Employment & Economic Development — Project Funding Summary ($ in Thousands)

Project Title	Agency Priority	Strategic Score	Funding Source	Agency Request 2004	Agency Request 2006	Agency Request 2008	Governor's Rec 2004	Governor's Planning Estimates 2006	Governor's Planning Estimates 2008
US EPA Drinking Water/Wastewater Capitalization	1	462	GO	$16,280	$16,280	$16,280	$16,280	$16,280	$16,280
Redevelopment Grant Program	2	325	GO	10,000	10,000	10,000	25,000	10,000	10,000
Wastewater Infrastructure Fund	3	386	GF	600	600	600	200	200	200
		386	GO	30,000	30,000	30,000	10,000	10,000	10,000
North Minneapolis WFC Repair	4	175	GO	230	0	0	0	0	0
UofM/Mayo Clinic Biotechnology Research Facility	GOV-1		GO	20,000	0	0	20,000	0	0

	Agency Request 2004	Agency Request 2006	Agency Request 2008	Governor's Rec 2004	Governor's Planning Estimates 2006	Governor's Planning Estimates 2008
Project Total	$77,110	$56,880	$56,880	$71,480	$36,480	$36,480
General Obligation Bonding (GO)	$76,510	$56,280	$56,280	$71,280	$36,280	$36,280
General Fund Projects (GF)	$600	$600	$600	$200	$200	$200

Funding Sources:			
	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

Agency Profile At A Glance

Operating Environment: Minnesota's economic picture is fundamentally strong, but the current recession continues to provide challenges to agency programs and services:

- Minnesota received straight A's from the Corporation for Enterprise Development reflecting great conditions for business investment. In addition, in August 2003 five Minnesota cities ranked among *Expansion Management* magazine's top 50 places in which to locate a business nationwide (with the Twin Cities ranked fourth and Fargo-Moorhead eighth).
- Weak economic conditions over the past two years have dampened business expansion, increased demand for training and employment services, and put significant pressure on the state's Unemployment Insurance (UI) Trust Fund.
- After relatively slow growth through the 1990s, Minnesota's manufactured exports have outpaced the nation since 2000.

Performance: The agency and its partners have made important progress in recent years to strengthen Minnesota's position as a global competitor (each indicator uses latest available data):

- In 2001, the agency's tourism activities helped the industry support 135,500 jobs and $9.8 billion in gross sales;
- In 2001, the agency's workforce development programs placed 61% of its customers in jobs within three months after program completion, at an average hourly wage of $11.64;
- In 2002, the agency's business development activities facilitated the creation of over 5,500 jobs, more than half of which were "high wage" (at least $12/hour);
- In 2002, 89.4% of Unemployment Insurance claims were first paid within 14 days;
- As of 2003's second quarter, the jobseekers' customer satisfaction index for the state's workforce development system was at its highest ever (71.9).

Agency Purpose

The Department of Employment and Economic Development (DEED) is the state of Minnesota's principal economic development agency, with programs promoting business recruitment, expansion, and retention; workforce development; international trade; community development; and tourism. The mission of the department is to support the economic success of individuals, businesses and communities by improving opportunities for growth.

This new agency is a merger of the former Departments of Economic Security (DES) and Trade and Economic Development (DTED). Statutory authority lies primarily in M.S. 116J, 129A, 248, 268, and 268A.

Core Functions

The department employs all available state government resources to upgrade the skills of Minnesota's workforce, foster economic independence and self-sufficiency, increase non-resident and resident tourism revenue, and drive economic expansion and job growth in Minnesota in excess of the national average. DEED:

- provides hiring, training and job search assistance, both directly and through partnerships, to businesses and job seekers;
- pays Unemployment Insurance benefits to recently unemployed workers;
- directs financial and other assistance to local communities and businesses to increase business expansion and retention; and
- promotes Minnesota regionally and nationally as a great place to live, visit, and do business.

Operations

The agency's diverse programs serve Minnesota's businesses, communities, and workers. There are five divisions of the agency.

