,480)	$ (354,610)	$ (535,030)	$ (721,566)	$ (914,595)			
Change in	$ (174,480)	$ (180,131)	$ (180,419)	$ (186,536)	$ (193,029)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #2.2 Savage Business Lofts-Purchase

Facility & Operating Cost

Building/la	$ 337,500	90% of asking price
Renov, wal	$ 77,000	$20/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	10,160	8% of renov, construct & furnishings
Facility Cost	474,660	
Operating s	550,000	only covers 1st 5 years operating deficits
Total Cost	$ 1,024,660	

Source

Econ Devel	237,330	Assume 50% of project hard cost (not subsidy)
Grants (CDI	350,000	Can be used as Federal (EDA) match
Local govt	460,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	75,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 1,122,330	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($102,485)	($210,620)	($319,045)	($433,586)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 46,200	$48,048	$49,970	$51,969	$54,047	75% leasable @$16/sf gross	3850	2502.5
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	5,390	5,660	6,685	7,020	7,371	$1.75/sf occupied incub space,5% escal	3850	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(9,240)	(9,610)	(4,997)	(5,197)	(5,405)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(2,580)	(2,685)	(2,833)	(2,949)	(3,071)	5% of rent & svcs		
Net cash in	$ 46,791	$ 48,784	$ 56,565	$ 58,969	$ 61,475			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	18288	$19,385	$20,548	$21,781	$23,088	$4.75/sf, per TVBA website, esc 6%		
Insurance	963	1,020	1,081	1,146	1,215	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	n/a because acquiring building		
R/E taxes	9625	$10,203	$10,815	$11,464	$12,151	$2.50/sf, per Rogness 3/17 email, esc 6%		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$149,275	$156,920	$164,989	$173,510	$182,509			
Cash @ En	$ (102,485)	$ (210,620)	$ (319,045)	$ (433,586)	$ (554,620)			
Change in	$ (102,485)	$ (108,136)	$ (108,424)	$ (114,541)	$ (121,034)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #3.1 Downtown Prior Lake-Lease

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wal	$ 215,000	$50/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	21,200	8% of renov, construct & furnishings
Facility Cost	286,200	
Operating s	950,000	only covers 1st 5 years operating deficits
Total Cost	$ 1,236,200	

Source

Econ Devel	143,100	Assume 50% of project hard cost (not subsidy)
Grants (CDI	400,000	Can be used as Federal (EDA) match
Local govt	500,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	75,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 1,118,100	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($134,536)	($272,864)	($408,845)	($548,833)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 51,600	$53,664	$55,811	$58,043	$60,365	75% leasable @$16/sf gross	4300	2795
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	6,020	6,321	7,467	7,840	8,232	$1.75/sf occupied incub space,5% escal	4300	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(10,320)	(10,733)	(5,581)	(5,804)	(6,036)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(2,881)	(2,999)	(3,164)	(3,294)	(3,430)	5% of rent & svcs		
Net cash in	$ 51,439	$ 53,624	$ 62,272	$ 64,911	$ 67,663			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CAM		$0	$0	$0	$0	$lease rate is gross, per RE listing		
Insurance	1,075	1,140	1,208	1,280	1,357	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$64,500	$64,500	$64,500	$64,500	$64,500	At asking price of $15/sf		
R/E taxes		$0	$0	$0	$0	$lease rate is gross, per RE listing		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$185,975	$191,952	$198,253	$204,900	$211,912			
Cash @ En	$ (134,536)	$ (272,864)	$ (408,845)	$ (548,833)	$ (693,082)			
Change in	$ (134,536)	$ (138,328)	$ (135,981)	$ (139,989)	$ (144,249)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #3.2 Downtown Prior Lake-Purchase

Facility & Operating Cost

Building/lar	$ 387,000	90% of asking price
Renov, wal	$ 165,000	$50/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	17,200	8% of renov, construct & furnishings
Facility Cost	619,200	
Operating s	600,000	only covers 1st 5 years operating deficits
Total Cost	$ 1,219,200	

Source

Econ Devel	309,600	Assume 50% of project hard cost (not subsidy)
Grants (CDI	375,000	Can be used as Federal (EDA) match
Local govt	450,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	75,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 1,209,600	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($108,991)	($223,918)	($340,244)	($463,031)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 39,600	$41,184	$42,831	$44,545	$46,326	75% leasable @$16/sf gross	3300	2145
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	4,620	4,851	5,730	6,017	6,318	$1.75/sf occupied incub space,5% escal	3300	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(7,920)	(8,237)	(4,283)	(4,454)	(4,633)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(2,211)	(2,302)	(2,428)	(2,528)	(2,632)	5% of rent & svcs		
Net cash in	$ 41,109	$ 42,867	$ 49,590	$ 51,705	$ 53,912			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	15675	$16,616	$17,612	$18,669	$19,789	$lease rate is gross, per RE listing		
Insurance	825	875	927	983	1,042	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	n/a because building is acquired		
R/E taxes	13200	$13,992	$14,832	$15,721	$16,665	$lease rate is gross, per RE listing		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash o	$150,100	$157,794	$165,916	$174,493	$183,551			
Cash @ En	$ (108,991)	$ (223,918)	$ (340,244)	$ (463,031)	$ (592,669)			
Change in	$ (108,991)	$ (114,927)	$ (116,326)	$ (122,787)	$ (129,639)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #4 Savage Center-Lease

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wall	$ 193,400	$40/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	19,472	8% of renov, construct & furnishings
Facility Cost	262,872	
Operating s	575,000	only covers 1st 5 years operating deficits
Total Cost	$ 837,872	

Source

Econ Devel	131,436	Assume 50% of project hard cost (not subsidy)
Grants (CDI	250,000	Can be used as Federal (EDA) match
Local govt	400,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	75,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 856,436	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($110,576)	($224,723)	($335,502)	($450,017)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 58,020	$60,341	$62,754	$65,265	$67,875	75% leasable @$16/sf gross	4835	3142.75
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	6,769	7,107	8,396	8,815	9,256	$1.75/sf occupied incub space,5% escal	4835	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(11,604)	(12,068)	(6,275)	(6,526)	(6,788)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(3,239)	(3,372)	(3,558)	(3,704)	(3,857)	5% of rent & svcs		
Net cash in	$ 56,966	$ 59,379	$ 69,057	$ 71,976	$ 75,020			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CAM		$0	$0	$0	$0	$lease rate is gross, per RE listing		
Insurance	1,209	1,281	1,358	1,440	1,526	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$45,933	$45,933	$45,933	$45,933	$45,933	At asking price of $9.50/sf gross		
R/E taxes		$0	$0	$0	$0	$lease rate is gross, per RE listing		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$167,541	$173,526	$179,836	$186,491	$193,513			
Cash @ En	$ (110,576)	$ (224,723)	$ (335,502)	$ (450,017)	$ (568,511)			
Change in	$ (110,576)	$ (114,147)	$ (110,779)	$ (114,515)	$ (118,493)	breakeven impossible @ any% occupancy		
% incub oc	80%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #5.1 Fish Point Rd-10k sf Lease

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wal	$ 800,000	$80/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	68,000	8% of renov, construct & furnishings
Facility Cost	918,000	
Operating s	680,000	only covers 1st 5 years operating deficits
Total Cost	$ 1,598,000	

Source

Econ Devel	459,000	Assume 50% of project hard cost (not subsidy)
Grants (CDI	525,000	Can be used as Federal (EDA) match
Local govt	500,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	100,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 1,584,000	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($143,743)	($279,619)	($406,875)	($540,137)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 120,000	$124,800	$129,792	$134,984	$140,383	75% leasable @$16/sf gross	10000	6500
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	12,250	14,700	17,364	18,233	19,144	$1.75/sf occupied incub space,5% escal	10000	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(36,000)	(24,960)	(12,979)	(13,498)	(14,038)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(6,613)	(6,975)	(7,358)	(7,661)	(7,976)	5% of rent & svcs		
Net cash in	$ 96,658	$ 114,936	$ 134,559	$ 140,184	$ 146,045			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	47500	$50,350	$53,371	$56,573	$59,968	$4.75/sf, per TVBA website listings		
Insurance	2,500	2,650	2,809	2,978	3,156	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$45,000	$45,000	$45,000	$45,000	$45,000	At asking price of $4.50/sf gross		
R/E taxes	25000	$26,500	$28,090	$29,775	$31,562	$2.50/sf, per Rogness 3/17 email, 6% esc		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$240,400	$250,812	$261,815	$273,446	$285,741			
Cash @ En	$ (143,743)	$ (279,619)	$ (406,875)	$ (540,137)	$ (679,832)			
Change in	$ (143,743)	$ (135,876)	$ (127,256)	$ (133,262)	$ (139,695)	breakeven impossible @ any% occupancy		
% incub oc	70%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #5.2 Fish Point Rd-15k sf Lease

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wall	$ 1,200,000	$80/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	100,000	8% of renov, construct & furnishings
Facility Cost	1,350,000	
Operating s	710,000	only covers 1st 5 years operating deficits
Total Cost	$ 2,060,000	

Source

Econ Devel	675,000	Assume 50% of project hard cost (not subsidy)
Grants (CDI	650,000	Can be used as Federal (EDA) match
Local govt	650,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	100,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 2,075,000	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($158,924)	($303,267)	($431,749)	($566,145)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 180,000	$187,200	$194,688	$202,476	$210,575	75% leasable @$16/sf gross	15000	9750
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	18,375	22,050	26,047	27,349	28,716	$1.75/sf occupied incub space,5% escal	15000	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(54,000)	(37,440)	(19,469)	(20,248)	(21,057)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(9,919)	(10,463)	(11,037)	(11,491)	(11,965)	5% of rent & svcs		
Net cash in	$ 141,476	$ 168,719	$ 197,969	$ 206,212	$ 214,802			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	71250	$75,525	$80,057	$84,860	$89,951	$4.75/sf, per TVBA website listings		
Insurance	3,750	3,975	4,214	4,466	4,734	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$67,500	$67,500	$67,500	$67,500	$67,500	At asking price of $4.50/sf gross		
R/E taxes	37500	$39,750	$42,135	$44,663	$47,343	$2.50/sf, per Rogness 3/17 email		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$300,400	$313,062	$326,450	$340,609	$355,584			
Cash @ En	$ (158,924)	$ (303,267)	$ (431,749)	$ (566,145)	$ (706,927)			
Change in	$ (158,924)	$ (144,344)	$ (128,482)	$ (134,396)	$ (140,782)	breakeven impossible @ any% occupancy		
% incub oc	70%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #5.3 Fish Point Rd-21.9k sf Lease

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wal	$ 1,752,000	$80/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	144,160	8% of renov, construct & furnishings
Facility Cost	1,946,160	
Operating s	745,000	only covers 1st 5 years operating deficits
Total Cost	$ 2,691,160	

Source

Econ Devel	973,080	Assume 50% of project hard cost (not subsidy)
Grants (CDI	800,000	Can be used as Federal (EDA) match
Local govt	800,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	100,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 2,673,080	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($179,874)	($335,903)	($466,075)	($602,037)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 262,800	$273,312	$284,244	$295,614	$307,439	75% leasable @$16/sf gross	21900	14235
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ -	-	-	-	-	100% leasable @$12/sf gross	0	
Services	26,828	32,193	38,028	39,929	41,926	$1.75/sf occupied incub space,5% escal	21900	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(78,840)	(54,662)	(28,424)	(29,561)	(30,744)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(14,481)	(15,275)	(16,114)	(16,777)	(17,468)	5% of rent & svcs		
Net cash in	$ 203,326	$ 242,938	$ 285,474	$ 297,332	$ 309,685			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	104025	$110,267	$116,882	$123,895	$131,329	$4.75/sf, per TVBA website listings		
Insurance	5,475	5,804	6,152	6,521	6,912	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$98,550	$98,550	$98,550	$98,550	$98,550	At asking price of $4.50/sf gross		
R/E taxes	54750	$58,035	$61,517	$65,208	$69,121	$2.50/sf, per Rogness 3/17 email, 6% esc		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$383,200	$398,967	$415,647	$433,294	$451,967			
Cash @ En	$ (179,874)	$ (335,903)	$ (466,075)	$ (602,037)	$ (744,319)			
Change in	$ (179,874)	$ (156,029)	$ (130,173)	$ (135,962)	$ (142,281)	breakeven impossible @ any% occupancy		
% incub oc	70%	80%	90%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #5.4 Fish Point Rd-46.6k sf Lease w/25k sf anchor

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wall	$ 3,724,000	$80/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	301,920	8% of renov, construct & furnishings
Facility Cost	4,075,920	
Operating s	150,000	only covers 1st 5 years operating deficits
Total Cost	$ 4,225,920	

Source

Econ Devel	2,037,960	Assume 50% of project hard cost (not subsidy)
Grants (CDI	1,000,000	Can be used as Federal (EDA) match
Local govt	1,000,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	200,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 4,237,960	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($89,504)	($147,721)	($172,370)	($161,042)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 258,600	$268,944	$279,702	$290,890	$302,525	75% leasable @$16/sf gross	21550	14007.5
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ 250,000	$260,000	$270,400	$281,216	$292,465	100% leasable @$10/sf gross	25000	
Services	22,628	27,719	33,262	39,291	41,256	$1.75/sf occupied incub space,5% escal	46550	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(103,440)	(80,683)	(55,940)	(29,089)	(30,253)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(26,561)	(27,833)	(29,168)	(30,570)	(31,812)	5% of rent & svcs		
Net cash in	$ 408,246	$ 455,517	$ 505,995	$ 559,865	$ 582,714			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	102363	$108,504	$115,015	$121,915	$129,230	$4.75/sf, per TVBA website listings, INCUBATOR PORTION ONLY		
Insurance	11,638	12,336	13,076	13,860	14,692	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payı	$209,475	$209,475	$209,475	$209,475	$209,475	At asking price of $4.50/sf gross		
R/E taxes	53875	$57,108	$60,534	$64,166	$68,016	$2.50/sf, per Rogness 3/17 email, INCUBATOR PORTION ONLY		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$497,750	$513,735	$530,645	$548,536	$567,468			
Cash @ En	$ (89,504)	$ (147,721)	$ (172,370)	$ (161,042)	$ (145,796)			
Change in	$ (89,504)	$ (58,217)	$ (24,649)	$ 11,329	$ 15,246	breakeven possible @ 87% occupancy		
% incub oc	60%	70%	80%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #5.5 Fish Point Rd-46.6k sf Purchase w/25k sf anchor

Facility & Operating Cost		
Building/lar	$ 2,425,500	90% of asking price
Renov, wal	$ 2,974,000	$80/sf for incub, $50/sf for anchor spaces assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	241,920	8% of renov, construct & furnishings
Facility Cost	5,691,420	
Operating s	-	NO DEFICIT ANTICIPATED
Total Cost	$ 5,691,420	

Source		
Econ Devel	2,845,710	Assume 50% of project hard cost (not subsidy)
Grants (CDI	1,000,000	Can be used as Federal (EDA) match
Local govt	700,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	150,000	Incl equip/furn/etc
Loans, othe	1,000,000	Gap filler
Total Avail	$ 5,695,710	

$72,476 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	$47,495	$126,277	$238,626	$386,954			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 258,600	$268,944	$279,702	$290,890	$302,525	75% leasable @$16/sf gross	21550	14007.5
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ 250,000	$260,000	$270,400	$281,216	$292,465	100% leasable @$10/sf gross	25000	
Services	22,628	27,719	33,262	39,291	41,256	$1.75/sf occupied incub space,5% escal	46550	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(103,440)	(80,683)	(55,940)	(29,089)	(30,253)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(26,561)	(27,833)	(29,168)	(30,570)	(31,812)	5% of rent & svcs		
Net cash in	$ 408,246	$ 455,517	$ 505,995	$ 559,865	$ 582,714			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	102363	$108,504	$115,015	$121,915	$129,230	$4.75/sf, per TVBA website listings, INCUBATOR PORTION ONLY		
Insurance	11,638	12,336	13,076	13,860	14,692	$.25/sf		
Debt servi	$72,476	$72,476	$72,476	$72,476	$72,476	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	At asking price of $4.50/sf gross		
R/E taxes	53875	$57,108	$60,534	$64,166	$68,016	$2.50/sf, per Rogness 3/17 email, INCUBATOR PORTION ONLY		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$360,751	$376,736	$393,646	$411,537	$430,469			
Cash @ En	$ 47,495	$ 126,277	$ 238,626	$ 386,954	$ 539,198			
Change in	$ 47,495	$ 78,782	$ 112,349	$ 148,328	$ 152,245	breakeven possible @ 44% occupancy		
% incub oc	60%	70%	80%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #5.6 Fish Point Rd-46.6k sf Purchase w/seller becoming 25k sf anchor

Facility & Operating Cost		
Building/lar	$ 2,425,500	90% of asking price
Renov, wall	$ 1,724,000	$80/sf for incub, NOTHING FOR ANCHOR'S SPACE
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	141,920	8% of renov, construct & furnishings
Facility Cost	4,341,420	
Operating s	45,000	
Total Cost	$ 4,386,420	

Source		
Econ Devel	2,170,710	Assume 50% of project hard cost (not subsidy)
Grants (CDI	900,000	Can be used as Federal (EDA) match
Local govt	650,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	150,000	Incl equip/furn/etc
Loans, othe	500,000	Gap filler
Total Avail	$ 4,370,710	

$36,238 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($35,017)	($43,497)	($23,350)	$27,638			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 258,600	$268,944	$279,702	$290,890	$302,525	75% leasable @$16/sf gross	21550	14007.5
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ 125,000	$130,000	$135,200	$140,608	$146,232	100% leasable @$5/sf gross	25000	
Services	22,628	27,719	33,262	39,291	41,256	$1.75/sf occupied incub space,5% escal	46550	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(103,440)	(80,683)	(55,940)	(29,089)	(30,253)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(20,311)	(21,333)	(22,408)	(23,539)	(24,501)	5% of rent & svcs		
Net cash in	$ 289,496	$ 332,017	$ 377,555	$ 426,287	$ 443,793			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	102363	$108,504	$115,015	$121,915	$129,230	$4.75/sf, per TVBA website listings, INCUBATOR PORTION ONLY		
Insurance	11,638	12,336	13,076	13,860	14,692	$.25/sf		
Debt servi	$36,238	$36,238	$36,238	$36,238	$36,238	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	At asking price of $4.50/sf gross		
R/E taxes	53875	$57,108	$60,534	$64,166	$68,016	$2.50/sf, per Rogness 3/17 email, 6% esc, INCUBATOR PORTION ONLY		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$324,513	$340,498	$357,408	$375,299	$394,231			
Cash @ En	$ (35,017)	$ (43,497)	$ (23,350)	$ 27,638	$ 77,200			
Change in	$ (35,017)	$ (8,480)	$ 20,148	$ 50,988	$ 49,562	breakeven possible @ 73% occupancy		
% incub oc	60%	70%	80%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #6 Boudin St Lease w/anchor

Facility & Operating Cost

Building/land acquis		90% of asking price
Renov, wal	$ 2,000,000	$80/sf assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	164,000	8% of renov, construct & furnishings
Facility Cost	2,214,000	
Operating s	2,100,000	only covers 1st 5 years operating deficits
Total Cost	$ 4,314,000	

Source

Econ Devel	1,107,000	Assume 50% of project hard cost (not subsidy)
Grants (CDI	1,000,000	Can be used as Federal (EDA) match
Local govt	1,150,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	200,000	Incl equip/furn/etc
Loans, other debt		Gap filler
Total Avail	$ 3,457,000	NOTE: Sources do not appear to be adequate to cover costs

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($448,655)	($884,532)	($1,306,686)	($1,714,121)			
Cash In								
Rental: offi	$ 120,000	$124,800	$129,792	$134,984	$140,383	75% leasable @$16/sf gross	10000	6500
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ 150,000	$156,000	$162,240	$168,730	$175,479	100% leasable @$10/sf gross	15000	
Services	10,500	12,863	15,435	18,233	19,144	$1.75/sf occupied incub space,5% escal	25000	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(48,000)	(37,440)	(25,958)	(13,498)	(14,038)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(14,025)	(14,683)	(15,373)	(16,097)	(16,750)	5% of rent & svcs		
Net cash in	$ 225,495	$ 248,910	$ 273,875	$ 300,477	$ 312,750			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	47500	$50,350	$53,371	$56,573	$59,968	$4.75/sf, per TVBA website listings, INCUBATOR PORTION ONLY		
Insurance	6,250	6,625	7,023	7,444	7,890	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payi	$475,000	$475,000	$475,000	$475,000	$475,000	At asking price of $19/sf gross		
R/E taxes	25000	$26,500	$28,090	$29,775	$31,562	$2.50/sf, per Rogness 3/17 email, 6% esc, INCUBATOR PORTION ONLY		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$674,150	$684,787	$696,029	$707,912	$720,475			
Cash @ En	$ (448,655)	$ (884,532)	$ (1,306,686)	$ (1,714,121)	$ (2,121,845)			
Change in	$ (448,655)	$ (435,877)	$ (422,154)	$ (407,435)	$ (407,725)	breakeven impossible @ any% occupancy		
% incub oc	60%	70%	80%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #7.1 Generic 15k sf building, Purchase w/5k sf anchor

Facility & Operating Cost		
Building/la	$ 1,282,500	90% of asking price
Renov, wal	$ 1,050,000	$80/sf for incub, $50/sf for anchor spaces assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	88,000	8% of renov, construct & furnishings
Facility Cost	2,470,500	
Operating s	250,000	covers 1st 5 years only
Total Cost	$ 2,720,500	

Source		
Econ Devel	1,235,250	Assume 50% of project hard cost (not subsidy)
Grants (CDI	750,000	Can be used as Federal (EDA) match
Local govt	600,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	150,000	Incl equip/furn/etc
Loans, othe	-	Gap filler
Total Avail.	$ 2,735,250	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($66,155)	($123,182)	($170,279)	($206,598)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 120,000	$124,800	$129,792	$134,984	$140,383	75% leasable @$16/sf gross	10000	6500
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ 50,000	$52,000	$54,080	$56,243	$58,493	100% leasable @$10/sf gross	5000	
Services	10,500	12,863	15,435	18,233	19,144	$1.75/sf occupied incub space,5% escal	15000	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(48,000)	(37,440)	(25,958)	(13,498)	(14,038)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(9,025)	(9,483)	(9,965)	(10,473)	(10,901)	5% of rent & svcs		
Net cash in	$ 130,495	$ 150,110	$ 171,123	$ 193,615	$ 201,614			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	47500	$50,350	$53,371	$56,573	$59,968	$4.75/sf, per TVBA website listings, INCUBATOR PORTION ONLY		
Insurance	3,750	3,975	4,214	4,466	4,734	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	At asking price of $4.50/sf gross		
R/E taxes	25000	$26,500	$28,090	$29,775	$31,562	$2.50/sf, per Rogness 3/17 email, 6% esc, INCUBATOR PORTION ONLY		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$196,650	$207,137	$218,220	$229,934	$242,319			
Cash @ En	$ (66,155)	$ (123,182)	$ (170,279)	$ (206,598)	$ (247,303)			
Change in	$ (66,155)	$ (57,027)	$ (47,097)	$ (36,320)	$ (40,705)	breakeven impossible @ any% occupancy		
% incub oc	60%	70%	80%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Scenario #7.2 Generic 20k sf building, Purchase w/10k sf anchor

Facility & Operating Cost		
Building/lar	$ 1,710,000	90% of asking price
Renov, wal	$ 1,300,000	$80/sf for incub, $50/sf for anchor spaces assumed
Furn/equip	50,000	Phone, copier, fax, furniture, etc
New construction		
Closing/a&e/Soft cost		
Contingenc	108,000	8% of renov, construct & furnishings
Facility Cost	3,168,000	
Operating s	30,000	
Total Cost	$ 3,198,000	

Source		
Econ Devel	1,584,000	Assume 50% of project hard cost (not subsidy)
Grants (CDI	750,000	Can be used as Federal (EDA) match
Local govt	750,000	Combo of PL, Savage city govts and Scott County?
Pvt donatic	150,000	Incl equip/furn/etc
Loans, othe	-	Gap filler
Total Avail	$ 3,234,000	

$0 Annual loan pmt on balance shown above @ 4% for 20 years

	Year 1	Year 2	Year 3	Year 4	Year 5			
Cash @ Be	0	($19,905)	($28,857)	($25,982)	($10,359)			
Cash In						$10/gross - $3.35 util - $.25 insur = $6.40/sf		
Rental: offi	$ 120,000	$124,800	$129,792	$134,984	$140,383	75% leasable @$16/sf gross	10000	6500
Rental: wa	$ -	-	-	-	-	80% leasable @$12/sf gross		
Rental: an	$ 100,000	$104,000	$108,160	$112,486	$116,986	100% leasable @$10/sf gross	10000	
Services	10,500	12,863	15,435	18,233	19,144	$1.75/sf occupied incub space,5% escal	20000	
Affiliates	7,020	7,371	7,740	8,127	8,533	$65/mo, 5% escalation, 9 affiliates (3 "will use" and 50% of "might use" surv respd		
- vacancy f	(48,000)	(37,440)	(25,958)	(13,498)	(14,038)	Equal % off/lab BUT NOT ANCHORS		
- bad debt	(11,525)	(12,083)	(12,669)	(13,285)	(13,826)	5% of rent & svcs		
Net cash in	$ 177,995	$ 199,510	$ 222,499	$ 247,046	$ 257,182			
Cash Out								
Salaries	$85,800	$89,232	$92,801	$96,513	$100,374	$35k recept, .5FTE $62k mgr+30% fringe		
Utilities/CA	47500	$50,350	$53,371	$56,573	$59,968	$4.75/sf, per TVBA website listings, INCUBATOR PORTION ONLY		
Insurance	5,000	5,300	5,618	5,955	6,312	$.25/sf		
Debt servi	$0	$0	$0	$0	$0	Assume 4% for 20 years		
Lease payment		$0	$0	$0	$0	At asking price of $4.50/sf gross		
R/E taxes	25000	$26,500	$28,090	$29,775	$31,562	$2.50/sf, per Rogness 3/17 email, INCUBATOR PORTION ONLY		
Parking	0	0	0	0	0	Assume no cost		
Supplies, p	9,600	10,080	10,584	11,113	11,669	$800/mo + 5% inflation		
Misc	25,000	27,000	29,160	31,493	34,012	8% inflation		
Net cash ou	$197,900	$208,462	$219,624	$231,423	$243,897			
Cash @ En	$ (19,905)	$ (28,857)	$ (25,982)	$ (10,359)	$ 2,926			
Change in	$ (19,905)	$ (8,952)	$ 2,875	$ 15,623	$ 13,285	breakeven possible @ 78% occupancy		
% incub oc	60%	70%	80%	90%	90%			
Rent escalation		4%	4%	4%	4%			

Appendix D. TVBA Interim Model

GCGI recognizes that the move to a 15,000 square foot facility is a major undertaking for the TVBA. As that effort is taken on, GCGI would like to see the TVBA move to an interim model in its current Prior Lake City Hall location that is more focused on services than on subsidies.