Business and Community Development works with companies to expand in or relocate to Minnesota; promotes international trade; finances business expansions; finances improvements in community infrastructure; provides information and consultation to small businesses; and builds the capacity of communities and development organizations to undertake development.

The Office of Tourism markets Minnesota as a travel destination, sustains and increases tourism revenues, and leads tourism policy and product development.

Workforce Development Partnerships provides financial assistance and technical guidance to local workforce partnerships, businesses, community-based organizations, and other entities delivering workforce development programs and services to businesses and job seekers.

Workforce Development Services contains those workforce development programs that the state delivers directly, such as State Services for the Blind, Rehabilitation Services, and Job Service.

Unemployment Insurance provides temporary economic relief to individual Minnesotans who have lost a job through no fault of their own.

The department also has administrative support teams that provide centralized communications, research and analysis, performance measures, fiscal, human resources, and information systems services.

Budget

For FY 2004, DEED manages an approximately $470 million budget, covering over 1,900 FTEs spread across the state. This includes about $200 million the Public Facilities Authority will contract out to Minnesota communities to improve their core infrastructure. It does *not* include the close to $1 billion in Unemployment Insurance transactions each year, which run through a federal trust fund.

Of the $471 million, $219 million (or 46%) comes from federal sources such as the U.S. Department of Labor, U.S. Department of Education, U.S. Department of Housing and Urban Development, and U.S. Department of Agriculture. Another $35 million (7%) comes from the dedicated Workforce Development Fund, which funds both Dislocated Worker and Extended Employment programs. Only $57 million (12%) comes from the state's General Fund. The remainder is primarily Public Facilities Authority money.

Contact

Commissioner Matt Kramer
Phone: (651) 297-4336
E-mail: matt.kramer@state.mn.us
Website: http://www.deed.state.mn.us/

For additional information on this narrative or the agency's budget, contact Anthony Alongi at (651) 282-5185, anthony.alongi@state.mn.us
Performance results reside at http://departmentresults.state.mn.us

At A Glance: Agency Long-Range Strategic Goals

The mission of the Department of Employment & Economic Development (DEED) is to support the economic success of individuals, businesses, and communities by improving opportunities for growth, measure the cost-effectiveness of our activities, and shift resources to those that demonstrate the greatest success.

The mission of the Business and Community Development Division is to market all of DEED's programs to business and community customers; work with companies to expand in, or re-locate into, Minnesota; provide financing and tax exemptions for business development projects; finance improvements in communities including infrastructure, housing and commercial rehabilitation, new housing, environmental cleanup, and redevelopment of industrial land; provide information and consultation to small businesses; and assist communities and development organizations with strengthened capacity to undertake development.

Business and Community Development Division Goals:

⇒ Facilitate and invest in the redevelopment of blighted, obsolete properties to create public benefits of increased taxes, jobs, and housing opportunities and to prevent sprawl.
⇒ Provide affordable infrastructure financing to keep Minnesota competitive.
⇒ Facilitate and invest in the creation of high quality jobs, added tax base, and housing opportunities.
⇒ Promote Minnesota as an excellent business location.
⇒ Provide technical assistance to small businesses and entrepreneurs.
⇒ Deliver our programs and services efficiently and cost-effectively.

Programs

The Redevelopment Grant program is a greater Minnesota program administered under the Business and Community Development Division of DEED. The program offers grants to local development authorities to assist with costs related to redeveloping abandoned, industrial, residential or commercial properties under M.S. 116J.571 - 116J.575.

The Redevelopment Grant Program was initially created as a statewide program in 1998 and received significant funding in subsequent bonding bills. During the 2002 legislative session, the original program statute was repealed and recreated as a Greater Minnesota Redevelopment Grant Program. The intent of the Ventura administration was to allow the department to continue financing redevelopment projects outside of the metro area and provide the Metropolitan Council with additional funding through its Livable Communities Programs to finance redevelopment projects in the metro area. Both the new statute and appropriation were passed by the 2002 legislature, but the appropriation was vetoed by Governor Ventura along with many other projects in the 2002 bonding bill.

For the 2004 legislative session, DEED proposes to amend the Greater Minnesota Redevelopment Grant Program to recreate a statewide Redevelopment Grant Program administered by DEED. The department has been very successful in administering the previous statewide Redevelopment Grant Program and administers all of its other programs on a statewide basis. Additionally, DEED's mission is to advance economic development throughout the entire state. Bringing the program back into a statewide context is consistent with past success and the department's mission and program management practices.

The Minnesota Public Facilities Authority (PFA) is an interagency organization established under M.S. 446A. Its primary mission is to manage three revolving funds (Water Pollution Control Revolving Fund, Drinking Water Revolving Fund and the Transportation Revolving Loan Fund) and other assistance programs to provide low cost financing to state agencies and local governments to improve infrastructure related to water quality, drinking water, and transportation.

The PFA is governed by a board consisting of commissioners from the Minnesota Pollution Control Agency (MPCA), and departments of Agriculture, Finance, Health (MDH), Transportation (MnDOT), and DEED. DEED's commissioner serves as chair of the PFA and is responsible for the staffing and administration of the PFA program. The PFA manages a loan and investment portfolio in excess of $1.5 billion.

Programs and Services provided by the PFA

Clean Water: In conjunction with the MPCA, the PFA manages the Water Pollution Control Revolving Fund (or Clean Water SRF), which provides low interest loans to municipalities for wastewater projects. The MPCA prioritizes the projects, conducts technical and environmental reviews, issues permits and inspects construction. The PFA is responsible for credit reviews, setting loan terms and conditions, disbursing loan funds, collecting repayments, and managing the fund assets. The Clean Water SRF also provides funds to state agencies for nonpoint source loan programs.

Wastewater Infrastructure Fund: The Wastewater Infrastructure Fund Program (WIF) provides supplemental grant and loan funding to high priority communities (based on environmental and public health impacts) with high cost wastewater needs. For communities eligible to receive grants from the U. S. Department of Agriculture (USDA) Rural Development (RD), the WIF matches RD grants on a 50/50 basis. This maximizes the availability of federal RD funds for Minnesota communities and provides a coordinated approach to fund the greatest number of high priority projects. Communities not eligible for RD grants may receive zero interest loans based on the funding criteria in M.S. 446A.072.

Drinking Water: PFA manages the Drinking Water Revolving Fund (DWRF or Drinking Water SRF) in conjunction with the MDH, which provides similar service as MPCA. The DWRF provides low interest loans to municipalities for drinking water projects and also funds a variety of technical services (operator certification, technical assistance to small communities, capacity development, and wellhead protection).

Transportation: PFA manages the Transportation Revolving Loan Fund (TRLF) in partnership with MnDOT. The TRLF provides below market rate loans for transportation related projects.

Revenue Bonding Authority: The PFA is authorized to sell up to $1.0 billion in revenue bonds. For both the Drinking Water and Clean Water SRFs the Authority has AAA/AAA/Aaa rated open bond pools. The TRLF is a closed pool in which specific projects are incorporated into a single bond issue. Current outstanding balance of PFA bonds is $813.9 million. The PFA will seek an increase in bonding authorization in 2004 to continue operation of its programs.

County Credit Enhancement Program: The PFA is authorized to pledge general fund balances to the payment of county general obligation bonds issued for social service, criminal justice or solid waste buildings in the event of a default. The PFA can negotiate repayment or intercept state aid to repay the general fund.

Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

Redevelopment

The Redevelopment Grant Program provides gap financing to local governments and local development agencies to recycle obsolete or abandoned properties for new industrial, commercial, and residential uses. The program's goal is to assist in the recycling of land, provide an incentive to develop on in-fill sites, and to assist in the revitalization and blight removal of the developed cities. The program is delivered via competitive grant cycles. DEED objectively weighs the costs and benefits of every proposal before grant awards are made. To date, the program has been over-subscribed, reinforcing the need for the gap financing this program provides.