Revenues/Sources	
Prop taxes	$34,000
Rental revenues	6,000
Total Revenues/Sources	$40,000
Expenses/Uses	
Office supplies	$500
Communications	5,000
Dues & subs	2,500
Misc	2,500
Furniture/fixtures	1,500
General equipment	1,500
Business assistance	3,000
Rent subsidies	23,500
Total Expenses/Uses	$40,000

GCGI begins with the 2015 Proposed TVBA budget, per page 12 of the Phase II.2 business plan. It is summarized at left. Most of the $40,000 in revenues is coming from the City of Prior Lake, with only $6,000 being received from tenant rents. Expenses are dominated by $23,500 in rent subsidies, or about 59% of the overall budget.

The following table shows two alternatives for how this basic budget should be adjusted, in GCGI's recommendation. Both alternatives share four major changes:

1. With elimination of rent discounts/subsidies, rental revenues increase dramatically and the largest expense category is eliminated.
2. 5 companies interested in access to the common area/coworking space are enticed to join the TVBA at $45 per month
3. The business assistance expense category is boosted, to put more focus on this important aspect of the incubator. Uses of this funding could include a speaker series, special trainers, and/or consultants, with GCGI's recommendation that these have a software/IT emphasis to further serve existing participants and encourage new ones in this industry.

Revenues/Sources	2015 Proposed Budget	Alternative #1	Alternative #2
Prop taxes	$34,000	$34,000	$34,000
Rental revenues	6,000	15,000	15,000
Coworking Space		2,700	2,700
Total Revenues/Sources	$40,000	$51,700	$51,700
Expenses/Uses			
Office supplies	$500	$500	$500
Communications	5,000	5,000	5,000
Dues & subs	2,500	2,500	2,500
Misc	2,500	2,500	2,500
Furniture/fixtures	1,500	1,500	1,500
General equipment	1,500	1,500	1,500
Business assistance	3,000	18,000	4,000
Rent subsidies	23,500	0	0
Part time staffer		20,625	34,325
Total Expenses/Uses	$40,000	$52,125	$51,875

4. A part-time staff member is added who is dedicated to the TVBA. In Alternative #1, this individual would be a 30% time employee, and therefore putting in about 12 hours per week. In Alternative #2, this person is 50% time.

Both alternatives ask that the City of Prior Lake maintain the same operating subsidy that was requested in the 2015 Proposed Budget of $34,000. But that subsidy is better matched by revenues generated from the TVBA, with those revenues comprising 34% of the incubator's operating budget (vs. only 15% under the 2015 Proposed Budget). GCGI anticipates that the rent subsidy elimination will not be popular with TVBA participants who have enjoyed the resulting cost savings, so GCGI proposes to replace it with more extensive staffing and improved business assistance services so that participants can see the benefits of giving up the subsidies. The further advantage of the proposed alternatives is to relieve the City's Community & Economic Development Director and his staff from responsibilities for the day-to-day operations and management of the incubator.

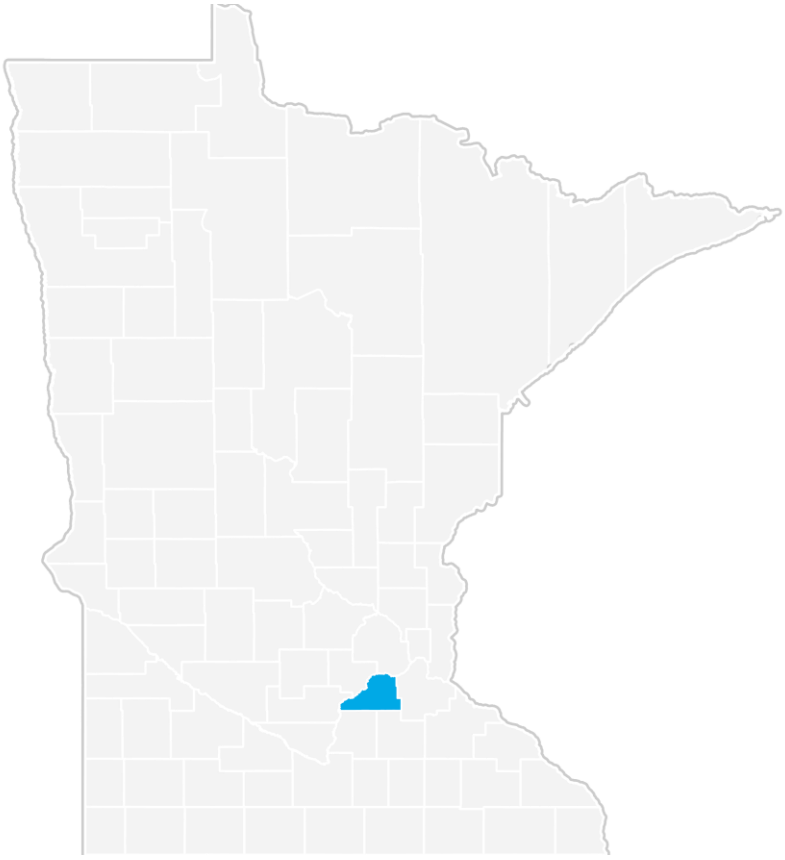
Clearly, it would be best if at least a half-time staffer could oversee the TVBA. However, Alternative #2, which includes this staffing level, shows a severe sacrifice in terms of business assistance funding for such services as IT speakers, trainers and consultants. One variation, then, on Alternative #2 is to employ a half time person, and ask for sponsorships from area businesses to help underwrite the cost of these outside service providers.

Because it is so heavily dependent on an annual contribution by the City of Prior Lake, both financially and in the use of space at City Hall, GCGI does not believe this Interim Model should become the basis of the TVBA long term. However, we think it represents a very positive step forward from the current incubator that lacks staffing and services, and puts far too much emphasis on subsidizing participant rents.

GCGI was asked during this process whether it recommends, if the transition to the 15,000 sf facility is not possible, that the TVBA be continued "as is" or shut down. Under these circumstances, GCGI would recommend that the current TVBA program be revamped to the Interim Model presented here and continued as long as the City of Prior Lake is willing to support the incubator, another sustainable direction is identified, or the community decides to go forward with the recommended 15,000 sf facility.

Economic Overview

Scott County, Minnesota



JOBSEQ

September 17, 2018

Demographic Profile

The population in Scott County, Minnesota was 139,490 per American Community Survey data for 2012-2016.

The region has a civilian labor force of 79,364 with a participation rate of 76.6%. Of individuals 25 to 64 in Scott County, Minnesota, 41.1% have a bachelor's degree or higher which compares with 31.8% in the nation.

The median household income in Scott County, Minnesota is $90,198 and the median house value is $258,400.

Summary[1]

	Percent			Value		
	Scott County, Minnesota	Minnesota	USA	Scott County, Minnesota	Minnesota	USA
Demographics						
Population (ACS)	—	—	—	139,490	5,450,868	318,558,162
Male	49.8%	49.7%	49.2%	69,528	2,710,157	156,765,322
Female	50.2%	50.3%	50.8%	69,962	2,740,711	161,792,840
Median Age[2]	—	—	—	35.7	37.8	37.7
Under 18 Years	28.8%	23.5%	23.1%	40,108	1,282,098	73,612,438
18 to 24 Years	7.4%	9.3%	9.8%	10,322	506,636	31,296,577
25 to 34 Years	12.7%	13.7%	13.6%	17,696	745,041	43,397,907
35 to 44 Years	15.5%	12.3%	12.7%	21,578	671,116	40,548,400
45 to 54 Years	15.8%	13.9%	13.6%	22,023	756,460	43,460,466
55 to 64 Years	10.6%	13.0%	12.6%	14,826	710,112	40,061,742
65 to 74 Years	5.6%	7.9%	8.3%	7,866	431,660	26,355,308
75 Years, and Over	3.6%	6.4%	6.2%	5,071	347,745	19,825,324
Race: White	84.8%	84.3%	73.3%	118,278	4,597,525	233,657,078
Race: Black or African American	3.0%	5.7%	12.6%	4,202	310,853	40,241,818
Race: American Indian and Alaska Native	0.7%	1.0%	0.8%	979	56,904	2,597,817
Race: Asian	5.9%	4.5%	5.2%	8,235	246,819	16,614,625
Race: Native Hawaiian and Other Pacific Islander	0.1%	0.0%	0.2%	173	1,969	560,021
Race: Some Other Race	2.3%	1.6%	4.8%	3,209	88,296	15,133,856
Race: Two or More Races	3.2%	2.7%	3.1%	4,414	148,502	9,752,947
Hispanic or Latino (of any race)	4.7%	5.1%	17.3%	6,617	276,026	55,199,107
Population Growth						
Population (Pop Estimates)[5]	—	—	—	145,827	5,576,606	325,719,178
Population Annual Average Growth[5]	1.6%	0.7%	0.8%	2,178	36,940	2,448,797
Economic						
Labor Force Participation Rate and Size (civilian population 16 years and over)	76.6%	69.9%	63.3%	79,364	3,010,294	159,807,099
Armed Forces Labor Force	0.1%	0.1%	0.4%	93	2,228	1,011,641
Veterans, Age 18-64	4.6%	4.6%	5.1%	3,982	157,344	10,165,671
Veterans Labor Force Participation Rate and Size, Age 18-64	86.2%	78.6%	75.4%	3,432	123,611	7,664,089
Median Household Income[2]	—	—	—	$90,198	$63,217	$55,322
Per Capita Income	—	—	—	$37,113	$33,225	$29,829
Poverty Level (of all people)	5.7%	10.8%	15.1%	7,905	577,196	46,932,225
Households Receiving Food Stamps	4.4%	8.9%	13.0%	2,068	189,334	15,360,951
Mean Commute Time (minutes)	—	—	—	26.0	23.2	26.1
Commute via Public Transportation	1.8%	3.5%	5.1%	1,341	99,475	7,476,312
Educational Attainment, Age 25-64						

Summary[1]

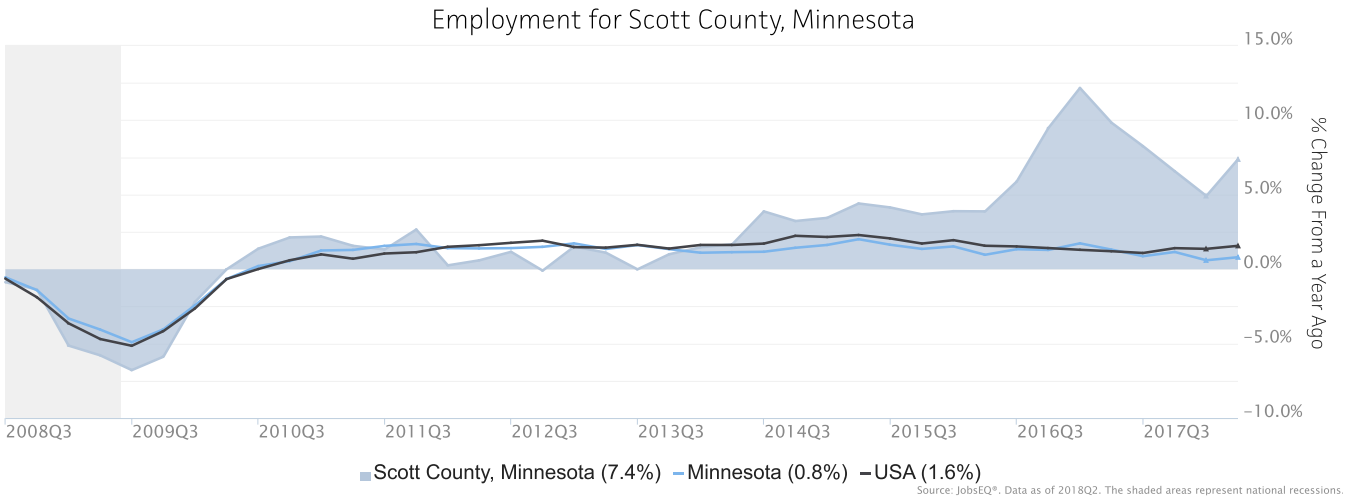
	Percent			Value		
	Scott County, Minnesota	Minnesota	USA	Scott County, Minnesota	Minnesota	USA
No High School Diploma	4.1%	6.2%	11.6%	3,102	177,816	19,478,050
High School Graduate	20.6%	22.7%	26.1%	15,695	653,719	43,788,541
Some College, No Degree	20.7%	22.2%	21.5%	15,734	640,051	36,025,193
Associate's Degree	13.5%	12.5%	8.9%	10,294	359,470	14,962,488
Bachelor's Degree	30.3%	24.7%	20.2%	23,079	712,125	33,845,524
Postgraduate Degree	10.8%	11.8%	11.6%	8,219	339,548	19,368,719
Housing						
Total Housing Units	—	—	—	49,260	2,382,855	134,054,899
Median House Value (of owner-occupied units)[2]	—	—	—	$258,400	$191,500	$184,700
Homeowner Vacancy	0.8%	1.3%	1.8%	299	20,005	1,395,797
Rental Vacancy	4.8%	4.0%	6.2%	406	26,091	2,855,844
Renter-Occupied Housing Units (% of Occupied Units)	17.1%	28.6%	36.4%	8,051	609,699	42,835,169
Occupied Housing Units with No Vehicle Available (% of Occupied Units)	3.4%	7.0%	9.0%	1,590	149,989	10,562,847
Social						
Enrolled in Grade 12 (% of total population)	1.8%	1.5%	1.4%	2,443	79,676	4,433,703
Disconnected Youth[4]	2.1%	1.8%	2.8%	160	5,236	485,589
Children in Single Parent Families (% of all children)	17.8%	28.4%	34.7%	6,981	350,619	24,318,038
With a Disability, Age 18-64	5.8%	8.5%	10.3%	4,967	286,438	20,188,257
With a Disability, Age 18-64, Labor Force Participation Rate and Size	56.5%	51.4%	41.0%	2,807	147,328	8,278,834
Foreign Born	8.0%	7.8%	13.2%	11,159	426,691	42,194,354
Speak English Less Than Very Well (population 5 yrs and over)	4.4%	4.5%	8.5%	5,667	229,057	25,440,956
Union Membership						
Total[3]	16.1%	14.5%	10.7%	—	—	—
Private Sector[3]	7.5%	8.5%	6.4%	—	—	—
Manufacturing[3]	6.9%	10.7%	8.7%	—	—	—
Public Sector[3]	54.6%	53.2%	35.1%	—	—	—

Source: JobsEQ®

1. American Community Survey 2012-2016, unless noted otherwise
2. Median values for certain aggregate regions (such as MSAs) may be estimated as the weighted averages of the median values from the composing counties.
3. 2017; Current Population Survey, unionstats.com, and Chmura; county- and zip-level data are best estimates based upon industry-, MSA-, and state-level data
4. Disconnected Youth are 16-19 year olds who are (1) not in school, (2) not high school graduates, and (3) either unemployed or not in the labor force.
5. Census 2017, annual average growth rate since 2007

Employment Trends

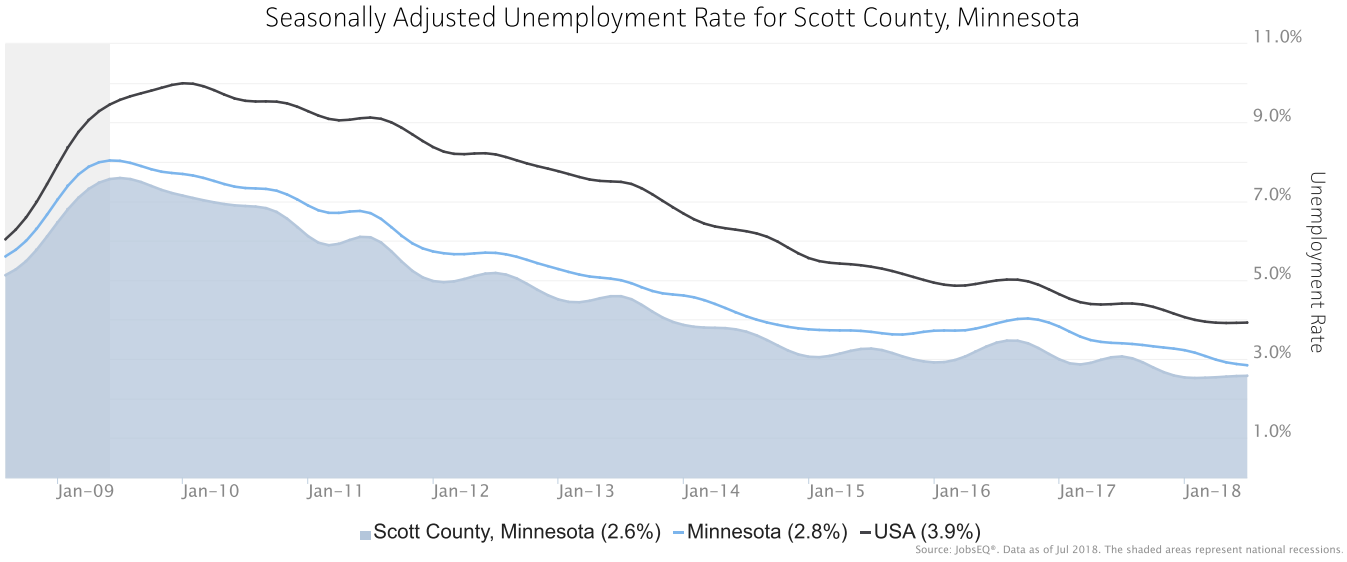
As of 2018Q2, total employment for Scott County, Minnesota was 59,369 (based on a four-quarter moving average). Over the year ending 2018Q2, employment increased 7.4% in the region.



Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2017Q4 with preliminary estimates updated to 2018Q2.

Unemployment Rate

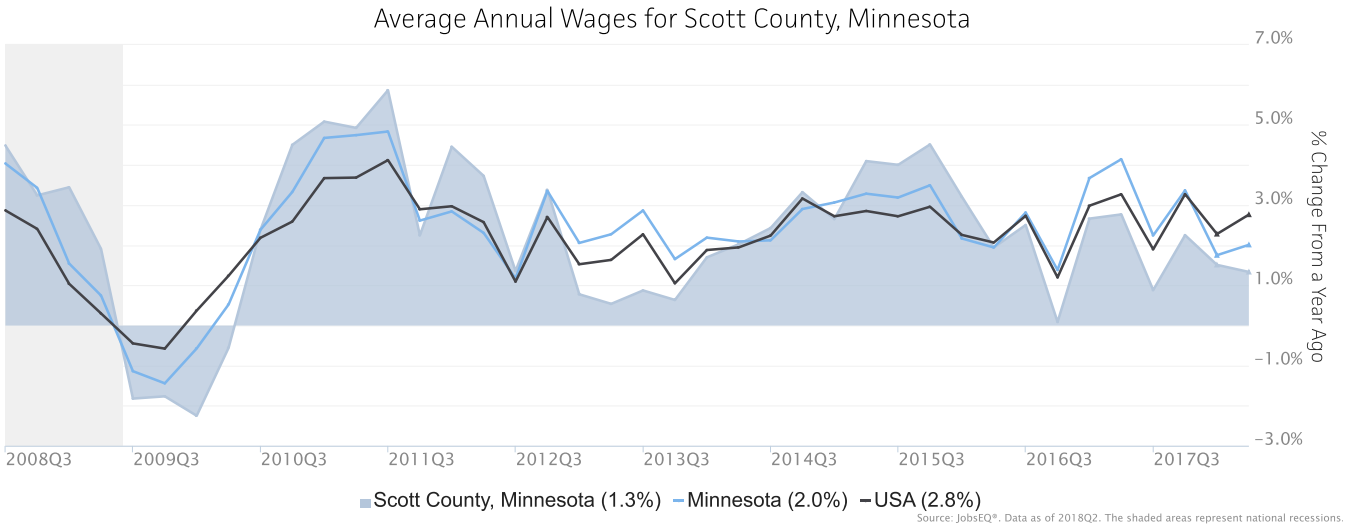
The seasonally adjusted unemployment rate for Scott County, Minnesota was 2.6% as of July 2018. The regional unemployment rate was lower than the national rate of 3.9%. One year earlier, in July 2017, the unemployment rate in Scott County, Minnesota was 3.1%.



Unemployment rate data are from the Local Area Unemployment Statistics, provided by the Bureau of Labor Statistics and updated through July 2018.

Wage Trends

The average worker in Scott County, Minnesota earned annual wages of $48,154 as of 2018Q2. Average annual wages per worker increased 1.3% in the region during the preceding four quarters. For comparison purposes, annual average wages were $55,223 in the nation as of 2018Q2.



Annual average wages per worker data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2017Q4 with preliminary estimates updated to 2018Q2.

Cost of Living Index

The Cost of Living Index estimates the relative price levels for consumer goods and services. When applied to wages and salaries, the result is a measure of relative purchasing power. The cost of living is 8.6% higher in Scott County, Minnesota than the U.S. average.

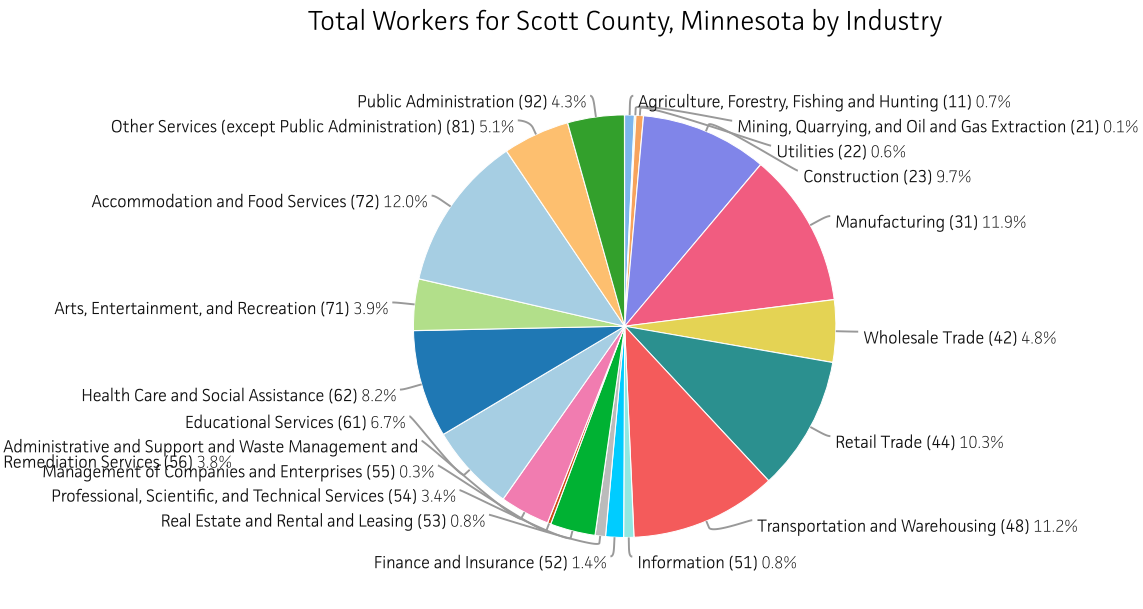
Cost of Living Information

	Annual Average Salary	Cost of Living Index (Base US)	US Purchasing Power
Scott County, Minnesota	$48,154	108.6	$44,333
Minnesota	$55,852	101.6	$54,996
USA	$55,223	100.0	$55,223

Source: JobsEQ®
Data as of 2018Q2
Cost of Living per C2ER, data as of 2018q1, imputed by Chmura where necessary.