Because the cost of developing on formerly used sites is very high, developers target vacant agricultural land for new subdivisions, industrial parks, and commercial centers. This trend has resulted in significant sprawl. The effect has negatively impacted the tax base and redevelopment prospects in the state's developed cities. Job creation, housing development, and necessary tax base revitalization in our core cities is jeopardized by sprawl. The Redevelopment Grant Program provides financing to level the playing field between formerly used sites and vacant land, providing an incentive for the development community to recycle in-fill sites.

Clean Water

The MPCA estimates that projects needed to maintain and improve wastewater treatment throughout the state over the next five years will exceed $1.5 billion. These needs are being driven by three key factors: 1) increased population and economic growth statewide has placed many systems at their maximum capacity; 2) systems built with state and federal grants 20-30 years ago are reaching the end of their design lives and need major rehabilitation; and 3) more stringent state and local requirements for individual septic systems have generated a critical and growing demand for municipal wastewater service in many unsewered communities and lakeshore areas.

The Clean Water SRF program is the primary source of funding for municipal wastewater projects and it is expected to receive federal funding ($24.75 million annually) through federal fiscal year (FFY) 2011. States are required to provide a $1 state match for every $5 of federal funding.

The WIF program provides grants and loans to help small communities deal with the high cost of wastewater construction. WIF makes up about 10% of the total state assistance for wastewater, but the demand has been growing significantly in recent years as communities try to resolve problems with septic systems.

Drinking Water
The 1999 Environmental Protection Agency (EPA) Drinking Water Infrastructure Needs Survey identifies a total of $3.1 billion in public drinking water system improvement needs in Minnesota over the next 20 years. Threats to drinking water can come from contamination such as bacteria, viruses or nitrates from animal or human activities, naturally occurring inorganic chemicals such as arsenic, or radioactive elements such as radon.

The Drinking Water SRF is expected to receive federal funding ($15.95 million annually) through FFY 2018. States are required to provide a $1 state match for every $5 of federal funding.

Transportation
The U.S. Department of Transportation authorized State Infrastructure Banks (SIBS) to generate new and innovative ways to reduce transportation infrastructure costs and leverage other funds. The TRLF demand has grown through three rounds of applications, with over $100 million in approved projects.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

This request is for programs to assist communities with infrastructure and redevelopment activities. DEED does not own or operate facilities covered by this request.

The PFA remains committed to maintaining its excellent bond ratings (AAA/AAA/Aaa) and recognition in the marketplace thereby allowing it to borrow funds as cheaply as possible to finance vital infrastructure. In addition, the PFA remains committed to obtaining federal funds and state matching funds in a timely manner to be able to address current high priority needs while also building capacity to address future needs. Possible long-term solutions to the imbalance between growing demand and limited lending capacity of the fund could include: 1) increasing the amount of dollars deposited into the funds; 2) reducing the interest rate subsidies; 3) scaling back on the number and dollar amount of projects financed with the SRF; and 4) reducing the amount of funding directed to the non-point source SRF programs.

Critical water infrastructure, transportation capacity, and redevelopment activities are essential for economic growth. The programs are popular throughout Minnesota communities because they protect the environment and public health of the community, and provide the infrastructure capacity and development land necessary for growth.

Agency Process Used to Arrive at These Capital Requests

To determine the amount of this capital request for the Redevelopment Grant Program, DEED considered grant requests from past funding cycles. Need has been demonstrated in past grant applications for the use of bond proceeds to finance costs such as public infrastructure to help support new primarily private development.