Industry Snapshot

The largest sector in Scott County, Minnesota is Accommodation and Food Services, employing 7,097 workers. The next-largest sectors in the region are Manufacturing (7,036 workers) and Transportation and Warehousing (6,666). High location quotients (LQs) indicate sectors in which a region has high concentrations of employment compared to the national average. The sectors with the largest LQs in the region are Transportation and Warehousing (LQ = 2.55), Arts, Entertainment, and Recreation (1.97), and Construction (1.73).



Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2017Q4 with preliminary estimates updated to 2018Q2.

Sectors in Scott County, Minnesota with the highest average wages per worker are Management of Companies and Enterprises ($96,944), Utilities ($90,242), and Mining, Quarrying, and Oil and Gas Extraction ($84,100). Regional sectors with the best job growth (or most moderate job losses) over the last 5 years are Transportation and Warehousing (+5,224 jobs), Manufacturing (+2,083), and Construction (+2,075).

Over the next 5 years, employment in Scott County, Minnesota is projected to expand by 4,221 jobs. The fastest growing sector in the region is expected to be Health Care and Social Assistance with a +2.3% year-over-year rate of growth. The strongest forecast by number of jobs over this period is expected for Transportation and Warehousing (+770 jobs), Construction (+624), and Health Care and Social Assistance (+595).

		Current			5-Year History		5-Year Forecast				
		Four Quarters Ending with 2018q2			Total Change	Avg Ann % Chg in Empl	Separations (Approximate)			---Growth---	
NAICS	Industry	Empl	Avg Ann Wages	LQ	Empl	Region	Total New Demand	Exits	Transfers	Empl	Avg Ann Rate
11	Agriculture, Forestry, Fishing and Hunting	445	$27,363	0.54	6	0.3%	281	107	141	33	1.4%
21	Mining, Quarrying, and Oil and Gas Extraction	65	$84,100	0.26	-3	-0.8%	33	11	22	0	0.1%
22	Utilities	339	$90,242	1.09	-35	-1.9%	201	58	103	40	2.2%
23	Construction	5,766	$67,792	1.73	2,075	9.3%	3,597	1,068	1,905	624	2.1%
31	Manufacturing	7,036	$76,552	1.44	2,083	7.3%	3,665	1,356	2,313	-5	0.0%
42	Wholesale Trade	2,829	$67,359	1.23	781	6.7%	1,670	574	948	147	1.0%
44	Retail Trade	6,122	$30,041	0.97	1,472	5.7%	4,589	1,856	2,346	387	1.2%
48	Transportation and Warehousing	6,666	$36,997	2.55	5,224	35.8%	4,489	1,588	2,130	770	2.2%
51	Information	468	$45,593	0.40	115	5.8%	285	87	151	47	1.9%
52	Finance and Insurance	806	$66,478	0.34	29	0.7%	441	150	241	51	1.2%
53	Real Estate and Rental and Leasing	481	$59,866	0.47	-47	-1.9%	282	115	137	30	1.2%
54	Professional, Scientific, and Technical Services	2,044	$73,910	0.52	-353	-3.1%	1,136	344	574	218	2.0%
55	Management of Companies and Enterprises	150	$96,944	0.17	16	2.3%	81	26	44	11	1.4%
56	Administrative and Support and Waste Management and Remediation Services	2,266	$40,517	0.59	94	0.9%	1,556	577	781	197	1.7%
61	Educational Services	3,968	$47,110	0.81	136	0.7%	1,995	897	965	133	0.7%
62	Health Care and Social Assistance	4,885	$46,876	0.58	386	1.7%	3,017	1,190	1,232	595	2.3%
71	Arts, Entertainment, and Recreation	2,334	$27,343	1.97	50	0.4%	1,864	760	931	173	1.4%
72	Accommodation and Food Services	7,097	$25,950	1.33	-163	-0.5%	6,242	2,602	3,276	364	1.0%
81	Other Services (except Public Administration)	3,021	$28,112	1.16	559	4.2%	1,979	808	962	209	1.3%
92	Public Administration	2,582	$55,719	0.93	245	2.0%	1,378	518	702	158	1.2%
	Total - All Industries	**59,369**	**$48,154**	**1.00**	**12,669**	**4.9%**	**37,685**	**14,339**	**19,124**	**4,221**	**1.4%**

Source: JobsEQ®
Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2017Q4 with preliminary estimates updated to 2018Q2. Forecast employment growth uses national projections adapted for regional growth patterns.

Occupation Snapshot

The largest major occupation group in Scott County, Minnesota is Office and Administrative Support Occupations, employing 7,160 workers. The next-largest occupation groups in the region are Transportation and Material Moving Occupations (6,871 workers) and Sales and Related Occupations (5,861). High location quotients (LQs) indicate occupation groups in which a region has high concentrations of employment compared to the national average. The major groups with the largest LQs in the region are Transportation and Material Moving Occupations (LQ = 1.67), Personal Care and Service Occupations (1.61), and Construction and Extraction Occupations (1.50).

Occupation groups in Scott County, Minnesota with the highest average wages per worker are Management Occupations ($115,200), Legal Occupations ($97,500), and Computer and Mathematical Occupations ($83,800). The unemployment rate in the region varied among the major groups from 0.8% among Healthcare Practitioners and Technical Occupations to 5.2% among Farming, Fishing, and Forestry Occupations.

Over the next 5 years, the fastest growing occupation group in Scott County, Minnesota is expected to be Healthcare Support Occupations with a +2.4% year-over-year rate of growth. The strongest forecast by number of jobs over this period is expected for Transportation and Material Moving Occupations (+674 jobs) and Construction and Extraction Occupations (+429). Over the same period, the highest separation demand (occupation demand due to retirements and workers moving from one occupation to another) is expected in Food Preparation and Serving Related Occupations (4,976 jobs) and Transportation and Material Moving Occupations (4,581).

Occupation Snapshot in Scott County, Minnesota, 2018q2

		Current						5-Year History		5-Year Forecast				
		Four Quarters Ending with 2018q2			-----2018q2-----			Total Change	Avg Ann % Chg in Empl	--Separations--			---Growth---	
SOC	Occupation	Empl	Avg Ann Wages[1]	LQ	Unempl	Unempl Rate	Online Job Ads[2]	Empl	Region	Total New Demand	Exits	Transfer	Empl	Avg Ann Rate
11-0000	Management	3,530	$115,200	0.99	53	0.9%	150	634	4.0%	1,718	514	930	273	1.5%
13-0000	Business and Financial Operations	2,166	$68,400	0.71	79	1.7%	81	453	4.8%	1,209	347	692	169	1.5%
15-0000	Computer and Mathematical	1,210	$83,800	0.70	40	1.4%	121	321	6.4%	499	107	308	84	1.3%
17-0000	Architecture and Engineering	979	$81,000	0.98	17	1.0%	59	111	2.4%	431	129	236	67	1.3%
19-0000	Life, Physical, and Social Science	435	$69,100	0.89	10	1.5%	18	-3	-0.1%	244	57	146	41	1.8%
21-0000	Community and Social Service	665	$47,600	0.70	20	1.5%	62	76	2.5%	454	148	241	65	1.9%
23-0000	Legal	189	$97,500	0.39	7	1.4%	4	-2	-0.2%	72	23	32	17	1.7%
25-0000	Education, Training, and Library	3,031	$53,700	0.91	84	2.0%	169	172	1.2%	1,463	672	655	136	0.9%
27-0000	Arts, Design, Entertainment, Sports, and Media	963	$51,200	0.90	19	1.2%	68	80	1.8%	567	219	283	64	1.3%
29-0000	Healthcare Practitioners and Technical	1,801	$80,100	0.53	29	0.8%	135	58	0.7%	704	263	255	186	2.0%
31-0000	Healthcare Support	1,036	$35,000	0.62	40	2.0%	72	35	0.7%	771	332	311	129	2.4%
33-0000	Protective Service	1,150	$46,800	0.90	26	1.9%	28	107	2.0%	743	328	354	62	1.0%
35-0000	Food Preparation and Serving Related	5,448	$24,900	1.07	285	3.9%	420	97	0.4%	5,367	2,225	2,751	391	1.4%
37-0000	Building and Grounds Cleaning and Maintenance	2,273	$31,900	1.09	85	3.0%	107	202	1.9%	1,655	714	776	165	1.4%
39-0000	Personal Care and Service	3,698	$26,900	1.61	115	2.5%	191	364	2.1%	3,336	1,453	1,569	314	1.6%

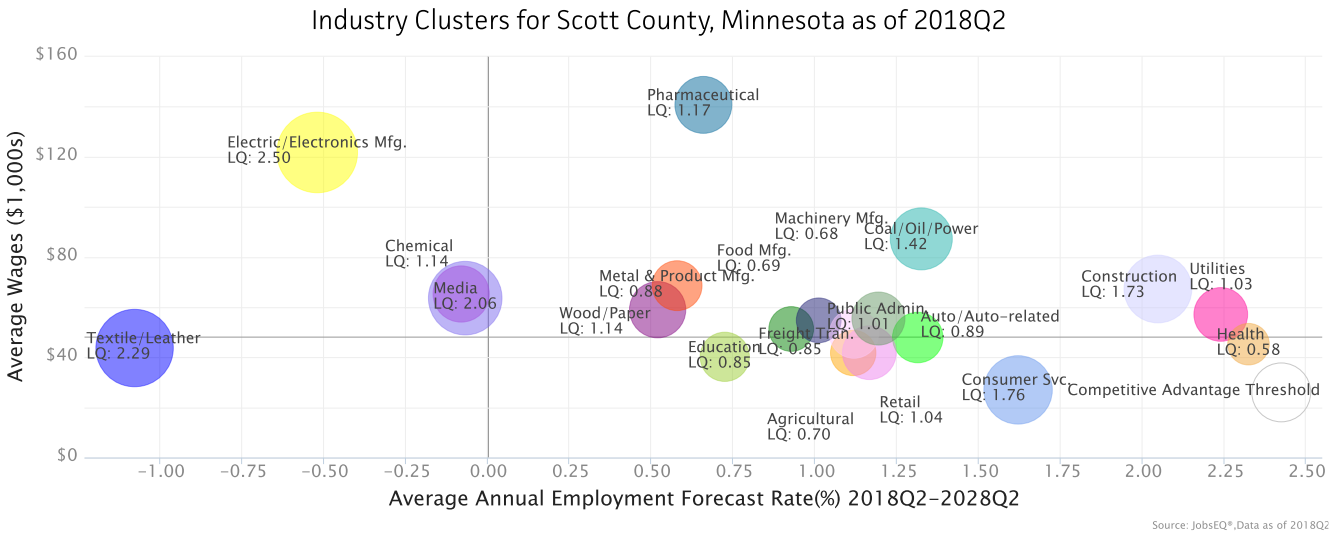
Occupation Snapshot in Scott County, Minnesota, 2018q2

		Current						5-Year History		5-Year Forecast				
		Four Quarters Ending with 2018q2			-----2018q2-----			Total Change	Avg Ann % Chg in Empl	--Separations--			---Growth---	
SOC	Occupation	Empl	Avg Ann Wages[1]	LQ	Unempl	Unempl Rate	Online Job Ads[2]	Empl	Region	Total New Demand	Exits	Transfer	Empl	Avg Ann Rate
41-0000	Sales and Related	5,861	$41,700	0.97	230	2.7%	511	1,089	4.2%	4,590	1,848	2,383	359	1.2%
43-0000	Office and Administrative Support	7,160	$38,300	0.82	274	2.3%	346	2,013	6.8%	4,525	1,915	2,289	321	0.9%
45-0000	Farming, Fishing, and Forestry	129	$30,700	0.33	12	5.2%	3	28	4.9%	103	25	73	5	0.8%
47-0000	Construction and Extraction	4,067	$58,500	1.50	157	3.9%	88	1,259	7.7%	2,677	782	1,466	429	2.0%
49-0000	Installation, Maintenance, and Repair	2,342	$49,400	1.03	53	1.8%	154	510	5.0%	1,366	437	742	187	1.5%
51-0000	Production	4,366	$39,800	1.21	169	2.8%	227	1,160	6.4%	2,561	952	1,543	65	0.3%
53-0000	Transportation and Material Moving	6,871	$37,000	1.67	231	3.2%	330	3,908	18.3%	5,254	1,860	2,721	674	1.9%
	Total - All Occupations	**59,369**	**$48,000**	**1.00**	**n/a**	**n/a**	**3,344**	**12,669**	**4.9%**	**40,328**	**15,352**	**20,755**	**4,221**	**1.4%**

Source: JobsEQ®
Data as of 2018Q2 unless noted otherwise
Note: Figures may not sum due to rounding.
1. Occupation wages are as of 2017 and should be taken as the average for all Covered Employment
2. Data represent found online ads active within the last thirty days in the selected region; data represents a sampling rather than the complete universe of postings. Ads lacking zip code information but designating a place (city, town, etc.) may be assigned to the zip code with greatest employment in that place for queries in this analytic. Due to alternative county-assignment algorithms, ad counts in this analytic may not match that shown in RTI (nor in the popup window ad list).
Occupation employment data are estimated via industry employment data and the estimated industry/occupation mix. Industry employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and currently updated through 2017Q4, imputed where necessary with preliminary estimates updated to 2018Q2. Wages by occupation are as of 2017 provided by the BLS and imputed where necessary. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

Industry Clusters

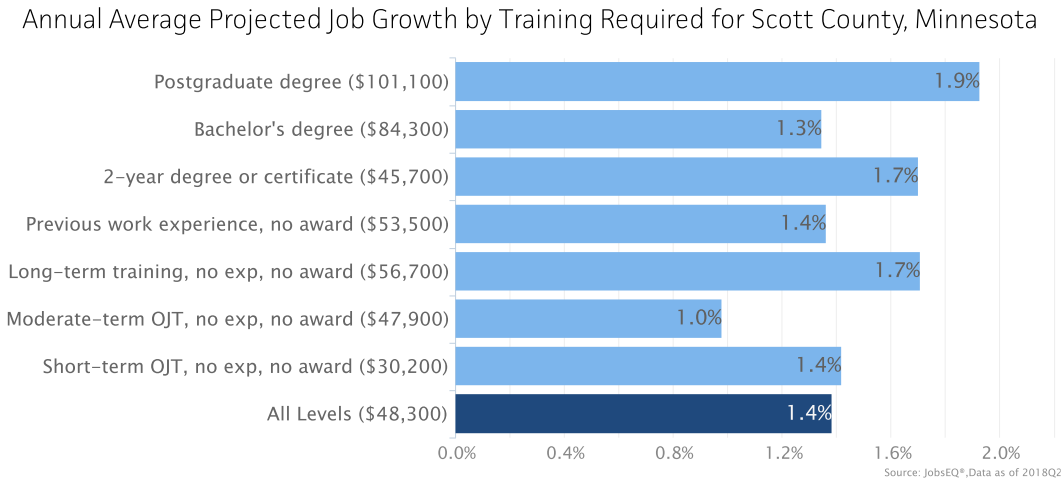
A cluster is a geographic concentration of interrelated industries or occupations. The industry cluster in Scott County, Minnesota with the highest relative concentration is Electric/Electronics Mfg. with a location quotient of 2.50. This cluster employs 1,564 workers in the region with an average wage of $121,758. Employment in the Electric/Electronics Mfg. cluster is projected to contract in the region about 0.5% per year over the next ten years.



Location quotient and average wage data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics, imputed where necessary, and updated through 2017Q4 with preliminary estimates updated to 2018Q2. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

Education Levels

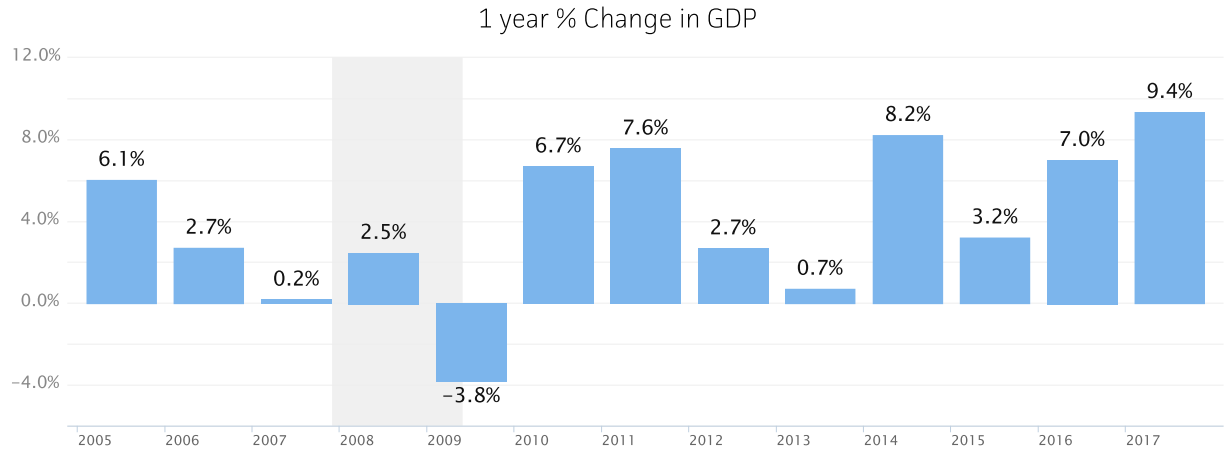
Expected growth rates for occupations vary by the education and training required. While all employment in Scott County, Minnesota is projected to grow 1.4% over the next ten years, occupations typically requiring a postgraduate degree are expected to grow 1.9% per year, those requiring a bachelor's degree are forecast to grow 1.3% per year, and occupations typically needing a 2-year degree or certificate are expected to grow 1.7% per year.



Employment by occupation data are estimates are as of 2018Q2. Education levels of occupations are based on BLS assignments. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

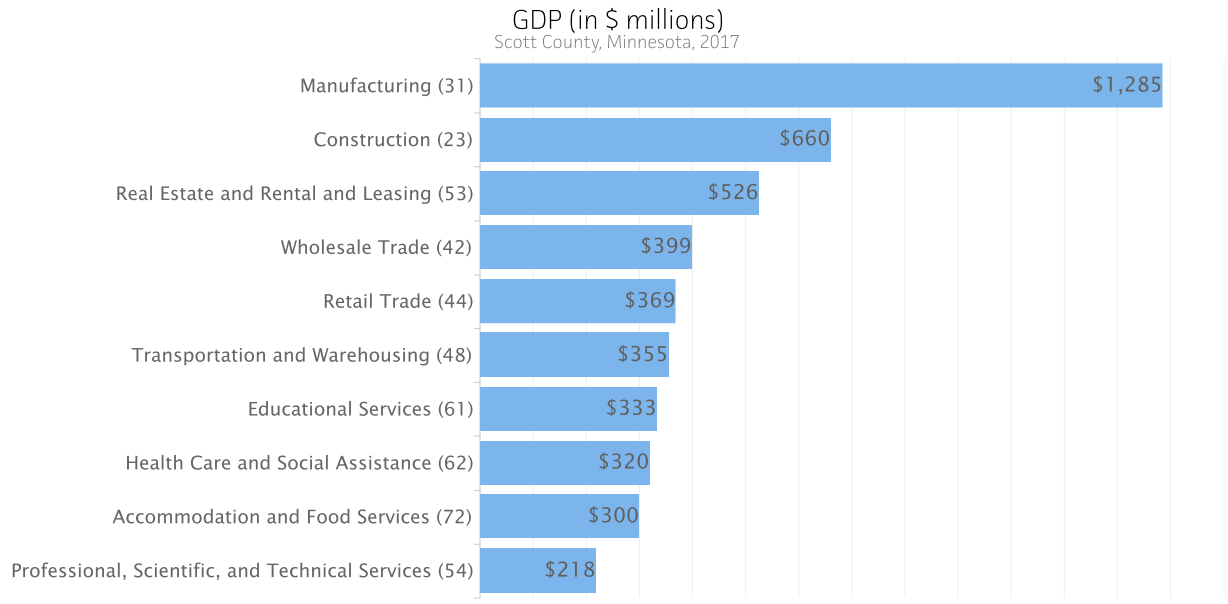
Gross Domestic Product

Gross Domestic Product (GDP) is the total value of goods and services produced by a region. In 2017, nominal GDP in Scott County, Minnesota expanded 9.4%. This follows growth of 7.0% in 2016. As of 2017, total GDP in Scott County, Minnesota was $5,799,729,000.



Gross Domestic Product data are provided by the Bureau of Economic Analysis, imputed by Chmura where necessary, updated through 2017.

Of the sectors in Scott County, Minnesota, Manufacturing contributed the largest portion of GDP in 2017, $1,285,254,000 The next-largest contributions came from Construction ($660,238,000); Real Estate and Rental and Leasing ($525,641,000); and Wholesale Trade ($399,383,000).



Gross Domestic Product data are provided by the Bureau of Economic Analysis, imputed by Chmura where necessary, updated through 2017.

FAQ

What is a location quotient?

A location quotient (LQ) is a measurement of concentration in comparison to the nation. An LQ of 1.00 indicates a region has the same concentration of an industry (or occupation) as the nation. An LQ of 2.00 would mean the region has twice the expected employment compared to the nation and an LQ of 0.50 would mean the region has half the expected employment in comparison to the nation.

What is separation demand?

Separation demand is the number of jobs required due to separations—labor force exits (including retirements) and turnover resulting from workers moving from one occupation into another. Note that separation demand does not include all turnover—it does not include when workers stay in the same occupation but switch employers. The total projected demand for an occupation is the sum of the separation demand and the growth demand (which is the increase or decrease of jobs in an occupation expected due to expansion or contraction of the overall number of jobs in that occupation).

What is a cluster?

A cluster is a geographic concentration of interrelated industries or occupations. If a regional cluster has a location quotient of 1.25 or greater, the region is considered to possess a *competitive advantage* in that cluster.

What is the difference between industry wages and occupation wages?

Industry wages and occupation wages are estimated via separate data sets, often the time periods being reported do not align, and wages are defined slightly differently in the two systems (for example, certain bonuses are included in the industry wages but not the occupation wages). It is therefore common that estimates of the average industry wages and average occupation wages in a region do not match exactly.

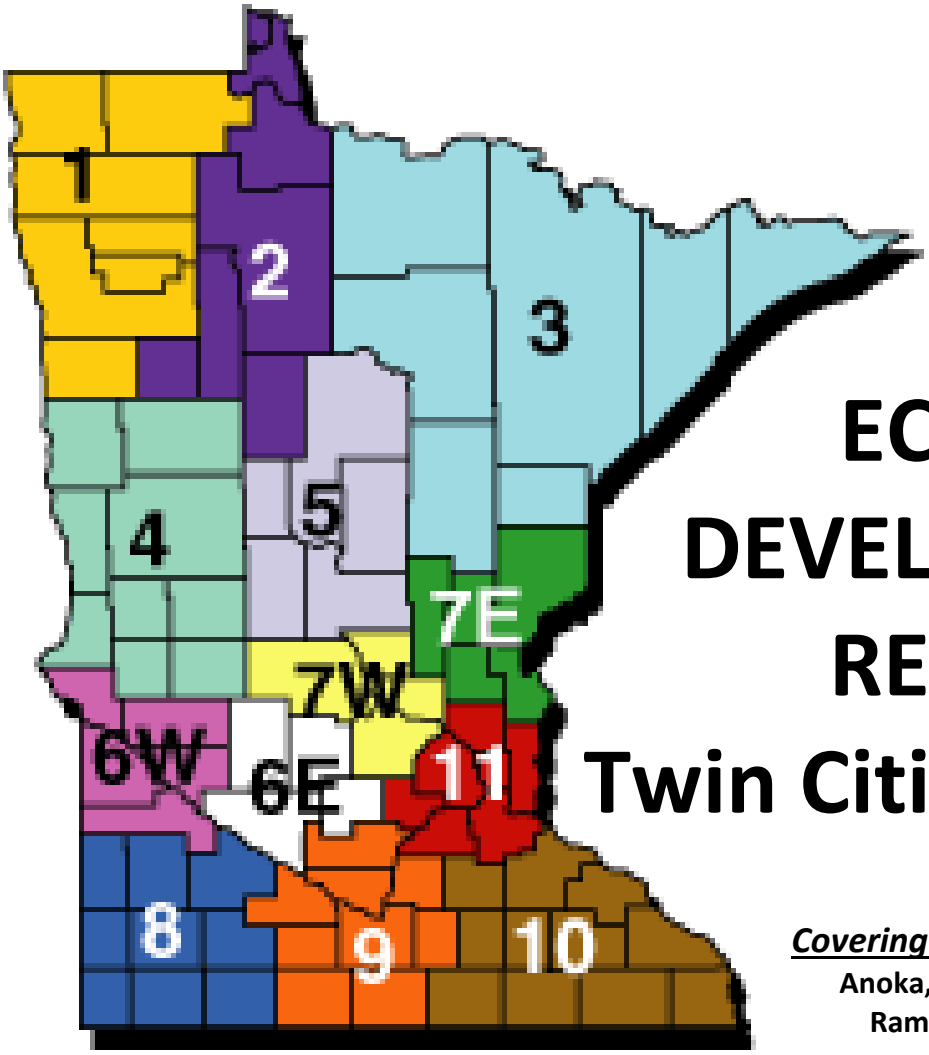
What is NAICS?

The North American Industry Classification System (NAICS) is used to classify business establishments according to the type of economic activity. The NAICS Code comprises six levels, from the “all industry” level to the 6-digit level. The first two digits define the top level category, known as the “sector,” which is the level examined in this report.

What is SOC?

The Standard Occupational Classification system (SOC) is used to classify workers into occupational categories. All workers are classified into one of over 820 occupations according to their occupational definition. To facilitate classification, occupations are combined to form 23 major groups, 96 minor groups, and 449 occupation groups. Each occupation group includes detailed occupations requiring similar job duties, skills, education, or experience.

About This Report



ECONOMIC DEVELOPMENT REGION 11: Twin Cities Metro

Covering the following counties:
Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington

2017 REGIONAL PROFILE

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DEMOGRAPHICS

POPULATION CHANGE, 2010-2016

Economic Development Region (EDR) 11, better known as the Twin Cities Metro Area, includes a total of seven counties and six Workforce Development Boards (WDB). Region 11 was home to 3,033,634 people in 2016, comprising over half (55.0 percent) of the state's total population. 40.6 percent of the region's population is within Hennepin County, with another 17.8 percent in Ramsey County. At 6.2 percent, population growth in the region was significantly faster than the state's (3.9%) between 2010 and 2016 (see Table 1).

Table 1. Population Change 2010-2016

	2010 Population	2016 Estimates	2010-2016 Change	
			Number	Percent
Region 11 - Twin Cities	**2,855,493**	**3,033,634**	***+178,141***	***+6.2%***
Anoka County	331,470	345,957	*+14,487*	*+4.4%*
Carver County	91,401	100,262	*+8,861*	*+9.7%*
Dakota County	399,237	417,486	*+18,249*	*+4.6%*
Hennepin County	1,154,385	1,232,483	*+78,098*	*+6.8%*
Ramsey County	509,490	540,649	*+31,159*	*+6.1%*
Scott County	130,518	143,680	*+13,162*	*+10.1%*
Washington County	238,992	253,117	*+14,125*	*+5.9%*
State of Minnesota	**5,311,147**	**5,519,952**	***+208,805***	***+3.9%***

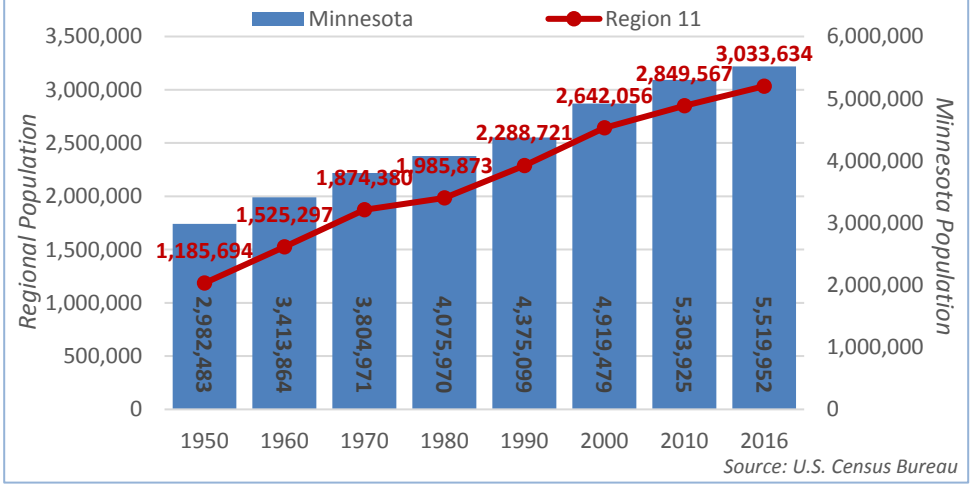
Source: U.S. Census Bureau, Population Estimates

Five of the state's most populous counties are found within Region 11 (Hennepin, Ramsey, Dakota, Anoka, and Washington counties), making up half (50.5 percent) of the state's total population. While coming in at 9th and 11th most populous in the state, Scott County and Carver County have witnessed some of the fastest population growth in Minnesota since 2000 (Scott County comes in 1st and Carver comes in 4th, behind Wright and Sherburne counties). Further, while Scott and Carver counties make up only eight percent of the metro area's total population, they accounted for over one-fifth (20.9 percent) of the region's growth between 2000 and 2016. More recently, Scott County still managed to be the region's fastest-growing county, edging past 10 percent growth between 2010 and 2016. Carver County remained the 2nd fastest-growing county in the region at 9.7 percent growth, and Hennepin County claimed 3rd fastest-growing county since 2010, at 6.8 percent growth. All in all, Region 11 added over 178,000 people between 2010 and 2016, accounting for 85.3 percent of the state's total growth during that period of time.

POPULATION CHANGE, 1950-2016

The recent population growth within Region 11 has been part of a much longer trend of sustained growth. During the 1950s and the 1960s, population growth equaled 29 percent and 23 percent, respectively. During the 1970s, the growth cooled down to six percent, and then hovered around 15 percent over the course of the 1980s and 1990s. During the 2000s, growth again cooled down to around eight percent. With Carver, Scott, and Washington counties all exceeding 25 percent growth since 2000, however, Region 11 should continue to grow at a healthy clip well into the coming decades (see Figure 1).

Figure 1. Population Change, 1950-2016

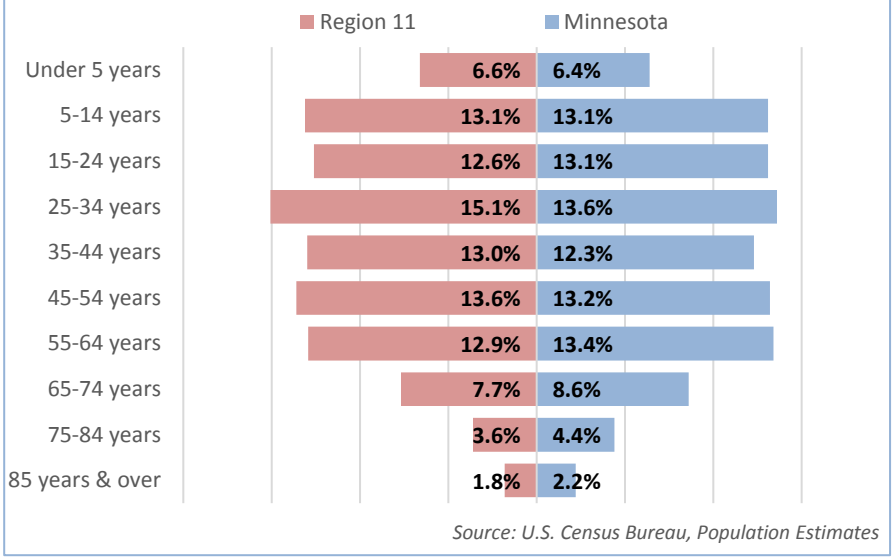


Source: U.S. Census Bureau

POPULATION BY AGE GROUP, 2000-2016

Region 11 is younger than the rest of the state. For example, only 13.1 percent of its population is aged 65 years and over, compared to 15.2 percent statewide. Consequently, the region had a higher percentage of people in the 25- to 54-year-old age group, typically considered the "prime working years," and a similar percentage of school-aged children. This bodes slightly better for employers in the region who will be looking for workers as the Baby Boomer generation retires out of the workforce (see Figure 2).

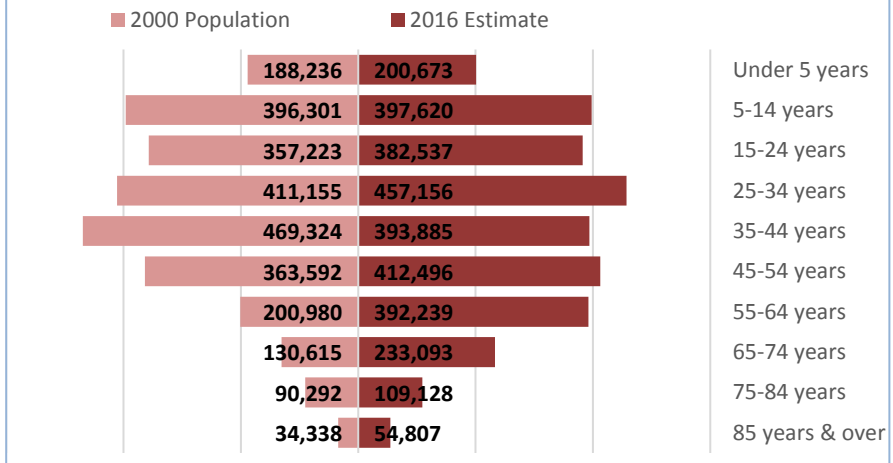
Figure 2. Percentage of Population by Age Group, 2016



Source: U.S. Census Bureau, Population Estimates

To realize how quickly Region 11's population is shifting, one need only look at recent history. Between 2000 and 2016, the population 65 years and older increased by 55.5 percent. This was equivalent to more than 140,000 persons, or 36.2 percent of the total population growth during that period of time. For reference, the total population grew by 391,578 persons between 2000 and 2016, or 14.8 percent. Younger Baby Boomers, between the ages of 55 and 64, also witnessed significant growth between 2000 and 2016. More specifically, this age cohort ballooned by more than 190,000 persons, growing by 95.2 percent since the turn of the century. Altogether, those 55 and older added more than 333,000 persons between 2000 and 2016, accounting for 85.1 percent of the region's total population growth during that time (see Figure 3).

Figure 3. Region 11 Population Pyramid, 2000-2016



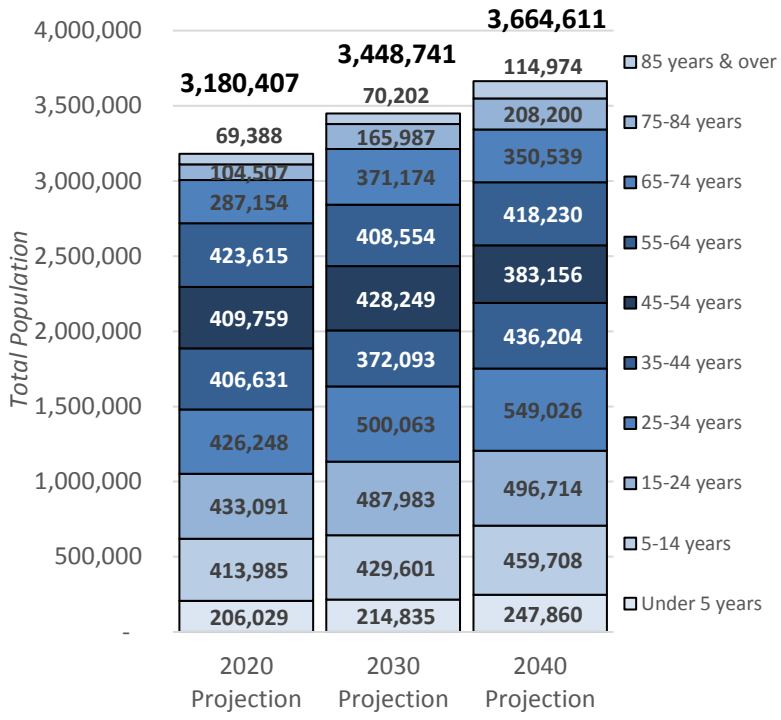
Source: U.S. Census Bureau

At the other end of the age spectrum, the most significant growth came from those between the ages of 15 and 24. This age cohort grew by 7.1 percent, adding just over 25,000 persons. Those 0 to 14 years, meanwhile, grew by 2.4 percent (13,700 persons), and those 25 to 54 years grew by 1.6 percent (19,500 persons). Again, Region 11's population is younger than the state's population as a whole, but significant shifts in population will impact its labor markets, industry growth, and outlook none-the-less.

POPULATION PROJECTIONS BY AGE GROUP, 2020-2040

Region 11 has witnessed healthy population growth within the past few decades, growing by 15 percent during the 1980s and 1990s. While growth cooled off in the 2000s, steady growth is anticipated well into the future. According to population projections from the State Demographic Center, the region is expected to add over 484,000 new residents from 2020 to 2040, a 15.2 percent gain (see Figure 4). In comparison, Minnesota is projected to grow 8.8 percent.

Figure 4. Region 11 Population Projections by Age Group, 2020-2040



Source: Minnesota State Demographic Center

Much of this population growth, however, is expected to be in the older age groups. Region 11 is projected to add nearly 213,000 people aged 65 years and over, a 46.1 percent increase. The prime age group, those 25 to 54 years, is expected to increase by only 126,000 people (10.1 percent) as more Baby Boomers shift to older age groups. At the other end, those school-aged children and young adults from 5 to 24 years of age are expected to increase by about 109,000 people (12.9 percent growth).

POPULATION BY RACE, 2015

Region 11's population is more diverse than the state's, and is becoming more diverse over time. In 2015, 78.2 percent of the region's residents reported White alone as their race, compared to 84.8 percent of residents statewide. The region had 8.7 percent of the population report as Black or African American residents, 7.1 percent as Asian or Other Pacific Islanders, 3.3 percent as Two or More Races, 2.1 percent as Some Other Race, and 0.6 percent as American Indian or Alaska Native. Additionally, 6.1 percent reported Hispanic or Latino origins. Between 2000 and 2015, the Hispanic or Latino population grew by 87.0 percent, making it the fastest-growing population in the region. All other populations witnessed large percentage growth during that time, except for the White population (+3.2%) and American Indian and Alaska Native population (-15.8%). Overall, the region grew by 11.7 percent between 2000 and 2015 (see Table 2). This was slightly faster than the state's growth rate of 10.2 percent during that same period of time.

Table 2. Race and Hispanic Origin, 2015	Region 11 – Twin Cities			Minnesota	
	Number	Percent	*Change from 2000-2015*	Percent	*Change from 2000-2015*
Total	**2,952,114**	**100.0%**	***+11.7%***	**100.0%**	***+10.2%***
White	2,309,380	78.2%	*+3.2%*	84.8%	*+4.4%*
Black or African American	257,069	8.7%	*+64.1%*	5.5%	*+74.2%*
American Indian & Alaska Native	17,200	0.6%	*-15.8%*	1.0%	*+2.9%*
Asian & Other Pac. Islander	208,252	7.1%	*+70.4%*	4.5%	*+68.6%*
Some Other Race	61,390	2.1%	*+36.2%*	1.5%	*+24.7%*
Two or More Races	98,823	3.3%	*+65.8%*	2.7%	*+74.3%*
Hispanic or Latino	179,371	6.1%	*+87.0%*	5.0%	*+89.0%*

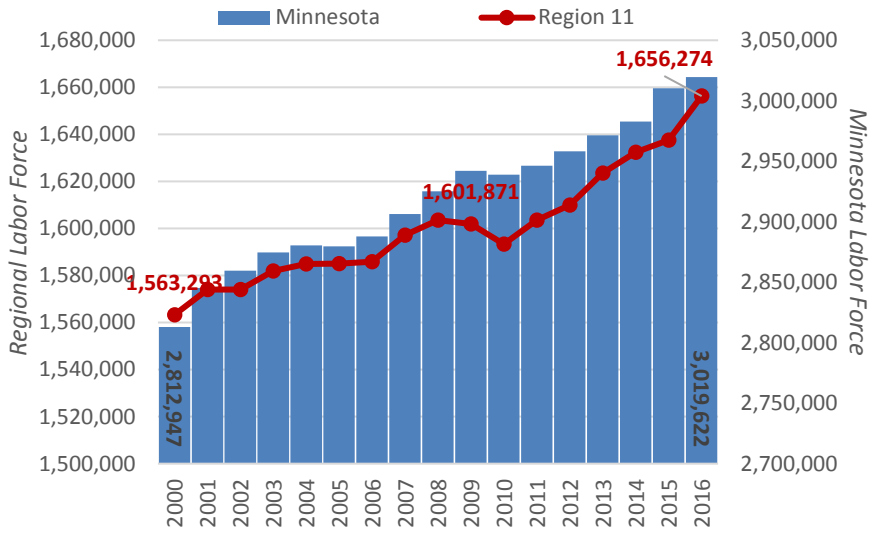
Source: U.S. Census Bureau, American Community Survey

LABOR FORCE

LABOR FORCE CHANGE, 2000-2016

According to data from DEED's Local Area Unemployment Statistics program, the Twin Cities metro has experienced overall growth in the size of the available labor force over the last 15 years, reacting with slowdowns only during periods of recession. Between 2008 and 2010, the region's labor force declined by 10,115 people (0.6 percent). Recovering quickly, however, the labor force rebounded past its 2008 peak by 2011. Within the past five years, the labor force has grown steadily, averaging over 10,500 new people every year (see Figure 5). Within the last year alone, between 2015 and 2016, the region's labor force added nearly 19,000 people, growing by 1.1 percent.

Figure 5. Annual Labor Force Estimates



Source: DEED Local Area Unemployment Statistics (LAUS) program

LABOR FORCE PROJECTIONS, 2020-2030

If Region 11's population changes at the projected rates shown in Figure 4 above, the region would be expected to see a steady increase in the labor force over the next decade. Applying current labor force participation rates to future population projections by age group creates labor force projections for the region, which show an increase of more than 100,000 workers in the metro area (see Table 3). That is more workers than the state as a whole is expected to gain, since many other regions in Greater Minnesota are projected to see labor force declines.

Table 3. Region 11 Labor Force Projections, 2020-2030

	2020 Labor Force Projection	2030 Labor Force Projection	2020-2030 Change	
			Numeric	Percent
16 to 19 years	87,314	93,061	*+5,746*	*+6.6%*
20 to 24 years	171,797	205,066	*+33,269*	*+19.4%*
25 to 44 years	737,050	771,808	*+34,758*	*+4.7%*
45 to 54 years	357,704	373,845	*+16,141*	*+4.5%*
55 to 64 years	309,777	298,763	*-11,014*	*-3.6%*
65 to 74 years	81,948	105,925	*+23,978*	*+29.3%*
75 years & over	10,542	14,318	*+3,776*	*+35.8%*
Total Labor Force	**1,756,132**	**1,862,787**	***+106,655***	***+6.1%***

Source: Minnesota State Demographic Center, 2011-2015 American Community Survey 5-Year Estimates

Similar to population projections, the labor force will see a significant shift over time, with large gains in the number of workers aged 65 years and over as the Baby Boom generation ages. However, the region is still expected to see gains in the number of teenagers and entry-level workers aged 20 to 24 years, as well as a huge boost in the number of 25 to 54 year olds (see Table 3). With the Twin Cities being the economic engine of the state, these trends will likely lead to a tight labor market in the future, with employers needing to respond to the changing labor force availability in the region. In fact, as Figure 7 below indicates, employers within the region are already feeling the effects of a tight labor market.

EMPLOYMENT CHARACTERISTICS, 2015

With 72.3 percent of the population aged 16 years and over in the labor force, Region 11 had higher labor force participation rates than the state (70.0%). While labor force participation rates for 16 to 19 year olds are less in the metro than the state, Region 11 has higher participation rates for workers in all other age groups (see Table 4).

Region 11 also has higher labor force participation rates than the state among all races and ethnicities, with corresponding unemployment rates generally lower. The region had over 65,600 veterans and nearly 73,000 workers with disabilities in the labor force, with both populations having similar labor force participation rates to the state overall. In sum, unemployment rates were highest for 16 to 24 year olds, workers with disabilities, minorities, and people with lower educational attainment.

Table 4. Region 11 Employment Characteristics, 2015

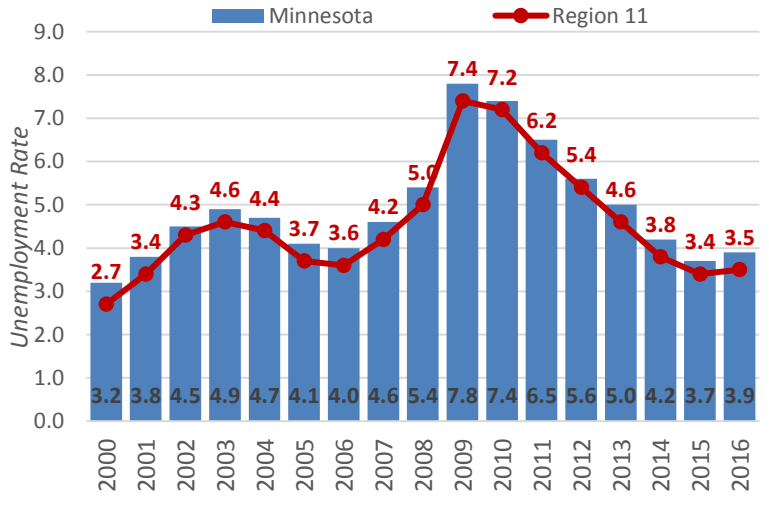
Age Group	Region 11			Minnesota	
	Labor Force	Labor Force Partic. Rate	Unemp. Rate	Labor Force Partic. Rate	Unemp. Rate
Total Labor Force	**1,678,502**	**72.3%**	**5.9%**	**70.0%**	**5.6%**
16 to 19 years	73,251	48.2%	18.5%	51.9%	16.1%
20 to 24 years	157,276	83.2%	10.2%	82.8%	9.2%
25 to 44 years	739,537	88.5%	5.0%	88.1%	5.0%
45 to 54 years	375,863	87.3%	4.6%	87.2%	4.3%
55 to 64 years	266,838	73.1%	4.8%	72.1%	4.2%
65 to 74 years	56,390	28.5%	3.7%	26.9%	3.6%
75 years & over	9,251	6.1%	3.7%	6.0%	3.5%
Employment Characteristics by Race & Hispanic Origin					
White alone	1,370,873	72.6%	4.8%	70.0%	4.8%
Black or African American	124,994	70.0%	14.4%	68.8%	14.7%
American Indian & Alaska Native	7,612	58.7%	13.8%	58.6%	16.3%
Asian or Other Pac. Islanders	108,310	70.5%	6.7%	70.4%	6.4%
Some Other Race	32,050	78.3%	9.6%	77.4%	9.4%
Two or More Races	34,525	72.7%	11.7%	71.0%	11.5%
Hispanic or Latino	88,565	76.6%	8.4%	75.0%	9.1%
Employment Characteristics by Veteran Status					
Veterans, 18 to 64 years	65,633	79.1%	5.8%	77.6%	5.7%
Employment Characteristics by Disability					
With Any Disability	72,922	51.2%	14.3%	51.3%	12.7%
Employment Characteristics by Educational Attainment					
Population, 25 to 64 years	1,381,856	84.7%	4.3%	84.0%	4.6%
Less than H.S. Diploma	66,734	64.4%	6.7%	65.4%	6.5%
H.S. Diploma or Equivalent	239,386	78.7%	4.1%	78.8%	3.9%
Some College or Assoc. Degree	433,456	85.6%	4.6%	85.2%	4.7%
Bachelor's Degree or Higher	642,673	89.6%	2.6%	89.3%	2.7%

Source: 2011-2015 American Community Survey, 5-Year Estimates

UNEMPLOYMENT RATE, 2000-2016

Region 11 has consistently reported lower unemployment rates than Minnesota and the nation, regardless of the state of the economy. According to Local Area Unemployment Statistics, the region's unemployment rate hovered just below the state rate from 2005 to 2008, before rising to about 7.4 percent in 2009, then dropping back to prerecession levels in 2014, 2015, and 2016 (see Figure 6). As of 2016, the number of unemployed persons in the metro area (57,280) was more than halved from its height during the recession in 2009 (119,200).

Figure 6. Unemployment Rates, 2000-2016

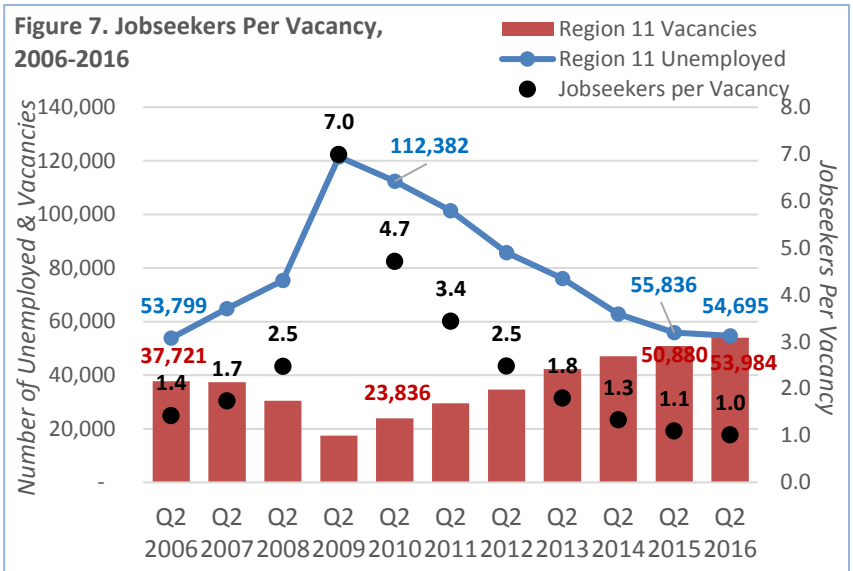


Source: DEED Local Area Unemployment Statistics (LAUS) program

JOBSEEKERS PER VACANCY, 2016

As the number of available workers has declined, the region's labor market has tightened. One clear demonstration of this is the ratio of unemployed jobseekers per vacancy, which has been in steady decline since the height of the recession in 2009. In fact, there were over seven unemployed persons per vacancy during the second quarter of 2009, which has now dropped down to about one unemployed person per vacancy. There were nearly 54,000 vacancies reported during the second quarter of 2016, compared to 55,000 unemployed workers (see Figure 7).