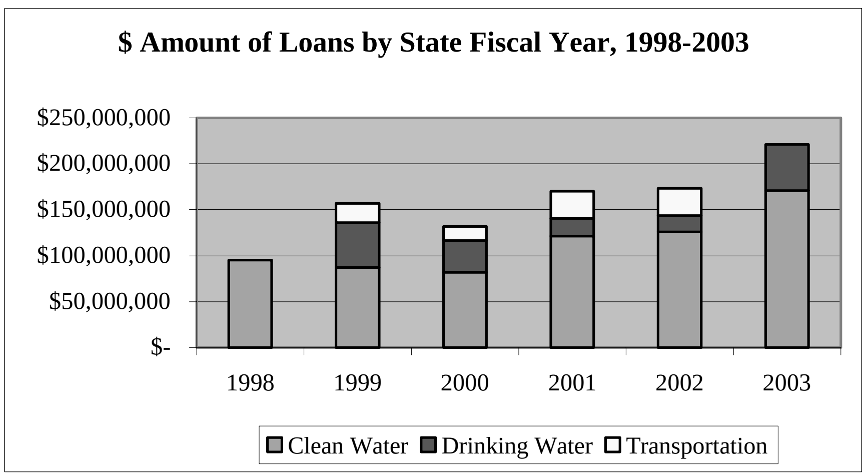
For the state match funding and WIF programs, the PFA sought and obtained input from the MPCA, MDH, USDA RD, and the EPA. The state match amounts requested were calculated using the historic funding levels for the SRF programs and the state's estimated share of future federal appropriations. WIF is an estimate of what will be needed to match RD grants for high priority wastewater projects, and provide funds to other eligible high priority projects in 2004 and 2005. The WIF funds will allow RD to maximize the availability of federal funds for Minnesota communities. The capital budget request was presented to the PFA Board at a publicly held meeting in June 2003.

Major Capital Projects Authorized in 2002 and 2003

The Redevelopment Grant Program was not funded for FY 2002 or 2003. However, in FY 1999, 2000, and 2001, DEED (DTED) received a total of $13 million. In that period, DEED completed six funding rounds and received a total of 95 applications requesting nearly $38 million. DEED approved 43 grants, which are on track to create $9.5 million in new tax base, 7,386 jobs, and 1,172 new housing units. Approximately half of the applications included bond eligible activities.

In FY 2002 and 2003, the PFA made 34 wastewater loans for $297 million, 41 drinking water loans for $68 million, 13 WIF grants for $12 million, provided $6 million for nonpoint source loan programs, and approved eight transportation loans for $30 million.

PFA Loans By State Fiscal Year
1998-2003 (as of 05-28-03)



2004 STATE APPROPRIATION REQUEST: $16,280,000

AGENCY PROJECT PRIORITY: 1 of 4

PROJECT LOCATION: Statewide

Project At A Glance

- State Matching Funds for U.S. Environmental Protection Agency (EPA) Capitalization Grants.

Project Description

The Public Facilities Authority (PFA) is seeking $16.28 million in state funds to match expected EPA funds for federal FY 2005-06 at the rate of 1:5 for the Water Pollution Control Revolving Fund (Clean Water State Revolving Fund (SRF) and the Drinking Water Revolving Fund (Drinking Water SRF). These funds will be used to leverage PFA revenue bonds to provide low interest loans for drinking water and wastewater projects. In both programs, the state matching funds are used only for municipal, publicly owned improvements.

2004 Legislative Session Request ($ in thousands): $16,280

	Clean Water		Drinking Water	
FY	**Fed. Cap. Grant**	**State Match**	**Fed. Cap. Grant**	**State Match**
2005	$24,750	$4,950	$15,950	$3,190
2006	24,750	4,950	15,950	3,190
Total	$49,500	**$9,900**	$31,900	**$6,380**

Impact on Agency Operating Budgets (Facilities Notes)

PFA operates on federal administrative funds and special revenues generated from fees on loan repayments, and provides for costs incurred by the Department of Employment and Economic Development (DEED), Minnesota Pollution Control Agency (MPCA), and the Department of Health.

Previous Appropriations for this Project

Previous state match appropriations total $113.937 million to match federal grants from 1989–2003, and the expected federal grants for FY 2004.

Other Considerations

Low-cost financing under the PFAs water and wastewater loan programs is an important element in helping Minnesota communities contain costs and remain economically competitive, while providing essential infrastructure. Through FY 2003, the PFA has made below market rate SRF loans in excess of $1.3 billion, which will result in interest savings to local taxpayers of over $384 million compared to market rate financing.