Figure 7. Jobseekers Per Vacancy, 2006-2016



Source: DEED Job Vacancy Survey, LAUS program

EDUCATIONAL ATTAINMENT BY AGE GROUP, 2015

Overall, Region 11 has a highly educated population. For example, nearly half (47.9%) of the region's population 18 years of age and older have an associate's degree, bachelor's degree, or advanced degree. The percentage of those in the metro attaining higher levels of education than those in the state overall holds true at every age cohort (see Table 5).

Zooming in, Carver, Dakota, Hennepin, Ramsey, and Washington counties each have over 40 percent of their respective populations holding a bachelor's degree or more. Comparatively, 33.7 percent and 29.8 percent of Minnesota's and the United States' respective populations hold a bachelor's degree or more. At the county level, 90.0 percent of Ramsey County residents 25 years of age and older have a high school diploma. At the other end of the spectrum, 96.0 percent of Washington County residents 25 years of age and older have a high school diploma. These numbers for Minnesota and the United States equal 92.4 percent and 86.7 percent, respectively. It should be noted that 64 percent of job vacancies in the region require only a high school diploma or less.

Table 5. Educational Attainment by Age Group, 2015	Region 11		Minnesota
	Number	Percent	Percent
18 to 24 years	**262,969**	**11.7%**	**12.2%**
Less than high school	34,346	13.1%	12.7%
High school grad. (incl. equiv.)	67,903	25.8%	26.2%
Some college, no degree	104,273	39.7%	42.7%
Associate's degree	13,838	5.3%	6.3%
Bachelor's degree	41,038	15.6%	11.6%
Advanced degree	1,571	0.6%	0.4%
25 to 44 years	**835,689**	**37.2%**	**34.1%**
Less than high school	56,837	6.8%	6.7%
High school grad. (incl. equiv.)	132,747	15.9%	19.2%
Some college, no degree	162,633	19.5%	21.6%
Associate's degree	88,843	10.6%	13.1%
Bachelor's degree	271,389	32.5%	27.6%
Advanced degree	123,240	14.7%	11.7%
45 to 64 years	**795,458**	**35.4%**	**35.5%**
Less than high school	46,778	5.9%	5.7%
High school grad. (incl. equiv.)	171,567	21.6%	26.9%
Some college, no degree	172,478	21.7%	23.3%
Associate's degree	82,270	10.3%	11.3%
Bachelor's degree	205,808	25.9%	21.4%
Advanced degree	116,557	14.7%	11.4%
65 years & over	**350,196**	**15.6%**	**18.2%**
Less than high school	35,383	10.1%	12.8%
High school grad. (incl. equiv.)	111,178	31.7%	37.3%
Some college, no degree	72,375	20.7%	19.8%
Associate's degree	19,590	5.6%	5.1%
Bachelor's degree	66,864	19.1%	15.2%
Advanced degree	44,806	12.8%	9.8%

Source: 2011-2015 American Community Survey, 5-Year Estimates

COMMUTE SHED AND LABOR SHED, 2014

According to commuting data from the U.S. Census Bureau, the vast majority – about 94 percent – of workers who live in Region 11 also work within the region. The region is a net importer of labor, having more available jobs than workers. In sum, 1,420,648 workers both lived and worked in Region 11 in 2014, 242,165 workers drove into the region from outside for work, and 97,347 workers who lived in the region drove to surrounding counties for work (see Table 6 and Figure 8).

Table 6. Region 11 Inflow/Outflow Job Counts (All Jobs), 2014	2014	
	Count	Share
Employed in the Selection Area	1,662,813	100.0%
Employed in the Selection Area but Living Outside	242,165	14.6%
Employed and Living in the Selection Area	1,420,648	85.4%
Living in the Selection Area	1,517,995	100.0%
Living in the Selection Area but Employed Outside	97,347	6.4%
Living and Employed in the Selection Area	1,420,648	93.6%

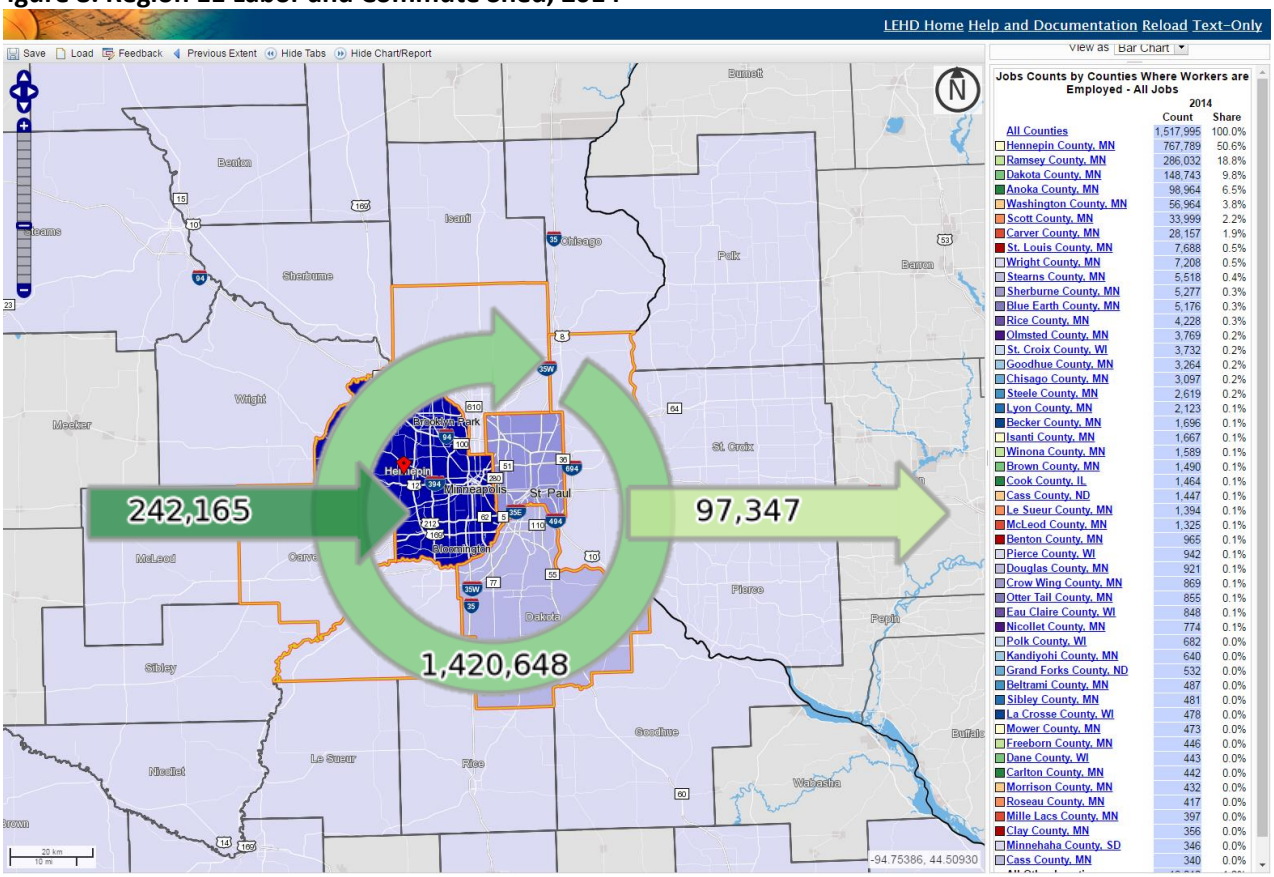
Source: U.S. Census Bureau, OnTheMap

Hennepin County is the largest employment center in the region and was the biggest draw for workers, followed by Ramsey, Dakota, Anoka, Washington, Scott, and Carver counties. The largest contributing counties for those that commute into Region 11 include Wright, Sherburne, St. Croix, Chisago, and Rice counties. For those metro area residents working outside of the region, the largest draws are St. Louis, Wright, Stearns, Sherburne, and Blue Earth counties (see Table 7 and Figure 8).

Table 7. Region 11 Commuting Patterns	
Counties outside the region that send the most workers into the region	Counties outside the region that the most workers from inside the region travel to
Wright Co. MN	St. Louis Co. MN
Sherburne Co. MN	Wright Co. MN
St. Croix Co. WI	Stearns Co. MN
Chisago Co. MN	Sherburne Co. MN
Rice Co. MN	Blue Earth Co. MN

Source: U.S. Census Bureau, OnTheMap

Figure 8. Region 11 Labor and Commute Shed, 2014

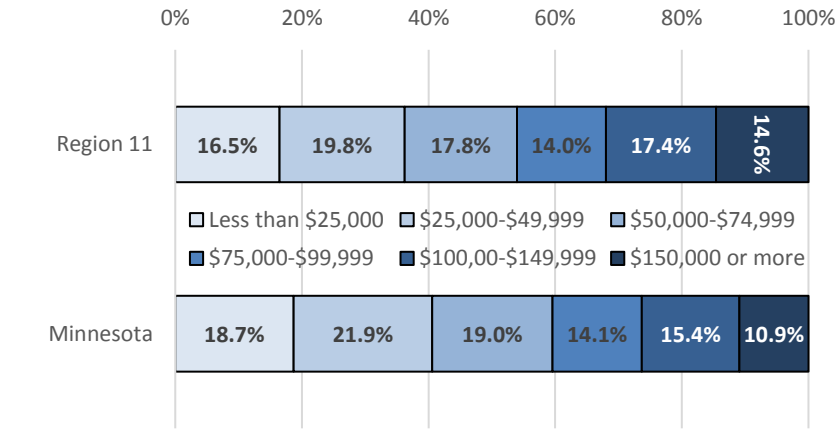


INCOMES, WAGES AND OCCUPATIONS

HOUSEHOLD INCOMES

Household incomes were significantly higher in Region 11 than the rest of the state. Median household incomes in 2015 ranged from $56,104 in Ramsey County, to $87,794 in Scott County, which was among the highest in the state. For reference, the median household income was $61,492 in Minnesota and $53,889 in the United States. Despite higher incomes than the state, 36.3 percent of the households in the region still had incomes below $50,000 in 2015. Another 31.8 percent of households earned between $50,000 and $100,000 in the region. Lastly, about 32.0 percent of households in Region 11 earned over $100,000 per year, compared to 26.3 percent of such households statewide (see Figure 9).

Figure 9. Household Incomes, 2015

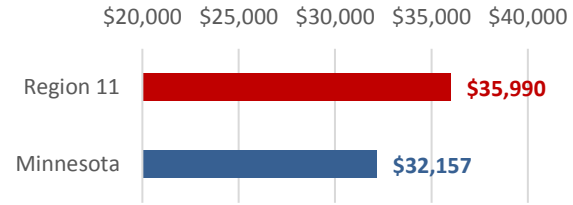


Source: 2011-2015 American Community Survey 5-Year Estimates

PER CAPITA INCOMES

Per capita incomes were also higher in the region than the state, at $35,990 in Region 11 compared to $32,157 in Minnesota (see Figure 10). The lowest per capita incomes in the region were found in Ramsey County ($31,858), with the highest per capita incomes found in Scott County ($43,429), Carver County ($42,400), and Washington County ($41,534).

Figure 10. Per Capita Income, 2015



Source: 2011-2015 American Community Survey

COST OF LIVING

According to DEED's Cost of Living tool, the basic needs budget for an average Minnesota family (which consists of 2 adults and 1 child, with 1 full-time and 1 part-time worker) was $55,200 in 2017. The cost of living for a similar family in Region 11 was $61,236 – the highest of any region in the state. The highest monthly costs were for transportation and housing (see Table 8). Broken down by county, the highest cost of living was $61,777 in Hennepin County, followed by $61,408 in Anoka County and $61,001 in Washington County.

In order to meet the basic cost of living for the region, the workers in the family scenario listed above would each need to earn $19.63 per hour in Region 11. A single person living alone would need to earn $15.35 per hour in Region 11, in order to meet the basic needs cost of living of $31,932.

Table 8. Family Yearly Cost, Worker Hourly Wage, and Family Monthly Costs, 2017

Region	Family Yearly Cost of Living	Hourly Wage Required	Monthly Costs						
			Child Care	Food	Health Care	Housing	Trans-portation	Other	Taxes
Region 11	$61,236	$19.63	$626	$774	$521	$1,050	$787	$533	$812
Minnesota	$55,200	$17.69	$468	$763	$472	$936	$788	$496	$677

Source: DEED Cost of Living tool

WAGES AND OCCUPATIONS

According to DEED's Occupational Employment Statistics program, the median hourly wage for all occupations in Region 11 was $21.55 in the first quarter of 2017, which was the highest wage level of the six planning regions and 13 EDRs in the state. Region 11's median wage was $1.93 above the state's median hourly wage, and $2.82 above the average median wage for Greater Minnesota. As such, a full-time worker in Region 11 earns about $5,900 more than their counterpart in Greater Minnesota (see Table 9). It should also be noted that more than three in five state jobs are located within Region 11.

Table 9. Occupational Employment Statistics by Region, 2017	Median Hourly Wage	Estimated Regional Employment
Region 1 – Northwest	$17.59	38,070
Region 2 – Headwaters	$16.80	30,860
Region 3 – Arrowhead	$17.25	141,910
Region 4 – West Central	$16.94	85,410
Region 5 – North Central	$15.70	61,170
Region 6E – Southwest Central	$17.07	47,410
Region 6W – Upper MN Valley	$15.93	16,600
Region 7E – East Central	$17.78	48,990
Region 7W – Central	$17.48	184,510
Region 8 – Southwest	$16.17	50,360
Region 9 – South Central	$16.99	114,470
Region 10 – Southeast	$18.53	259,060
Region 11 – 7 County Twin Cities	**$21.55**	**1,751,580**
State of Minnesota	**$19.62**	**2,810,400**

Source: DEED Occupational Employment Statistics

Not surprisingly, the lowest-paying jobs in Region 11 are concentrated in food preparation and serving; personal care and service; and building, grounds cleaning and maintenance, which tend to have lower educational requirements. For the most part, the gap in pay between Region 11 and the state is also lower in these jobs. Wages are most competitive in community and social service; installation, maintenance, and repair; protective service; and office and administrative support occupations (see Table 10).

Table 10. Region 11 Occupational Employment Statistics, 2017

	Region 11 – Twin Cities				State of Minnesota		
	Median Hourly Wage	Estimated Regional Employment	*Share of Total Employment*	*Location Quotient*	Median Hourly Wage	Estimated Regional Employment	*Share of Total Employment*
Total, All Occupations	**$21.55**	**1,751,580**	***100.0%***	***1.0***	**$19.62**	**2,810,400**	***100.0%***
Office & Administrative Support	$19.18	259,330	*14.8%*	*1.0*	$18.26	404,120	*14.4%*
Sales & Related	$15.05	174,370	*10.0%*	*1.0*	$13.48	275,740	*9.8%*
Food Preparation & Serving Related	$10.39	138,680	*7.9%*	*0.9*	$10.05	236,820	*8.4%*
Business & Financial Operations	$33.02	129,610	*7.4%*	*1.3*	$31.83	164,180	*5.8%*
Management	$53.92	119,250	*6.8%*	*1.1*	$49.20	168,370	*6.0%*
Production	$17.77	117,800	*6.7%*	*0.9*	$17.46	220,570	*7.8%*
Transportation & Material Moving	$17.24	104,280	*6.0%*	*0.9*	$17.06	178,270	*6.3%*
Healthcare Practitioners & Technical	$35.91	97,470	*5.6%*	*0.9*	$32.85	174,230	*6.2%*
Education, Training, & Library	$24.13	95,960	*5.5%*	*0.9*	$23.33	164,560	*5.9%*
Computer & Mathematical	$40.84	81,280	*4.6%*	*1.3*	$39.75	97,680	*3.5%*
Personal Care & Service	$11.87	80,190	*4.6%*	*1.0*	$11.77	129,490	*4.6%*
Installation, Maintenance, & Repair	$23.52	52,890	*3.0%*	*0.9*	$22.41	95,700	*3.4%*
Construction & Extraction	$30.05	52,320	*3.0%*	*0.9*	$26.55	98,730	*3.5%*
Building, Grounds Cleaning & Maint.	$14.51	46,320	*2.6%*	*0.9*	$13.68	83,180	*3.0%*
Healthcare Support	$16.19	46,030	*2.6%*	*0.9*	$15.11	84,730	*3.0%*
Architecture & Engineering	$37.16	40,190	*2.3%*	*1.2*	$35.96	54,400	*1.9%*
Community & Social Service	$21.91	30,680	*1.8%*	*0.9*	$21.32	53,060	*1.9%*
Arts, Design, Entertainment & Media	$24.30	27,100	*1.5%*	*1.2*	$22.39	37,290	*1.3%*
Protective Service	$18.98	25,690	*1.5%*	*1.0*	$19.80	42,740	*1.5%*
Life, Physical, & Social Science	$32.20	16,440	*0.9%*	*1.1*	$30.59	24,230	*0.9%*
Legal	$43.87	14,760	*0.8%*	*1.3*	$40.36	18,640	*0.7%*
Farming, Fishing, & Forestry	$15.46	920	*0.1%*	*0.4*	$15.31	3,680	*0.1%*

Source: DEED Occupational Employment Statistics (OES)

In contrast, the highest paying jobs are found in management, legal, computer and mathematical, architecture and engineering, and healthcare practitioners and technical occupations, which all need higher levels of education and experience. Pay gaps between the metro region and the state are largest in management, legal, construction, and healthcare practitioner occupations.

JOB VACANCY SURVEY

Employers reported 57,739 job vacancies in the fourth quarter of 2016, a 3.0 percent increase compared to the previous year. This represented the most vacancies recorded for the fourth quarter in the history of the job vacancy survey. Overall, two-fifths of the openings were for part-time work, and about 36 percent required postsecondary education. The median hourly wage offer was $15.00 (see Table 11).

Table 11. Region 11 Job Vacancy Survey Results, Qtr. 4 2016

Region 11	Number of Vacancies	Percent Part-time	Percent Temporary or Seasonal	Requiring Post-Secondary Education	Requiring 1 or More Years of Work Exp.	Requiring Certificate or License	Median Hourly Wage Offer
Total, All Occupations	**57,739**	**41%**	**10%**	**36%**	**50%**	**24%**	**$15.00**
Sales & Related	7,823	62%	6%	11%	30%	4%	$11.47
Food Preparation & Serving Related	7,513	61%	2%	0%	29%	9%	$11.59
Office & Administrative Support	5,246	34%	6%	14%	46%	12%	$14.04
Personal Care & Service	4,241	63%	5%	12%	18%	26%	$11.24
Building, Grounds Cleaning & Maint.	4,039	51%	79%	36%	39%	6%	$14.99
Healthcare Practitioners & Technical	3,340	49%	1%	94%	54%	91%	$28.55
Production	3,171	30%	2%	14%	68%	5%	$12.97
Business & Financial Operations	3,132	2%	1%	75%	92%	8%	$26.29
Transportation & Material Moving	2,823	45%	18%	3%	32%	65%	$14.01
Computer & Mathematical	2,375	1%	1%	82%	88%	8%	$32.37
Management	2,322	2%	0%	91%	98%	14%	$38.23
Education, Training & Library	2,004	54%	12%	61%	57%	39%	$16.84
Healthcare Support	1,922	66%	1%	40%	41%	71%	$13.49
Architecture & Engineering	1,608	1%	1%	90%	87%	23%	$30.00
Installation, Maintenance & Repair	1,306	5%	1%	29%	57%	58%	$17.55
Community & Social Service	1,289	18%	5%	87%	70%	44%	$16.75
Construction & Extraction	1,250	13%	30%	13%	57%	21%	$18.85
Arts, Design, Entertainment & Media	661	65%	12%	42%	42%	16%	$17.56
Life, Physical & Social Sciences	657	10%	5%	95%	93%	31%	$25.06
Protective Service	632	51%	9%	21%	53%	53%	$12.20
Legal	222	1%	4%	93%	94%	81%	$37.98
Internships	131	66%	37%	85%	8%	18%	$16.38

Source: DEED Job Vacancy Survey, Qtr. 4 2016

OCCUPATIONS IN DEMAND

According to DEED's Occupations in Demand tool, there are hundreds of occupations showing relatively high demand in the region, with training and education requirements ranging from short-term on-the-job training to postsecondary education to advanced degrees.

Current occupations-in-demand are spread across different sectors, but are also concentrated in the region's major industries. For example, registered nurses, computer systems analysts, and heavy and tractor trailer truck drivers are among the top occupations in demand based on the consistent need for workers in healthcare, professional services, construction, and production (see Table 12).

Table 12. Region 11 Occupations in Demand by Education Level, 2016			
Less than High School	**High School or Equivalent**	**Some College or Assoc. Degree**	**Bachelor's Degree or Higher**
Retail Salespersons ($22,734)	Supervisors of Retail Sales Workers ($42,723)	Heavy & Tractor-Trailer Truck Drivers ($47,507)	Registered Nurses ($81,744)
Personal Care Aides ($24,336)	General Office Clerks ($36,546)	Nursing Assistants ($34,008)	Software Developers, Applications ($93,018)
Combined Food Preparation & Serving Workers ($20,613)	Customer Service Representatives ($39,270)	Licensed Practical & Licensed Vocational Nurses ($46,446)	Computer Systems Analysts ($93,018)
Cashiers ($21,320)	Sales Representatives, Wholesale & Mfg. ($66,040)	Hairdressers & Cosmetologists ($24,898)	Accountants & Auditors ($67,350)
Waiters & Waitresses ($20,238)	Supervisors of Food Prep. & Serving Workers ($34,133)	Computer User Support Specialists ($54,600)	Market Research Analysts ($67,392)
Stock Clerks & Order Fillers ($26,437)	Maintenance & Repair Workers ($45,656)	Automotive Service Technicians ($42,744)	Industrial Engineers ($90,792)
Laborers & Freight, Stock, & Material Movers ($31,075)	Supervisors of Office & Admin. Workers ($60,819)	Teacher Assistants ($32,589)	Management Analysts ($80,579)
Janitors & Cleaners ($29,203)	Medical Secretaries ($43,451)	Medical Assistants ($38,688)	Financial Managers ($129,355)
Cooks, Restaurant ($27,602)	Light Truck or Delivery Service Drivers ($37,794)	Bookkeeping, Accounting, & Auditing Clerks ($43,763)	Elementary School Teachers ($66,378)
Home Health Aides ($27,872)	Social & Human Service Assistants ($32,822)	Web Developers ($68,515)	Human Resources Specialists ($61,880)
Source: DEED Occupations in Demand			

EMPLOYMENT PROJECTIONS

Region 11 is projected to grow 4.4 percent from 2014 to 2024, a gain of nearly 80,000 new jobs. In addition, the region is also expected to need to fill 416,720 replacement openings left vacant by retirements and other career changes. The number of replacement openings is expected to dwarf the number of new jobs in most occupational groups, though the region will see rapid growth for healthcare, personal care, community and social service, and computer and mathematical occupations. Only three occupational groups are expected to see a decline in jobs through 2024, but will still have replacement openings (see Figure 11).

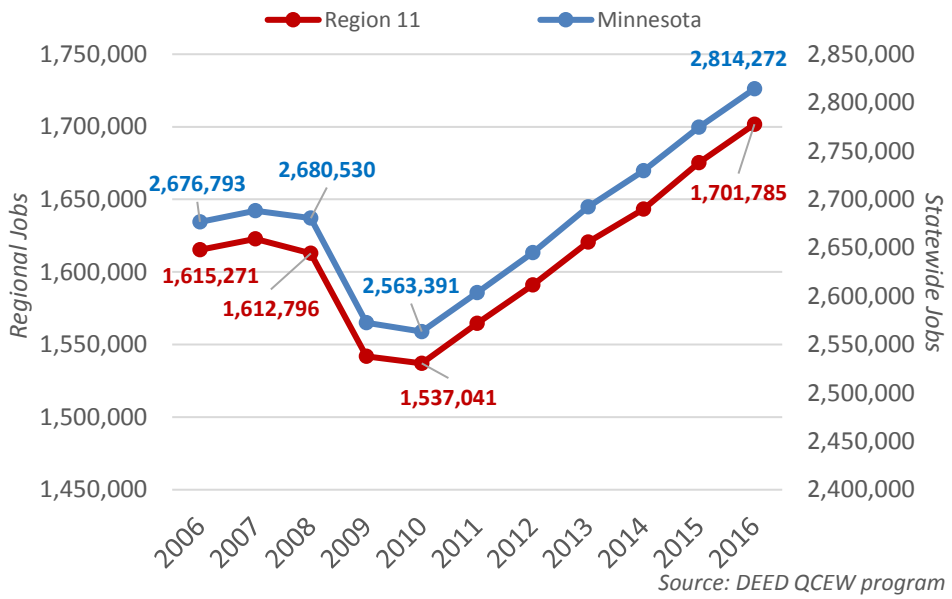
Figure 11. Region 11 Employment Projections, 2014-2024

Source: DEED 2014-2024 Employment Outlook

ECONOMY

INDUSTRY EMPLOYMENT

Figure 12. Industry Employment Statistics, 2006-2016



Source: DEED QCEW program

Region 11 has seen employment ups and downs over the past decade, but ended 2016 with about 86,500 (5.4%) more jobs as in 2006. The metro area reached a pre-recession peak of 1.62 million jobs in 2007. During the Great Recession, between 2007 and 2010, the region shed 85,646 jobs, for a 5.3 percent decline. This decline was slightly worse than the state's 4.7 percent decline during that same period. During recovery between 2010 and 2016, the metro area gained over 164,700 jobs, growing 10.7 percent. This recovery was slightly stronger than for the state overall, which grew by 9.9 percent between 2010 and 2016 (see Figure 12).

According to DEED's Quarterly Census of Employment & Wages (QCEW) program, Region 11 was home to 75,959 business establishments providing 1,701,785 covered jobs through 2016, with a total payroll of just about $103.5 billion. As such, Region 11 accounts for 60.5 percent of total employment in the state of Minnesota, and 67.8 percent of total payroll. Average annual wages were $60,840 in the region, which was about $6,550 higher than the state's average annual wage. Table 13 breaks down the metro area's industry employment by county.

Table 13. Region 11 Industry Employment Statistics, 2016				Average Annual Wage	2011-2016		2015-2016	
Geography	Number of Firms	Number of Jobs	Total Payroll		Change in Jobs	Percent Change	Change in Jobs	Percent Change
Region 11	**75,959**	**1,701,785**	**$103,539,448,893**	**$60,840**	***+137,119***	***+8.8%***	***+26,514***	***1.6%***
Hennepin County	36,662	899,951	$60,160,425,056	$66,820	*+77,099*	*+9.4%*	*+16,463*	*1.9%*
Ramsey County	12,698	326,905	$19,794,710,521	$59,904	*+10,473*	*+3.3%*	*-284*	*-0.1%*
Dakota County	9,444	186,813	$9,621,902,860	$51,480	*+16,333*	*+9.6%*	*+2,768*	*1.5%*
Anoka County	6,760	120,871	$6,090,777,793	$50,336	*+13,372*	*+12.4%*	*+2,244*	*1.9%*
Washington County	5,231	81,741	$3,687,290,576	$45,084	*+8,707*	*+11.9%*	*+2,603*	*3.3%*
Scott County	2,910	48,022	$2,268,487,694	$47,112	*+6,488*	*+15.6%*	*+2,749*	*6.1%*
Carver County	2,253	37,481	$1,915,854,393	$51,064	*+4,647*	*+14.2%*	*-28*	*-0.1%*
Minnesota	**161,520**	**2,814,272**	**$152,795,190,643**	**$54,288**	***+210,746***	***+8.1%***	***+39,864***	***1.4%***

Source: DEED Quarterly Census of Employment & Wages (QCEW)

With 259,454 jobs at 7,832 firms, health care and social assistance is the largest employing industry in Region 11, accounting for 15.2 percent of total jobs in the metro. Statewide, 54.6 percent of all health care and social assistance jobs are located in Region 11. Over the past year, between 2015 and 2016, employment in the health care and social assistance sector grew by 3.2 percent, adding nearly 8,000 jobs.

As such, health care and social assistance was the second largest-growing industry sector in the metro during that time. Average annual wages for the industry were $50,236, significantly lower than the average wage for the total of all industries, $60,842.

The next largest industry in Region 11 is manufacturing, with 169,526 jobs at 3,973 firms. As such, just under one-in-ten metro area jobs are in manufacturing. Between 2015 and 2016, this industry gained 1,051 net new jobs, growing by 0.6 percent. The average annual wage for manufacturing jobs, $74,508, is nearly $14,000 more than the average annual wage for the total of all industries.

Retail trade is the third largest industry in Region 11, with 166,914 jobs at 8,590 establishments. Between 2015 and 2016, retail trade employment grew by 2.1 percent, gaining 3,439 jobs. When compared with the total of all industries, this sector has significantly lower wages. The related accommodation and food services industry also has 136,190 jobs and relatively low wages.

Other large-employing industries in Region 11 include educational services, professional and technical services, and finance and insurance. Far and away, the fastest-growing industry between 2015 and 2016 was professional and technical services, which grew by 10.3 percent (see Table 14).

Analyzing longer-term trends, Region 11 gained over 137,100 jobs between 2011 and 2016, growing by 8.8 percent. Health care and social assistance was the largest-growing industry during this period of time, gaining nearly 39,000 jobs. Professional and technical services was the second largest-growing industry during this time, gaining nearly 24,200 jobs. Other large growing industries included construction, accommodation and food services, and retail trade.

Table 14. Region 11 Industry Employment Statistics, 2016

NAICS Industry Title	2016 Annual Data			Avg. Annual Wage	2011-2016		2015-2016	
	Number of Firms	Number of Jobs	Total Payroll ($1,000s)		*Change in Jobs*	*Percent Change*	*Change in Jobs*	*Percent Change*
Total, All Industries	**75,959**	**1,701,785**	**$103,539,449**	**$60,842**	***+137,119***	***+8.8%***	***+26,514***	***+1.6%***
Health Care & Social Assistance	7,832	259,454	$13,033,936	$50,236	*+38,914*	*+17.6%*	*+7,992*	*+3.2%*
Manufacturing	3,973	169,526	$12,630,964	$74,508	*+8,902*	*+5.5%*	*+1,051*	*+0.6%*
Retail Trade	8,590	166,914	$5,227,580	$31,319	*+12,527*	*+8.1%*	*+3,439*	*+2.1%*
Accommodation & Food Services	5,694	136,190	$2,816,915	$20,684	*+13,023*	*+10.6%*	*+3,123*	*+2.3%*
Educational Services	2,012	130,614	$6,779,316	$51,903	*+4,741*	*+3.8%*	*+1,739*	*+1.3%*
Professional & Technical Services	9,938	124,146	$11,845,062	$95,412	*+24,168*	*+24.2%*	*+11,582*	*+10.3%*
Finance & Insurance	4,563	103,651	$11,038,988	$106,502	*-1,392*	*-1.3%*	*-2,158*	*-2.0%*
Admin. & Support Services	3,830	95,971	$3,758,530	$39,163	*-364*	*-0.4%*	*+219*	*+0.2%*
Wholesale Trade	4,891	79,926	$6,688,333	$83,682	*+3,434*	*+4.5%*	*-611*	*-0.8%*
Public Administration	804	69,475	$4,256,857	$61,272	*+4,296*	*+6.6%*	*+628*	*+0.9%*
Management of Companies	801	69,455	$8,551,542	$123,123	*+5,044*	*+7.8%*	*+337*	*+0.5%*
Construction	6,124	67,498	$4,704,473	$69,698	*+15,872*	*+30.7%*	*+787*	*+1.2%*
Transportation & Warehousing	1,682	66,342	$3,799,013	$57,264	*+5,005*	*+8.2%*	*+3,107*	*+4.9%*
Other Services	8,442	56,551	$1,967,795	$34,797	*+3,238*	*+6.1%*	*+552*	*+1.0%*
Information	1,312	37,220	$2,889,655	$77,637	*-3,640*	*-8.9%*	*-1,577*	*-4.1%*
Arts, Entertainment, & Recreation	1,405	32,740	$1,269,016	$38,760	*+4,415*	*+15.6%*	*+988*	*+3.1%*
Real Estate & Rental & Leasing	3,690	26,461	$1,468,956	$55,514	*-1,164*	*-4.2%*	*-4,774*	*-15.3%*
Utilities	86	6,136	$650,040	$105,939	*+179*	*+3.0%*	*+6*	*+0.1%*
Agriculture, Forestry, Fish & Hunt	252	2,871	$97,003	$33,787	*-116*	*-3.9%*	*+108*	*+3.9%*
Mining	41	639	$65,476	$102,466	*+95*	*+17.5%*	*-24*	*-3.6%*

Source: DEED Quarterly Census of Employment & Wages (QCEW)

DISTINGUISHING INDUSTRIES

Region 11 stands out in the state for its higher concentrations of employment in professional and technical services, finance and insurance, and select areas of manufacturing. The region is also known for its high concentration of employment in management of companies. For example, nearly 90 percent of state employment within management of companies is found within Region 11 (see Table 15).

Table 15. Region 11 Distinguishing Industries, 2016 Employment

NAICS Industry Title	NAICS Code	Number of Firms	Number of Jobs	Total Payroll	Avg. Annual Wages	Location Quotient
Total, All Industries	**0**	**75,959**	**1,701,785**	**$103,539,448,893**	**$60,840**	**1.00**
Computer & Electronic Product Mfg.	334	325	36,086	$3,706,124,938	$102,648	2.73
Printing & Related Support Activities	323	414	14,268	$921,231,687	$64,584	2.61
Management of Companies & Enterprises	551	801	69,455	$8,551,541,938	$123,240	2.52
Miscellaneous Manufacturing	339	555	18,134	$1,373,086,989	$75,712	2.43
Insurance Carriers & Related Activities	524	2,014	43,135	$4,455,663,686	$103,376	1.82
Publishing Industries (except Internet)	511	386	14,236	$1,209,298,425	$84,916	1.69
Social Assistance	624	2,218	62,979	$1,608,461,617	$25,532	1.38
Fabricated Metal Product Manufacturing	332	803	24,431	$1,523,252,398	$62,348	1.35
Real Estate	531	3,272	20,612	$1,093,785,754	$53,040	1.32
Nursing & Residential Care Facilities	623	1,255	51,412	$1,537,650,089	$29,900	1.22

Source: DEED Quarterly Census of Employment & Wages (QCEW)

INDUSTRY PROJECTIONS

Industry employment within Region 11 is projected to grow 4.4 percent from 2014 to 2024, a rate slightly faster than the state, which is expected to expand by 4.3 percent. Region 11 is expected to account for over three-fifths (61.5 percent) of net new employment growth in the state through 2024. The largest and fastest growing industry is expected to be health care and social assistance, which may account for 55 percent of total projected growth in the region. Region 11 is also expected to see significant employment growth in professional and technical services, accommodation and food services, finance and insurance, and construction. In contrast, the region is expected to see declines in manufacturing, information, agriculture, utilities, transportation and warehousing, and mining (see Table 16).

Table 16. Region 11 Industry Projections, 2014-2024

Industry	Estimated Employment 2014	Projected Employment 2024	*Percent Change 2014-2024*	*Numeric Change 2014-2024*
Total, All Industries	**1,809,309**	**1,889,240**	***+4.4%***	***+79,931***
Health Care & Social Assistance	238,408	282,216	*+18.3%*	*+43,808*
Professional & Technical Services	117,818	128,444	*+9.0%*	*+10,626*
Accommodation & Food Services	128,923	136,540	*+5.9%*	*+7,617*
Finance & Insurance	108,129	114,977	*+6.3%*	*+6,848*
Construction	60,237	65,117	*+8.1%*	*+4,880*
Retail Trade	161,261	165,714	*+2.7%*	*+4,453*
Educational Services	40,342	42,544	*+5.4%*	*+2,202*
Management of Companies	70,637	72,780	*+3.0%*	*+2,143*
Other Services	80,631	82,540	*+2.3%*	*+1,909*
Arts, Entertainment, & Recreation	32,380	33,969	*+4.9%*	*+1,589*
Real Estate & Rental & Leasing	31,691	33,222	*+4.8%*	*+1,531*
Public Administration	202,668	203,982	*+0.6%*	*+1,314*
Wholesale Trade	90,977	92,081	*+1.2%*	*+1,104*
Admin Support & Waste Mgt. Svcs.	99,695	99,997	*+0.3%*	*+302*
Mining	691	677	*-2.0%*	*-14*
Transportation & Warehousing	53,140	53,069	*-0.1%*	*-71*
Utilities	5,512	5,143	*-6.6%*	*-369*
Agriculture, Forestry, Fish & Hunt	2,952	2,259	*-23.4%*	*-693*
Information	38,522	35,768	*-7.1%*	*-2,754*
Manufacturing	165,629	155,284	*-6.2%*	*-10,345*

Source: DEED 2014-2024 Employment Outlook

EMPLOYERS BY SIZE CLASS

The vast majority of businesses in Region 11 are small businesses, with 53.5 percent of businesses reporting 1 to 4 employees in 2015, according to County Business Patterns from the U.S. Census Bureau. Another 29.4 percent had between 5 and 19 employees; and 13.9 percent had between 20 and 99 employees. Only 3.3 percent had 100 or more employees, though that was more than the state overall (2.7 percent). There were 308 businesses in the region that had more than 500 employees, which is the Small Business Administration's official cut off for a "small business". Obviously then, small businesses are vital to the region's economy (see Table 17).

Table 17. Employers by Size Class, 2015

	Region 11		Minnesota
Number of Employees	Number of Firms	Percent of Firms	Percent of Firms
1-4	44,271	53.5%	53.7%
5-9	13,396	16.2%	17.7%
10-19	10,886	13.2%	13.3%
20-49	8,377	10.1%	9.3%
50-99	3,123	3.8%	3.2%
100-249	1,897	2.3%	1.9%
250-499	507	0.6%	0.5%
500 or more	308	0.4%	0.3%
Total Firms	**82,765**	**100.0%**	**100.0%**

Source: U.S. Census, County Business Patterns

NONEMPLOYER ESTABLISHMENTS

Before growing, the basic building block of most small businesses is a self-employed business. Region 11 was home to 227,899 self-employed businesses or "nonemployers" in 2015, which are defined by the U.S. Census Bureau as "businesses without paid employees that are subject to federal income tax, originating from tax return information of the Internal Revenue Service (IRS)." Region 11 witnessed a 13.1 percent increase in nonemployers over the past decade, higher than such growth throughout the state (6.4 percent). Total receipts from nonemployers in Region 11 equaled $11.0 billion in 2015, making up nearly 60 percent of the state's total (see Table 18).

Table 18. Nonemployer Statistics, 2015

	2015		*2005-2015*	
	Number of Firms	Receipts ($1,000s)	*Change in Firms*	*Percent Change*
Region 11	**227,899**	**$11,008,704**	***+26,398***	***+13.1%***
Anoka County	22,344	$974,241	*+1,032*	*+4.8%*
Carver County	7,985	$410,980	*+1,486*	*+22.9%*
Dakota County	28,643	$1,328,471	*+1,679*	*+6.2%*
Hennepin County	103,278	$5,344,370	*+14,581*	*+16.4%*
Ramsey County	37,078	$1,574,091	*+4,776*	*+14.8%*
Scott County	10,572	$526,582	*+1,008*	*+10.5%*
Washington County	17,999	$849,969	*+1,836*	*+11.4%*
State of Minnesota	**397,378**	**$18,435,244**	***+23,959***	***+6.4%***

Source: U.S. Census, Nonemployer Statistics program

CENSUS OF AGRICULTURE

Finally, while not as prevalent in Region 11, agriculture still accounts for a noteworthy portion of the regional economy. According to the 2012 Census of Agriculture, the metro area had 4,250 farms producing nearly $690 million in the market value of products sold. As such, the region accounted for six percent of the state's total farms and three percent of the state's total market value of products sold. Between 2007 and 2012, change in the market value for agricultural products in the metro increased by 39.2 percent (see Table 19).

Table 19. Census of Agriculture, 2012

	Number of Farms	Market Value of Products Sold	*State Rank (of 87)*	*Change in Market Value, 2007-2012*
Region 11	**4,250**	**$688,940,000**	***10 (of 13)***	***+39.2%***
Anoka County	396	$47,489,000	*72*	*+45.8%*
Carver County	789	$134,398,000	*58*	*+44.6%*
Dakota County	892	$241,008,000	*44*	*+30.5%*
Hennepin County	627	$64,469,000	*67*	*+25.4%*
Ramsey County	97	$2,942,000	*85*	*ND*
Scott County	847	$112,195,000	*60*	*+77.2%*
Washington County	602	$86,439,000	*63*	*+23.7%*
State of Minnesota	**74,542**	**$21,280,184,000**		***+61.5%***

Source: 2012 Census of Agriculture

Upon request, this information can be made available in alternate formats for people with disabilities by contacting Tim O'Neill at 651-259-7401 or at timothy.oneill@state.mn.us.

TWIN CITIES METRO AREA

ECONOMIC DEVELOPMENT REGION 11

Covers counties:

Anoka, Carver, Dakota, Hennepin, Ramsey Scott, and Washington

2018 REGIONAL PROFILE

Updated September 4, 2018

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DEMOGRAPHICS

POPULATION CHANGE, 2000-2017

The Twin Cities Metro Area planning region includes a total of seven counties, covering one Economic Development Region (EDR 11) and six Workforce Development Boards (WDBs). In sum, the Metro Area was home to 3,077,416 people in 2017, comprising 55.2 percent of the state's total population. The region's population grew by 16.5 percent over the past 17 years, adding approximately 435,360 people. In comparison, the state of Minnesota witnessed a 13.4 percent population gain (see Table 1).

Table 1. Population Change 2000-2017

	2000 Population	2017 Estimates	2000-2017 Change	
			Number	*Percent*
Twin Cities Metro	**2,642,056**	**3,077,416**	***+435,360***	***+16.5%***
Anoka Co.	298,084	351,373	*+53,289*	*+17.9%*
Carver Co.	70,205	102,119	*+31,914*	*+45.5%*
Dakota Co.	355,904	421,751	*+65,847*	*+18.5%*
Hennepin Co.	1,116,200	1,252,024	*+135,824*	*+12.2%*
Ramsey Co.	511,035	547,974	*+36,939*	*+7.2%*
Scott Co.	89,498	145,827	*+56,329*	*+62.9%*
Washington Co.	201,130	256,348	*+55,218*	*+27.5%*
State of Minnesota	**4,919,479**	**5,576,606**	***+657,127***	***+13.4%***

Source: U.S. Census Bureau, Population Estimates Program

Between 2000 and 2017, all seven counties in the metro witnessed population increases. Hennepin County, Minnesota's most populous county, gained the most people between 2000 and 2017. In fact, by adding nearly 136,000 people over that 17-year period, Hennepin County accounted for over 31 percent of the Metro Area's total growth, and over one-fifth of the state's total growth. Meanwhile, Scott County was the fastest-growing county (of 87) in the state between 2000 and 2017, growing by nearly 63 percent. Carver County was the state's fourth fastest-growing during that time (see Table 1).

COMPONENTS OF POPULATION CHANGE, 2010-2017

The Twin Cities Metro Area has experienced a natural increase – more births than deaths – of nearly 150,000 people so far this decade. Additionally, the region gained population due to migration patterns, with over 80,000 more people moving into the region than moving out. More specifically, while the Metro Area did lose about 1,100 people to domestic out-migration, the region did enjoy positive in-migration of nearly 82,000 additional residents from international sources (see Table 2).

Table 2. Cumulative Estimates of the Components of Population Change in the Twin Cities Metro Area: April 1, 2010 to July 1, 2017

Total Change	Natural Increase	Vital Events		*Net Migration*		
		Births	Deaths	*Total*	*Inter-national*	*Domestic*
+227,833	+148,661	286,090	137,429	*+80,770*	*+81,836*	*-1,066*

Source: U.S. Census Bureau, Population Estimates Program

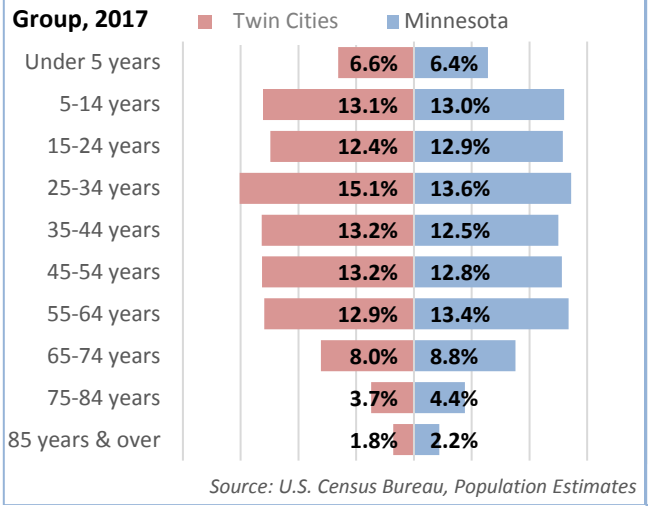
The Twin Cities Metro Area is now home to 336,686 foreign born residents, making up about 11.3 percent of the region's total population. As such, the region accounts for 78.9 percent of Minnesota's total foreign-born population. The largest number of foreign born residents in the Twin Cities are from Asia

The number of immigrants in the region has increased by 15.3 percent since 2010, slightly under the comparative statewide growth rate of 16.3 percent. Just over half of the region's recent growth in immigration has come from Asia, most notably South Eastern Asia and South Central Asia. Over one-fifth, or about 9,600 people, have moved from Eastern Africa, and just over 5,200 people have moved from Latin America since 2010. It should be noted that the region's foreign-born population is much younger than the total population overall. For example, 47.4 percent of the region's foreign-born population is between the ages of 25 and 44 years. Comparatively, 28.2 percent of the overall population is being the ages of 25 and 44 years.

POPULATION BY AGE GROUP, 2000-2017

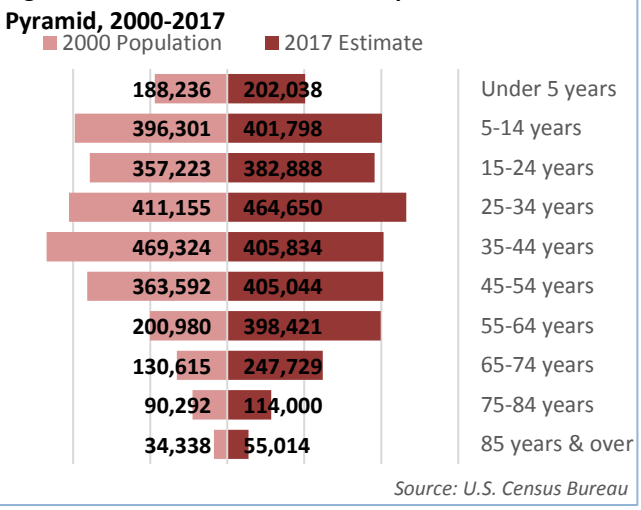
Overall, the Twin Cities Metro Area has a slightly younger population than the rest of the state, with 13.5 percent of residents aged 65 years and over, compared to 15.4 percent statewide. Consequently, the Metro Area has a higher percentage of people in the 25- to 54-year-old age group, typically considered the "prime working years." The share of school-aged children in the Metro Area is nearly the same as the share statewide (see Figure 1).

Figure 1. Percentage of Population by Age Group, 2017



Source: U.S. Census Bureau, Population Estimates

Figure 2. Twin Cities Metro Area Population Pyramid, 2000-2017



Source: U.S. Census Bureau

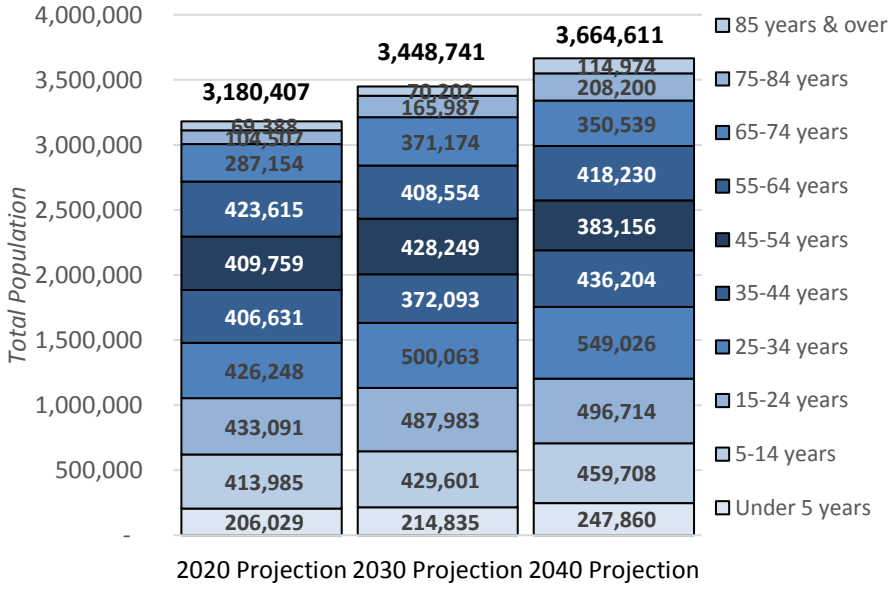
A large portion of the region's population is a part of the Baby Boomer generation, or those people born between 1946 and 1964, which is creating a significant shift in the population over time. While the number of residents between the ages of 35 and 44 years declined between 2000 and 2017, the number of residents aged 55 years and over increased dramatically (see Figure 2).

POPULATION PROJECTIONS BY AGE GROUP, 2020-2040

According to population projections from the State Demographic Center, the Twin Cities Metro Area is expected to gain nearly 485,000 residents between 2020 and 2040, a 15.2 percent increase (see Figure 3). This projected gain is much higher than the state's, which is projected to grow by 8.8 percent during that time.

The Metro Area is expected to add nearly 150,000 people aged 75 years and over, an 85.6 percent jump. Projected losses will only be amongst those between the ages of 45 and 64 years.

Figure 3. Twin Cities Metro Area Population Projections by Age Group, 2020-2040



Source: Minnesota State Demographic Center

POPULATION BY RACE, 2016

The Twin Cities Metro Area has a much more diverse population than the state overall, and it continues to become more diverse over time. In 2016, 77.7 percent of the region's residents reported White alone as their race, compared to 84.3 percent of residents statewide. The region had especially higher concentrations of those reporting as Black or African American and Asian or Other Pacific Islander than the state overall. Beyond a smaller share of those reporting as White alone, the Metro Area also had a slightly smaller share of those reporting as American Indian or Alaska Native than the state (see Table 3).

Ramsey County had the most diverse populace in the region, with 13.6 percent of its population reporting as Asian or Other Pacific Islander, 11.2 percent reporting as Black or African American, and 7.3 percent of Ramsey County residents reporting Hispanic or Latino origins. Likewise, 12.4 percent of Hennepin County residents reported being Black or African American in 2016, which was among the highest percentages in the state. In contrast, while Anoka, Carver, Dakota, Scott, and Washington counties are not as racially or ethnically diverse as Hennepin and Ramsey, their respective populations are all becoming much more racially diverse in recent years.

Table 3. Race and Hispanic Origin, 2016	Twin Cities Metro Area			Minnesota	
	Number	Percent	*Change from 2000-2016*	Percent	*Change from 2000-2016*
Total	**2,978,822**	**100.0%**	***+12.7%***	**100.0%**	***+10.8%***
White	2,315,839	77.7%	*+3.5%*	84.3%	*+4.5%*
Black or African American	265,312	8.9%	*+69.4%*	5.7%	*+81.0%*
American Indian & Alaska Native	16,872	0.6%	*-17.4%*	1.0%	*+3.5%*
Asian & Other Pac. Islander	213,426	7.2%	*+74.6%*	4.6%	*+72.8%*
Some Other Race	65,360	2.2%	*+45.0%*	1.6%	*+34.2%*
Two or More Races	102,013	3.4%	*+71.2%*	2.7%	*+79.5%*
Hispanic or Latino	182,229	6.1%	*+90.0%*	5.1%	*+92.5%*

Source: U.S. Census Bureau, 2012-2016 American Community Survey

EDUCATIONAL ATTAINMENT, 2016

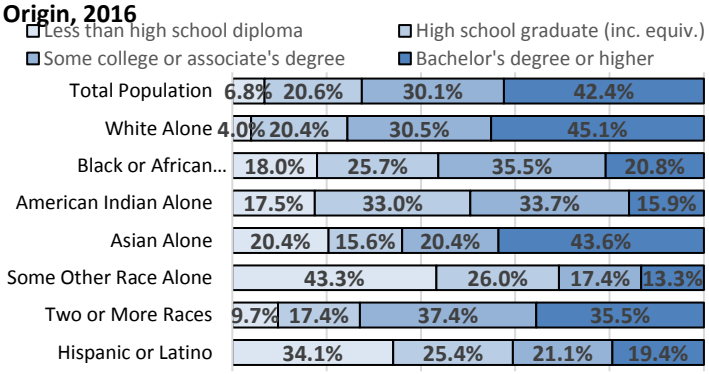
The Twin Cities Metro Area has more residents with higher educational attainment than the state overall. For example, 72.6 percent of those living in the Metro Area (that are 25 years of age and older) have attended a post-secondary institution or have obtained a degree. That includes 42.4 percent of the region's population with a bachelor's degree or more. Comparatively, 66.9 percent of the state's total population 25 years of age and older have attended a post-secondary institution, with 34.3 percent having a bachelor's degree or more (see Table 4).

Table 4. Educational Attainment for the Adult Population, 2016	Twin Cities Metro		Minnesota
	Number	Percent	Percent
Total Population, 25 years & over	**2,004,782**	**100.0%**	**100.0%**
Less than high school	137,271	6.8%	7.4%
High school graduate (incl. equiv.)	413,734	20.6%	25.7%
Some college, no degree	407,564	20.3%	21.7%
Associate's degree	196,247	9.8%	11.0%
Bachelor's degree	556,189	27.7%	22.8%
Advanced degree	293,777	14.7%	11.5%

Source: U.S. Census Bureau, 2012-2016 American Community Survey

Educational attainment varied significantly by race and ethnicity in the Metro Area. For example, 96 percent of the White alone population reported having at least a high school diploma or equivalent, but just 66 percent of Hispanic or Latino adults reported having a high school diploma or equivalent, as did just 57 percent of people of Some Other Race (see Figure 4).

Figure 4. Twin Cities Metro Educational Attainment for the population aged 25 years & over by Race or Origin, 2016



Source: 2012-2016 American Community Survey

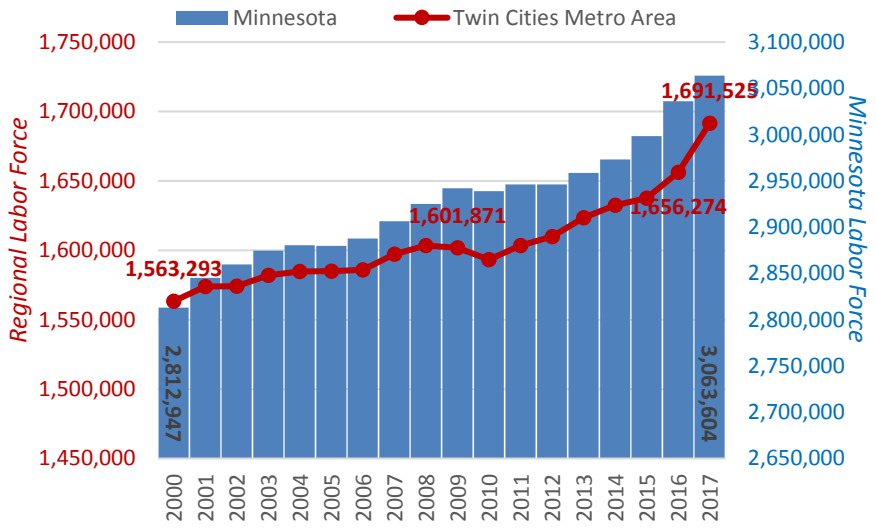
LABOR FORCE

LABOR FORCE CHANGE, 2000-2017

According to data from DEED's Local Area Unemployment Statistics program, the Twin Cities Metro Area has experienced some minor fluctuations in the size of the available labor force over the last 17 years in response to changing economic conditions. This was especially so during the Great Recession, between 2006 and 2010. More specifically, the region's total labor force expanded by over 17,600 people between 2006 and 2008, after which it contracted by over 10,100 people between 2008 and 2010.

Beyond those changes, the Metro Area's labor force has witnessed longer-term expansions and contractions. Between 1990 and 2000, for example, the region's labor force added an average of nearly 21,800 people per year (1.6% average annual growth rate). Between 2000 and 2010, labor force growth barely managed 3,000 per year (0.2% average annual growth rate). Since 2010, labor force growth has picked up again, adding an average of about 14,000 people per year (0.9% average annual growth) (see Figure 5).

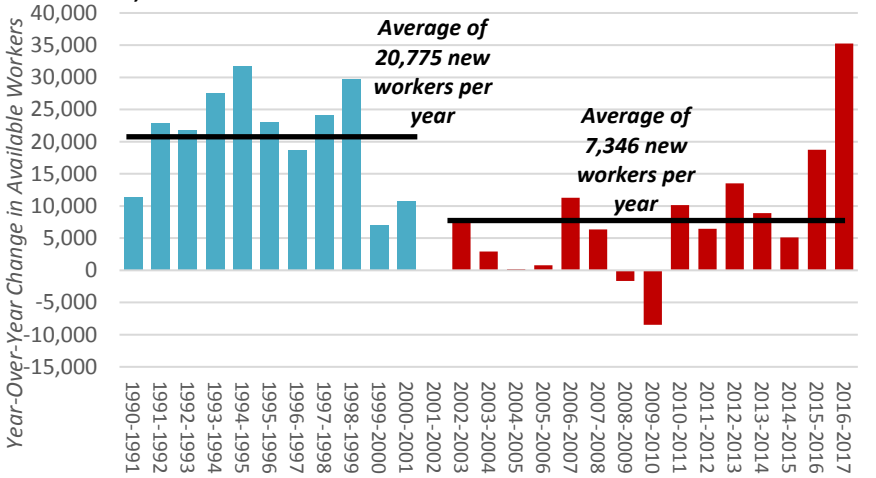
Figure 5. Annual Labor Force Estimates



Source: DEED Local Area Unemployment Statistics (LAUS) program

While labor force growth in the Metro Area has picked up in recent years (see Figure 6), future expansion may be constrained by an aging population. Add to this dilemma the region's record low unemployment, and the resulting tight labor force in the Metro poses a significant threat to future economic growth. In the face of these developments, it has become evident that a more diverse workforce in terms of age, gender, race, ethnicity, disability status, and immigration has been and will continue to be a vital source of the workers that employers need to succeed. As the White, native-born workforce continues to age, younger workers of different races or from different countries will comprise the fastest growing segment of the labor force.

Figure 6. Annual Change in the Twin Cities Metro Area's Labor Force, 1990-2017



Source: DEED Local Area Unemployment Statistics (LAUS)

LABOR FORCE PROJECTIONS, 2020-2030

If the Twin Cities Metro Area's population changes at the projected rates shown in Figure 3 above, the region would be expected to see a moderate increase in the labor force over the next decade. Applying current labor force participation rates to future population projections by age group creates labor force projections for the region, which show a steady 6.1 percent increase in workforce numbers (see Table 5).

In addition to the overall increase, the labor force will also see a significant shift over time, with large percentage gains in the number of workers aged 65 years and over. These gains will come as the share of workers between 55 and 64 years is anticipated to decrease. At the other end of the age spectrum, the region is expected to see significant gains in the number of workers between the ages of 20 and 44 years old. Currently, those workers between the ages of 25 and 54, or those in their "prime-working years" make up 65.9 percent of the Metro Area's total labor force. By 2030, this age cohort will account for about 61.4 percent of the region's total labor force. Employers in the area will need to respond to such shifts creatively.

Table 5. Twin Cities Metro Area Labor Force Projections

	2020 Labor Force Projection	2030 Labor Force Projection	*2020-2030 Change*	
			Numeric	*Percent*
16 to 19 years	88,348	94,163	*+5,814*	*+6.6%*
20 to 24 years	172,935	206,425	*+33,490*	*+19.4%*
25 to 44 years	738,524	773,352	*+34,827*	*+4.7%*
45 to 54 years	357,427	373,555	*+16,129*	*+4.5%*
55 to 64 years	310,216	299,187	*-11,029*	*-3.6%*
65 to 74 years	82,900	107,156	*+24,256*	*+29.3%*
75 years & over	10,503	14,265	*+3,762*	*+35.8%*
Total Labor Force	**1,760,853**	**1,868,102**	***+107,249***	***+6.1%***

Source: calculated from MN State Demographic Center projections, and 2012-2016 American Community Survey 5-Year Estimates

EMPLOYMENT CHARACTERISTICS, 2016

With 72.1 percent of the working age population aged 16 years and over in the labor force, the Metro Area had a slightly higher labor force participation rate than the state's 69.9 percent rate. The labor force participation rate is the share of both the employed and unemployed over the civilian noninstitutional population (see Table 6).

Up close, the Metro Area had higher labor force participation rates across all racial and ethnic groups than the state, but did have a lower such rate for teenagers. The region also had over 62,000 veterans and nearly 74,000 workers with disabilities in the labor force, with participation rates similar to the state. Unemployment rates were highest for youth, minorities, and workers with disabilities.

Table 6. Employment Characteristics, 2016

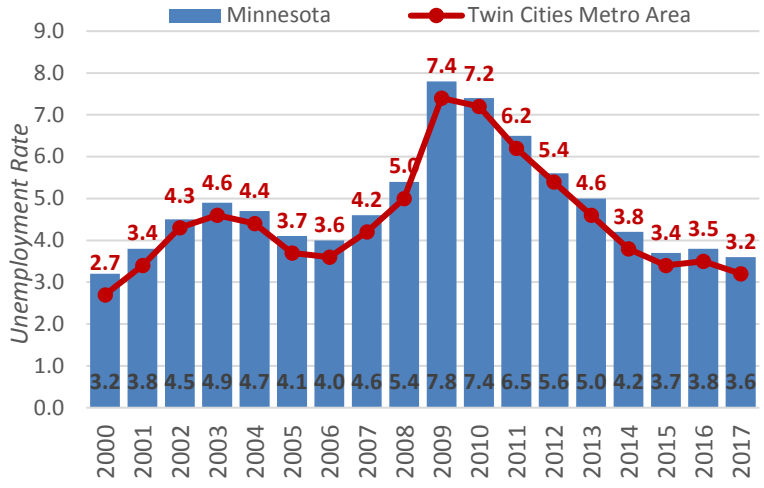
	Twin Cities Metro Area			Minnesota	
	In Labor Force	Labor Force Partic. Rate	Unemp. Rate	Labor Force Partic. Rate	Unemp. Rate
Total Labor Force	**1,692,527**	**72.1%**	**5.0%**	**69.9%**	**4.8%**
16 to 19 years	73,989	48.7%	16.1%	52.3%	14.2%
20 to 24 years	159,683	83.8%	9.0%	83.5%	8.1%
25 to 44 years	745,691	88.7%	4.5%	88.2%	4.4%
45 to 54 years	369,883	87.2%	3.6%	87.2%	3.4%
55 to 64 years	274,004	73.2%	4.0%	72.3%	3.6%
65 to 74 years	60,507	28.9%	3.4%	27.1%	3.0%
75 years & over	9,423	6.0%	2.5%	6.0%	2.7%
Employment Characteristics by Race & Hispanic Origin					
White alone	1,374,199	72.4%	4.1%	69.9%	4.1%
Black or African American	128,329	69.8%	12.4%	68.5%	12.9%
American Indian & Alaska Nat.	7,635	59.9%	10.1%	58.8%	14.8%
Asian or Other Pac. Islanders	111,889	71.1%	5.8%	70.7%	5.6%
Some Other Race	34,496	78.5%	8.3%	77.3%	8.4%
Two or More Races	36,714	73.2%	10.3%	71.3%	10.1%
Hispanic or Latino	90,704	76.8%	7.8%	75.5%	8.2%
Employment Characteristics by Veteran Status					
Veterans, 18 to 64 years	62,084	80.2%	4.2%	78.6%	4.8%
Employment Characteristics by Disability					
With Any Disability	73,995	51.1%	12.0%	51.4%	10.9%
Employment Characteristics by Educational Attainment					
Population, 25 to 64 years	1,389,667	84.8%	3.7%	84.0%	4.0%
Less than H.S. Diploma	65,788	63.9%	5.5%	65.0%	5.6%
H.S. Diploma or Equivalent	236,112	78.6%	3.7%	78.7%	3.4%
Some College or Assoc. Deg.	433,118	85.5%	3.8%	85.1%	4.0%
Bachelor's Degree or Higher	654,857	89.8%	2.3%	89.5%	2.3%

Source: 2012-2016 American Community Survey, 5-Year Estimates

UNEMPLOYMENT RATE, 2000-2017

According to Local Area Unemployment Statistics, the Twin Cities Metro Area has, historically, had a lower unemployment rate than Minnesota and the nation, regardless of the state of the economy. As of June, 2018, the Metro Area unemployment rate stood at 2.8 percent, which represented approximately 48,250 unemployed persons. Unemployment rates differed only marginally between the seven Metro Area counties, ranging from 2.5 percent in Scott County to 3.0 percent in Ramsey County. As Figure 7 highlights, unemployment has not been this low in the Metro Area since 2000.

Figure 7. Unemployment Rates, 2000-2017



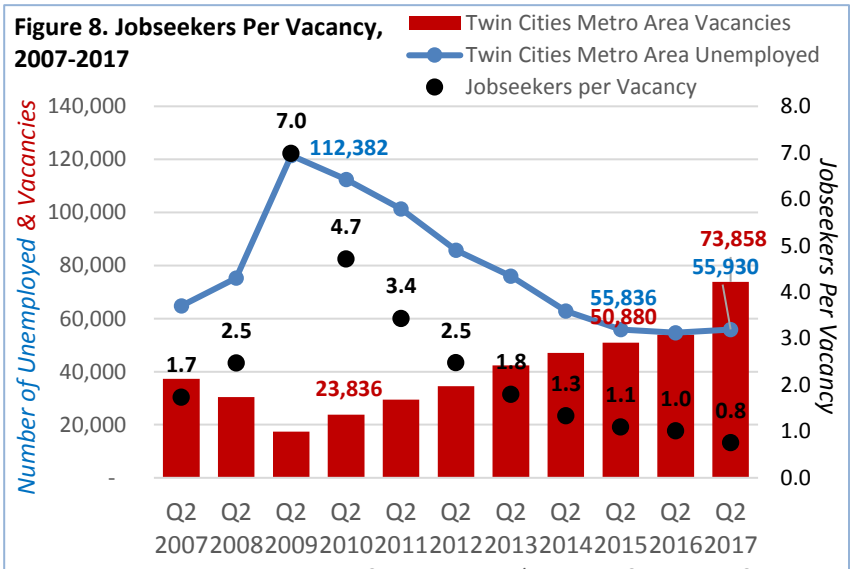
Source: DEED Local Area Unemployment Statistics (LAUS) program

JOBSEEKERS PER VACANCY, 2017

As the number of available workers has declined and the economy continues to recover, the region's labor market has tightened. One clear demonstration of this is the ratio of unemployed jobseekers per vacancy, which now stands at 0.6-0.8 in the Twin Cities Metro Area.

According to recent job vacancy survey results, there were 73,858 openings reported by employers compared to 55,930 unemployed jobseekers in the region. The ratio climbed as high as 7.0 during the recession in 2009 (see Figure 8).

Figure 8. Jobseekers Per Vacancy, 2007-2017



Source: DEED Job Vacancy Survey, LAUS program

COMMUTE SHED AND LABOR SHED, 2015

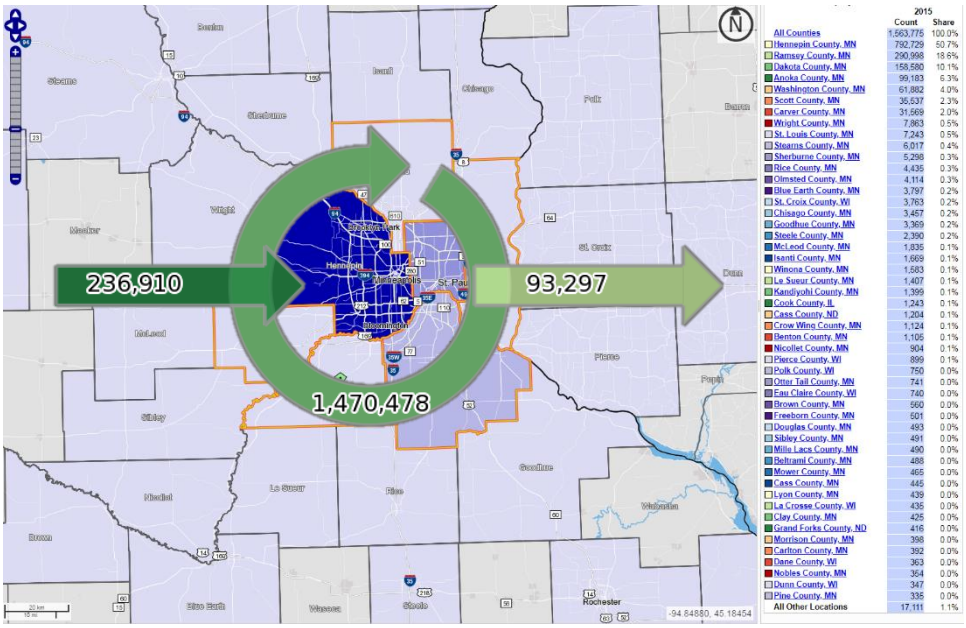
According to commuting data from the U.S. Census Bureau, the vast majority – about 94 percent – of workers who live in the region also work within the region. There is no doubt that the Twin Cities Metro Area is a net importer of labor, having more jobs than available workers. In sum, about 1,470,500 workers both lived and worked in the Metro Area in 2015, while nearly 237,000 workers

Table 7. Twin Cities Metro Area Inflow/Outflow Job Counts (All Jobs), 2015	2015	
	Count	Share
Employed in the Selection Area	1,707,388	100.0%
Employed in the Selection Area but Living Outside	236,910	13.9%
Employed and Living in the Selection Area	1,470,478	86.1%
Living in the Selection Area	1,563,775	100.0%
Living in the Selection Area but Employed Outside	93,297	6.0%
Living and Employed in the Selection Area	1,470,478	94.0%

Source: U.S. Census Bureau, OnTheMap

drove into the region for work, compared to about 93,300 workers who lived in the region but drove to surrounding counties for work (see Table 7 and Figure 9).

Figure 9. Twin Cities Metro Area Labor and Commute Shed, 2015



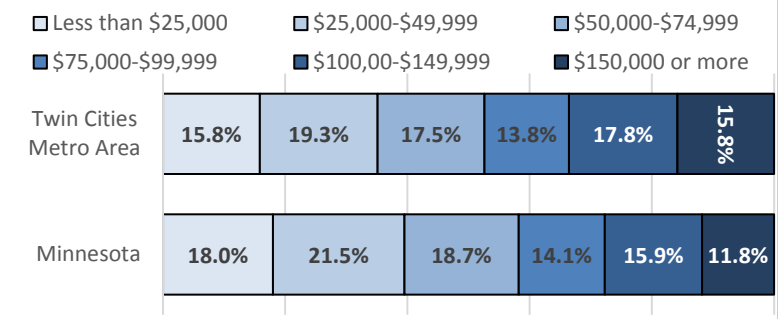
For those living in the Metro Area, top work destinations include Minneapolis, St. Paul, Bloomington, Eden Prairie, Eagan, Plymouth, Edina, and Minnetonka. Nearly 20 percent of Metro Area residents work in Minneapolis alone, with another 11 percent working in St. Paul. Zooming out, 50.7 percent of Twin Cities' residents work in Hennepin County, with another 18.6 percent working in Ramsey County (see Figure 9).

INCOMES, WAGES AND OCCUPATIONS

HOUSEHOLD INCOMES

As of 2016, household incomes were significantly higher in the Twin Cities Metro Area than the rest of the state. The median household income in the Metro Area was $71,029 in 2016, compared to $63,217 in Minnesota. Even so, over one-third (35.1%) of the households in the region had incomes below $50,000 in 2016, compared to 39.5 percent of households statewide (see Figure 10).

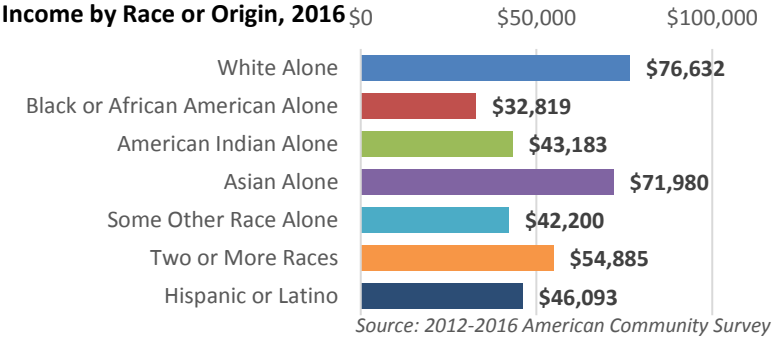
Figure 10. Household Incomes, 2016



Source: 2012-2016 American Community Survey 5-Year Estimates

Median household incomes varied by race or origin in the region. Black or African American households reported the lowest incomes in the Metro Area, with a median income that was nearly $44,000 lower than for White households (see Figure 11). The overall poverty rate in the Metro Area was 10.3 percent in 2016, ranging from 6.5 percent for Whites to 32.0 percent for Black or African Americans.

Figure 11. Twin Cities Metro Median Household Income by Race or Origin, 2016



Source: 2012-2016 American Community Survey

COST OF LIVING

According to DEED's Cost of Living tool, the basic needs budget for an average Minnesota family (which consists of 2 adults and 1 child, with 1 full-time and 1 part-time worker) was $57,624 in 2018. The cost of living for a similar family in the Twin Cities Metro Area was $63,996 – which was the highest of the six planning regions in the state. The highest monthly costs were for housing, transportation, and food; with housing, childcare, and taxes significantly higher than the rest of the state. In order to meet the basic cost of living for the region, the workers in the family scenario described would need to earn $20.51 per hour over the course of 60 hours per work week.

DEED's Cost of Living tool provides different estimates for household compositions including single people, partnered couples, and up to 4 children. For a single person living alone and working full-time, the estimated yearly cost in the Metro Area would be $33,864, which would require an hourly wage of $16.28 to meet the basic needs standard of living (see Table 8).

Table 8. Twin Cities Metro Area Cost of Living, 2018

Family Composition	Number of Workers	Yearly Cost of Living	Hourly Wage Required	Monthly Costs						
				Child Care	Food	Health Care	Housing	Trans-portation	Other	Taxes
Twin Cities Metro Area										
Single, 0 children	1 FT	$33,864	$16.28	$0	$339	$137	$862	$697	$351	$436
Single, 1 child	1 FT	$63,912	$30.73	$1,363	$500	$284	$1,113	$741	$471	$854
2 parents, 1 child	**1 FT, 1 PT**	**$63,996**	**$20.51**	**$682**	**$773**	**$486**	**$1,113**	**$870**	**$552**	**$857**
2 parents, 2 children	2 FT	$74,856	$17.99	$1,363	$773	$486	$1,113	$870	$552	$1,081
State of Minnesota										
Single, 0 children	1 FT	$31,656	$15.22	$0	$334	$136	$754	$696	$318	$400
2 parents, 1 child	**1 FT, 1 PT**	**$57,624**	**$18.47**	**$504**	**$763**	**$459**	**$980**	**$869**	**$510**	**$717**

Source: DEED Cost of Living tool

WAGES AND OCCUPATIONS

According to DEED's Occupational Employment Statistics program, the median hourly wage for all occupations in the Twin Cities Metro Area was $21.92 in the first quarter of 2018, which was the highest wage level of the six planning regions in the state. The Metro Area's median hourly wage was $1.85 above the state's median hourly wage, equaling 109.2 percent of the statewide wage rate. Working full-time, a worker earning the median wage in the Metro Area would earn about $3,850 more than a worker earning the median wage in the state overall (see Table 9). Zooming out a bit, half of workers in the Metro Area earn between $14.20 and $34.43 per hour.

Table 9. Occupational Employment Statistics by Region, 1st Qtr. 2018	Median Hourly Wage	Estimated Regional Employment
Central Minnesota	$17.93	285,900
Twin Cities Metro Area	**$21.92**	**1,769,290**
Northeast Minnesota	$17.72	143,490
Northwest Minnesota	$17.38	211,950
Southeast Minnesota	$18.91	238,090
Southwest Minnesota	$17.14	179,500
State of Minnesota	**$20.07**	**2,838,270**

Source: DEED Occupational Employment Statistics

Based on location quotients, the Metro Area stands out for having higher concentrations of business and financial operations; legal; computer and mathematical; architecture and engineering; and arts, design, entertainment, and media workers than the state. The largest occupational groups in the region include office and administrative support, sales and related, food preparation and serving, business and financial operations, management, and production positions.

Not surprisingly, the lowest-paying jobs are concentrated in food preparation and serving; building, grounds cleaning and maintenance; sales and related; personal care and service; and healthcare support, which tend to have lower educational and training requirements.

In contrast, the highest paying jobs are found in management; computer and mathematical; legal; architecture and engineering; healthcare practitioners; business and financial operations; and life, physical, and social science occupations, which all need higher levels of education and experience, including many that require postsecondary training. The pay gaps between the region and state are much bigger in these occupations (see Table 10).

Table 10. Twin Cities Metro Area Occupational Employment Statistics, 1st Qtr. 2018

	Twin Cities Metro Area				State of Minnesota		
	Median Hourly Wage	Estimated Regional Employment	*Share of Total Employment*	*Location Quotient*	Median Hourly Wage	Estimated Regional Employment	*Share of Total Employment*
Total, All Occupations	$21.92	1,769,290	*100.0%*	*1.0*	$20.07	2,838,270	*100.0%*
Office & Administrative Support	$19.44	261,560	*14.8%*	*1.0*	$18.45	409,820	*14.4%*
Sales & Related	$15.69	174,140	*9.8%*	*1.0*	$14.10	277,720	*9.8%*
Food Preparation & Serving Related	$11.43	142,390	*8.0%*	*1.0*	$11.12	239,950	*8.5%*
Business & Financial Operations	$33.20	126,990	*7.2%*	*1.3*	$31.97	161,080	*5.7%*
Management	$54.70	119,950	*6.8%*	*1.1*	$49.99	168,930	*6.0%*
Production	$18.28	116,630	*6.6%*	*0.9*	$17.89	217,610	*7.7%*
Transportation & Material Moving	$17.74	105,030	*5.9%*	*0.9*	$17.59	178,720	*6.3%*
Healthcare Practitioners & Technical	$36.43	102,160	*5.8%*	*0.9*	$34.44	182,500	*6.4%*
Education, Training & Library	$24.40	93,590	*5.3%*	*0.9*	$23.65	163,850	*5.8%*
Personal Care & Service	$12.27	87,850	*5.0%*	*1.0*	$12.12	139,210	*4.9%*
Computer & Mathematical	$41.19	78,170	*4.4%*	*1.3*	$40.00	94,290	*3.3%*
Construction & Extraction	$30.68	53,340	*3.0%*	*0.9*	$27.10	99,900	*3.5%*
Installation, Maintenance & Repair	$24.42	51,910	*2.9%*	*0.9*	$23.22	95,660	*3.4%*
Healthcare Support	$16.58	48,120	*2.7%*	*0.9*	$15.81	85,940	*3.0%*
Building, Grounds Cleaning & Maint.	$14.80	46,850	*2.6%*	*0.9*	$14.07	84,300	*3.0%*
Architecture & Engineering	$37.96	39,790	*2.2%*	*1.2*	$36.61	53,780	*1.9%*
Community & Social Service	$22.29	32,040	*1.8%*	*0.9*	$21.88	55,430	*2.0%*
Arts, Design, Entertainment & Media	$25.39	27,150	*1.5%*	*1.2*	$23.44	36,910	*1.3%*
Protective Service	$19.18	26,580	*1.5%*	*1.0*	$20.27	43,150	*1.5%*
Life, Physical & Social Science	$32.71	18,240	*1.0%*	*1.1*	$31.27	26,220	*0.9%*
Legal	$39.08	15,830	*0.9%*	*1.3*	$37.34	19,750	*0.7%*
Farming, Fishing & Forestry	$13.59	980	*0.1%*	*0.4*	$15.45	3,540	*0.1%*

Source: DEED Occupational Employment Statistics, Qtr. 1 2018

JOB VACANCY SURVEY

Employers in Twin Cities Metro Area reported 68,854 job vacancies in the fourth quarter of 2017, which was an increase of 11,115 additional openings compared to the past year, and the second highest number ever reported in the region. The median hourly wage offer was $14.95 across all occupations, but ranged from a low of $11.46 per hour for food prep and serving related workers, to $27.00 per hour or more for management, architecture and engineering, computer and mathematical, and business and financial operations occupations.

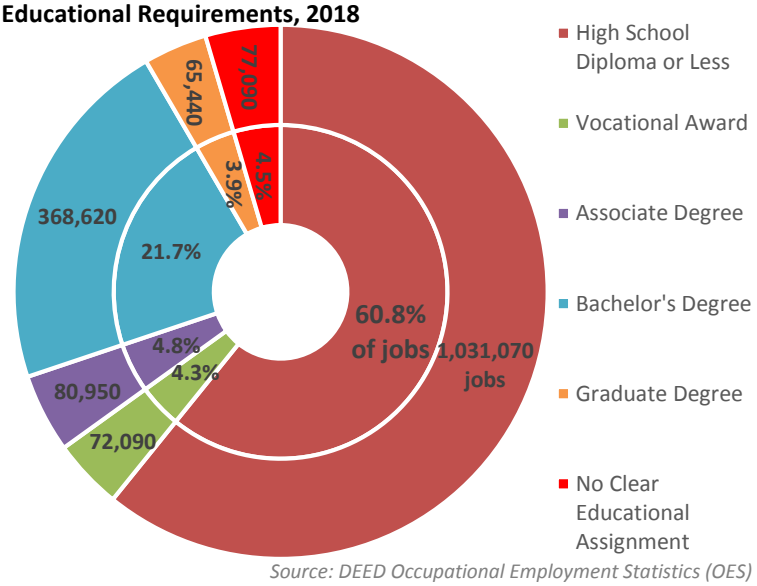
The largest number of vacancies were in sales and related occupations, followed by food preparation and serving, health care practitioners, personal care and service, office and administrative support, and transportation and material moving. Over half (57.0 percent) of the vacancies in the region were in these six occupational groups. Overall, 41 percent of the openings were part-time, 33 percent required postsecondary education, and 51 percent required a year or more of experience (see Table 11). In sum, educational requirements in the region had been stable or declining over the past 5 years, while work experience requirements were rising. Part time work also increased during that time.

Table 11. Twin Cities Metro Area Job Vacancy Survey Results, 4th Qtr. 2017							
	Number of Total Vacancies	Percent Part-time	Percent Temporary or Seasonal	Requiring Post-Secondary Education	Requiring 1 or More Years of Experience	Requiring Certificate or License	Median Hourly Wage Offer
Total, All Occupations	**68,854**	**41%**	**8%**	**33%**	**51%**	**32%**	**$14.95**
Sales & Related	10,495	50%	10%	8%	45%	9%	$13.01
Food Preparation & Serving Related	9,721	63%	5%	3%	23%	7%	$11.46
Healthcare Practitioners & Technical	5,564	41%	1%	68%	59%	78%	$22.80
Personal Care & Service	5,104	74%	6%	9%	30%	46%	$11.97
Office & Administrative Support	4,372	34%	5%	16%	57%	12%	$14.82
Transportation & Material Moving	3,981	47%	21%	4%	33%	72%	$14.97
Production	3,414	4%	2%	35%	50%	2%	$15.99
Healthcare Support	3,334	57%	1%	56%	34%	77%	$14.86
Management	3,004	2%	2%	87%	97%	23%	$35.04
Building, Grounds Cleaning & Maint.	2,845	52%	31%	3%	18%	16%	$13.04
Business & Financial Operations	2,833	3%	1%	83%	95%	15%	$27.26
Education, Training & Library	2,555	41%	33%	85%	82%	78%	$16.33
Computer & Mathematical	2,466	1%	3%	82%	96%	9%	$28.23
Installation, Maintenance & Repair	2,042	19%	2%	45%	63%	51%	$18.16
Protective Service	1,352	68%	13%	15%	25%	44%	$13.63
Arts, Design, Entertainment & Media	1,222	54%	7%	43%	62%	18%	$17.31
Construction & Extraction	1,213	15%	23%	29%	48%	35%	$17.07
Architecture & Engineering	1,185	1%	0%	93%	89%	28%	$31.61
Community & Social Service	1,097	28%	10%	67%	82%	55%	$19.38
Life, Physical & Social Sciences	448	15%	8%	88%	92%	50%	$25.18
Source: DEED Job Vacancy Survey, 4th Qtr. 2017							

EDUCATIONAL REQUIREMENTS

A greater share (typically 40 percent) of job vacancies reported in the Twin Cities Metro Area during each second quarter require post-secondary education. This is similar to the share of jobs requiring post-secondary education as highlighted by DEED's Occupational Employment Statistics program, which shows that just over 39 percent of all jobs in the region require post-secondary edcuation (see Figure 12).

Figure 12. Twin Cities Metro Area Share of Jobs by Educational Requirements, 2018



Source: DEED Occupational Employment Statistics (OES)

Certain careers – such as dentists, lawyers, and teachers – require a college education, while other jobs – including cost estimators, sales representatives, and correctional officers – do not. College is an excellent way to move up career ladders and open windows of opportunity to fields that would otherwise be closed, such as nursing or engineering. Many of these occupations offer high wages and are in high demand in the marketplace. While education is typically a worthwhile investment, college can be expensive – with average annual expenses ranging between $14,500 and almost $50,000 per year in Minnesota. For those who go to college, choice of major matters – different programs lead to different jobs that earn different amounts of money.

OCCUPATIONS IN DEMAND

According to DEED's Occupations in Demand tool, there are well over 300 occupations showing relatively high demand in the region, with training and education requirements ranging from short-term on-the-job training to postsecondary education to advanced degrees. These occupations are spread across different sectors but are also concentrated in the region's major industries. For example, retail salespersons, personal care aides, registered nurses, software developers, accountants, and heavy and tractor trailer truck drivers are among the top occupations in demand based on the consistent need for workers in these fields. Many of the jobs are concentrated in health care, professional and business services, manufacturing, transportation, and other related industries (see Table 12).

Table 12. Twin Cities Metro Area Occupations in Demand by Education Level, 2017

Less than High School	High School or Equivalent	Some College, Vocational Training, or Assoc. Degree	Bachelor's Degree or Higher
Retail Salespersons ($22,731)	Supervisors of Food Prep & Serving Workers ($34,133)	Registered Nurses ($81,737)	Software Developers, Applications ($93,014)
Personal Care Aides ($24,326)	First-Line Supervisors of Retail Sales Workers ($42,717)	Hairdressers, Hairstylists, & Cosmetologists ($24,893)	Accountants & Auditors ($67,343)
Combined Food Prep & Serving Workers ($20,614)	Heavy & Tractor-Trailer Truck Drivers ($47,514)	Nursing Assistants ($34,012)	Computer Systems Analysts ($93,012)
Cashiers ($21,330)	Sales Reps, Wholesale & Manufacturing ($66,046)	Licensed Practical & Licensed Vocational Nurses ($46,453)	Industrial Engineers ($90,810)
Stock Clerks & Order Fillers ($26,437)	Customer Service Representatives ($39,274)	Automotive Service Techs & Mechanics ($42,763)	Market Research Analysts ($67,398)
Laborers & Freight, Stock, & Material Movers ($31,084)	Office Clerks, General (36,562)	Computer User Support Specialists ($54,604)	Elementary School Teachers ($66,378)
Landscaping & Groundskeeping ($33,423)	First-Line Supervisors of Office & Admin. Workers ($60,819)	Medical Records & Health Information Techs ($46,955)	Financial Managers ($129,355)
Waiters & Waitresses ($20,225)	Secretaries & Administrative Assistants ($42,095)	Machinists ($50,751)	Management Analysts (80,569)
Janitors & Cleaners ($29,209)	Teacher Assistants ($32,589)	Industrial Engineering Technicians ($54,688)	Human Resources Specialists (61,865)
Cooks, Restaurant ($27,594)	Team Assemblers ($30,496)	Surgical Technicians ($55,264)	Computer & Info. Systems Managers ($137,690)

Source: DEED Occupations in Demand

OCCUPATIONS BY GENDER

Although the gap is narrowing, there are still slightly more males than females in the labor force in the Twin Cities Metro Area. In 2016, males held about 52 percent of jobs, meaning the other 48 percent of workers were females. While the overall distribution is relatively equal, there are significant differences in what men and women do for work.

Not surprisingly, men are much more likely to work in natural resources, construction, and maintenance occupations and production, transportation, and material moving occupations; while women are much more likely to be employed in service, sales and office occupations (see Table 13). A nontraditional occupation is defined as any occupation in which women or men comprise less than 25 percent of the total workforce.

Table 13. Twin Cities Metro Area Occupational Groups by Gender, 2016	Male		Female		Total
	Number	*Percent*	Number	*Percent*	Number
Management, business, science, & arts	348,108	*48.5%*	369,088	*51.5%*	**717,196**
Service occupations	105,507	*42.3%*	143,902	*57.7%*	**249,409**
Sales & office occupations	154,873	*41.1%*	222,402	*58.9%*	**377,275**
Natural resources, construction, & maintenance	87,495	*95.3%*	4,339	*4.7%*	**91,834**
Production, transportation, & material moving	131,910	*77.2%*	39,067	*22.8%*	**170,977**
Total, All Occupations	**827,893**	***51.5%***	**778,798**	***48.5%***	**1,606,691**

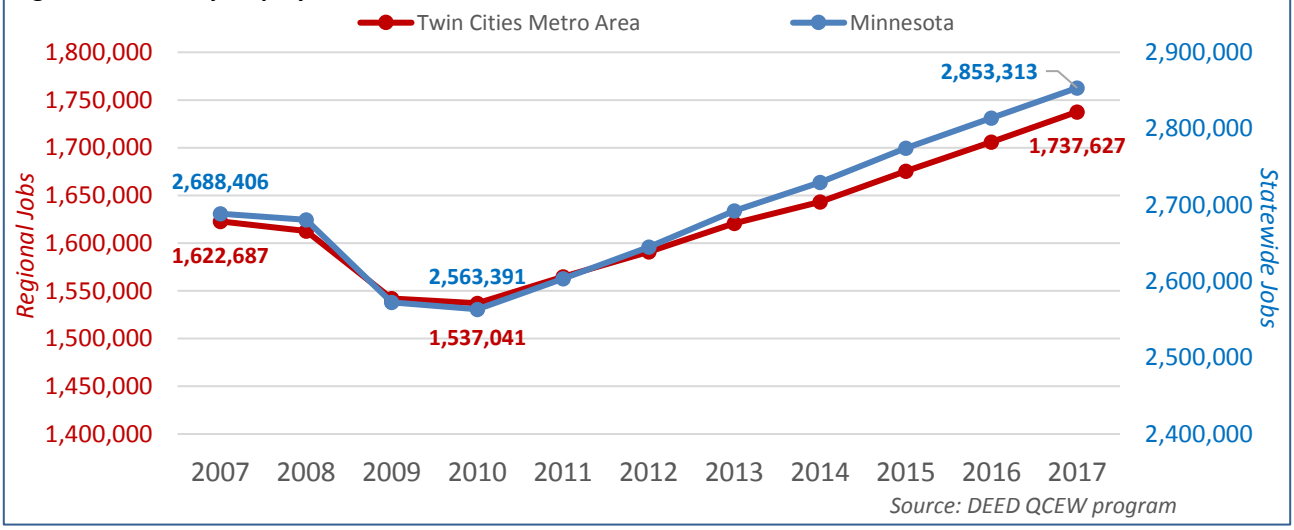
Source: 2012-2016 American Community Survey, 5-Year Estimates

ECONOMY

INDUSTRY EMPLOYMENT

Like all regions within Minnesota, the Twin Cities Metro Area was hit hard during the Great Recession. More specifically, total employment in the region declined by 5.3 percent between 2007 and 2010, equivalent to over 85,600 lost jobs. Comparatively, total state employment declined by 4.7 percent, equivalent to just over 125,000 jobs. Since 2010, however, the Metro Area has been growing like clockwork. Between 2010 and 2017, the region's total employment expanded by 13.1 percent, equivalent to about 200,600 net new jobs. Minnesota's total employment expanded by 11.3 percent during this time, equivalent to just under 290,000 jobs added (see Figure 13).

Figure 13. Industry Employment Statistics, 2007-2017



Source: DEED QCEW program

According to DEED's Quarterly Census of Employment & Wages (QCEW) program, the Twin Cities Metro Area was home to nearly 80,000 business establishments providing an average of over 1.73 million covered jobs through 2017, with a total payroll of over $109.2 billion. That was about 60.9 percent of total employment in the state of Minnesota. Average annual wages were $62,880 in the region, which was about 12.0 percent higher than the state's average annual wage (see Table 14).

Table 14. Metro Area Industry Employment Statistics, 2017				Average Annual Wage	*2012-2017*		*2016-2017*	
Geography	Number of Firms	Number of Jobs	Total Payroll		*Change in Jobs*	*Percent Change*	*Change in Jobs*	*Percent Change*
Twin Cities Metro Area	**79,579**	**1,737,627**	**$109,262,502,113**	**$62,880**	***+146,649***	***+9.2%***	***+31,601***	***+1.9%***
Anoka Co.	7,107	122,380	$6,341,011,700	$51,814	*+11,298*	*+10.2%*	*+1,440*	*+1.2%*
Carver Co.	2,394	39,085	$2,098,083,361	$53,680	*+5,259*	*+15.5%*	*+1,555*	*+4.1%*
Dakota Co.	9,876	188,222	$9,958,341,934	$52,907	*+15,019*	*+8.7%*	*+845*	*+0.5%*
Hennepin Co.	38,356	917,970	$63,531,681,715	$69,209	*+78,471*	*+9.3%*	*+16,003*	*+1.8%*
Ramsey Co.	13,259	332,051	$20,800,989,993	$62,644	*+14,221*	*+4.5%*	*+3,920*	*+1.2%*
Scott Co.	3,102	53,163	$2,556,869,966	$48,095	*+11,449*	*+27.4%*	*+5,035*	*+10.5%*
Washington Co.	5,486	84,755	$3,975,523,444	$46,906	*+10,933*	*+14.8%*	*+2,803*	*+3.4%*
Minnesota	**167,485**	**2,853,730**	**$160,254,656,806**	**$56,156**	***+208,795***	***+7.9%***	***+39,728***	***+1.4%***

Source: DEED Quarterly Census of Employment & Wages (QCEW)

Hennepin County, with nearly 918,000 jobs, is the Metro Area's largest-employing county. Ramsey County, with just over 332,000 jobs, is the region's second largest-employing county. Together, Hennepin County and Ramsey County account for about 72 percent of the Metro Area's total employment (see Table 14).

With 268,137 jobs at 8,569 firms, Health Care and Social Assistance is the Twin Cities Metro Area's largest-employing industry sector, accounting for over 15 percent of the region's total jobs. Nearly a third of these jobs are within Ambulatory Health Care Services, a quarter each are within Hospitals and Social Assistance, and just under one-fifth are within Nursing and Residential Care Facilities. Over the past five years, employment growth was especially robust within Social Assistance, which added over 16,600 jobs (growing by 33.7 percent).

Manufacturing, with 169,598 jobs at 4,081 firms, is the Metro Area's second largest-employing industry sector. While manufacturing employment in the Metro Area is not as highly concentrated as it is in other regions of the state, it still accounts for about one-in-ten Metro Area jobs, and just over 53 percent of the state's total manufacturing employment. It should be noted, however, that the Metro Area accounts for very high concentrations of the state's total employment in Petroleum and Coal Products Manufacturing, Computer and Electronic Product Manufacturing, Miscellaneous Manufacturing, Chemical Manufacturing, and Printing and Related Support Activities.

Retail Trade rounds out as the Metro Area's third largest-employing industry sector, with 167,650 jobs at 8,758 firms. The largest-employing subsectors within this industry include General Merchandise Stores, Food and Beverage Stores, and Motor Vehicle and Parts Dealers.

Industry growth in the Metro Area has been widespread, with 15 of 20 major industry sectors adding jobs in the past five years. Employment growth was especially significant in Health Care and Social Assistance, Professional and Technical Services, Construction, and Transportation and Warehousing (see Table 15).

Table 15. Twin Cities Metro Area Industry Employment Statistics, 2017

	2017 Annual Data				Avg. Annual Wage	2012-2017		2016-2017	
NAICS Industry Title	Number of Firms	Number of Jobs	*Percent of Jobs*	Total Payroll ($1,000s)		*Change in Jobs*	*Percent Change*	*Change in Jobs*	*Percent Change*
Total, All Industries	**79,579**	**1,737,627**	***100.0%***	**$109,262,502**	**$62,880**	***+146,649***	***+9.2%***	***+32,753***	***+1.9%***
Health Care & Social Assistance	8,569	268,137	*15.4%*	$13,764,261	$51,333	*+40,365*	*+17.7%*	*+8,461*	*+3.3%*
Manufacturing	4,081	169,598	*9.8%*	$12,985,233	$76,565	*+7,331*	*+4.5%*	*+166*	*+0.1%*
Retail Trade	8,758	167,650	*9.6%*	$5,392,792	$32,167	*+11,676*	*+7.5%*	*+651*	*+0.4%*
Accommodation & Food Services	5,984	139,178	*8.0%*	$2,984,140	$21,441	*+13,526*	*+10.8%*	*+2,491*	*+1.8%*
Educational Services	2,097	133,154	*7.7%*	$6,891,217	$51,754	*+6,879*	*+5.4%*	*+2,503*	*+1.9%*
Professional & Technical Services	10,487	125,195	*7.2%*	$12,119,964	$96,809	*+23,323*	*+22.9%*	*+258*	*+0.2%*
Finance & Insurance	4,773	108,294	*6.2%*	$12,012,046	$110,921	*+3,380*	*+3.2%*	*+4,490*	*+4.3%*
Admin. Support & Waste Mgt. Svcs.	3,975	96,978	*5.6%*	$4,172,793	$43,028	*-1,338*	*-1.4%*	*+347*	*+0.4%*
Wholesale Trade	4,977	80,611	*4.6%*	$7,197,292	$89,284	*+3,266*	*+4.2%*	*+220*	*+0.3%*
Management of Companies	847	71,579	*4.1%*	$9,266,485	$129,458	*+5,222*	*+7.9%*	*+1,866*	*+2.7%*
Public Administration	821	71,206	*4.1%*	$4,502,464	$63,232	*+5,615*	*+8.6%*	*+1,808*	*+2.6%*
Transportation & Warehousing	1,776	70,855	*4.1%*	$4,035,196	$56,950	*+10,077*	*+16.6%*	*+4,205*	*+6.3%*
Construction	6,315	70,202	*4.0%*	$5,065,148	$72,151	*+16,955*	*+31.8%*	*+2,575*	*+3.8%*
Other Services	8,918	57,180	*3.3%*	$2,108,255	$36,871	*+3,079*	*+5.7%*	*+603*	*+1.1%*
Information	1,463	37,704	*2.2%*	$3,038,749	$80,595	*-2,865*	*-7.1%*	*+452*	*+1.2%*
Arts, Entertainment, & Recreation	1,481	33,919	*2.0%*	$1,355,570	$39,965	*+4,476*	*+15.2%*	*+1,709*	*+5.3%*
Real Estate & Rental & Leasing	3,861	26,393	*1.5%*	$1,520,535	$57,611	*-4,528*	*-14.6%*	*-166*	*-0.6%*
Utilities	97	6,153	*0.4%*	$682,599	$110,938	*+290*	*+4.9%*	*+2*	*+0.0%*
Agriculture, Forestry, Fish & Hunt	264	3,019	*0.2%*	$106,191	$35,174	*-25*	*-0.8%*	*+148*	*+5.2%*
Mining	39	618	*0.0%*	$61,573	$99,633	*-2*	*-0.3%*	*-36*	*-5.5%*

Source: DEED Quarterly Census of Employment & Wages (QCEW)

Upon request, this information can be made available in alternate formats by contacting Tim O'Neill at 651-259-7401 or at timothy.oneill@state.mn.us