Every $1 of state match generates $5 of federal funds, which combined, have been leveraged more than one and a half times through revenue bonds issued by the PFA. For every $1 in project loans, the state contribution is about 8.4 cents. It should be noted that every $1 spent on municipal water and wastewater construction generates approximately 4.6 cents in general fund revenues directly from the income tax, corporate income tax, and sales tax. The interest rate savings from reduced debt service costs have saved local taxpayers more than $3 for every $1 of state matching funds.

Demand for the Clean Water SRF is outpacing the fund's capacity to meet all funding requests due to two related factors. First, the demand for municipal wastewater improvements continues to grow, driven by economic growth in the state, population shifts, the need to replace aging facilities, and more stringent regulation of individual septic systems. Second, there has been a large demand to address nonpoint source pollution problems in the state and to use the resources of the Clean Water SRF as a mechanism to finance nonpoint source programs. Since 1995, the PFA has provided over $71 million to fund nonpoint source loan programs.

Drinking water demand has always been much larger than the fund can support, so financing has been limited to the higher priority projects since the beginning of the program.

Clean Water and Drinking Water SRFs have shown considerable financial strength to finance municipal water and wastewater projects. The AAA/AAA/Aaa ratings of the PFAs Water Pollution and Drinking Water Bonds by Standard and Poors Rating Group, Fitch Ratings, and Moody's Investor Services reflects financial strength of the funds, the credit quality of Minnesota communities, and the sound financial management of the programs.

Project Contact Person

Terry Kuhlman, Executive Director
Minnesota Public Facilities Authority / DEED
500 Metro Square Building
121 – 7th Place East
St. Paul, Minnesota 55101-2146
Phone: (651) 296-4704
Fax: (651) 296-5287
E-mail: terry.kuhlman@state.mn.us

Patricia Bloomgren, Division Director
Minnesota Department of Health
220 Metro Square
121 – 7th Place East
St. Paul, Minnesota 55101
Phone: (651) 215-0731
E-mail: patricia.bloomgren@state.mn.us

Cathy Moeger, Financial Management Director
Minnesota Pollution Control Agency
520 Lafayette Road
St. Paul, Minnesota 55155
Phone: (651) 296-7369
Fax: (651) 297-1456
E-mail: cathy.moeger@state.mn.us

Governor's Recommendations

The Governor recommends general obligation bonding of $16.280 million for this project. Also included are budget planning estimates of $16.280 million in 2006 and $16.280 million in 2008.

US EPA Drinking Water/Wastewater Capitalization | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	1,354,909	250,000	250,000	250,000	2,104,909
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**1,354,909**	**250,000**	**250,000**	**250,000**	**2,104,909**

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	67,893	16,280	16,280	16,280	116,733
General Fund Projects	26,000	0	0	0	26,000
General	4,444	0	0	0	4,444
Infrastructure Dev	15,600	0	0	0	15,600
State Funds Subtotal	113,937	16,280	16,280	16,280	162,777
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	513,923	81,400	81,400	81,400	758,123
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	727,049	152,320	152,320	152,320	1,184,009
TOTAL	**1,354,909**	**250,000**	**250,000**	**250,000**	**2,104,909**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	16,280	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

STATEWIDE STRATEGIC SCORE		
Criteria	**Values**	**Points**
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	70
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	92
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	462

2004 STATE APPROPRIATION REQUEST: $10,000,000

AGENCY PROJECT PRIORITY: 2 of 4

PROJECT LOCATION: Statewide

Project At A Glance

- **Redevelopment Grants** help local authorities renew obsolete or abandoned properties for industrial, commercial, and residential uses.

Project Description

The Department of Employment & Economic Development (DEED) requests $10 million to make grants for the redevelopment of obsolete or abandoned properties. The purpose of the program is to provide financial assistance to local governments and local development agencies to recycle obsolete or abandoned properties for new industrial, commercial, and residential uses. The program can be used to make public improvements on public land in support of private sector redevelopment projects. Program funds consisting of bond proceeds, would limit the eligible uses of the funds to public infrastructure improvements, acquisition, and other eligible uses that are conducted on publicly owned land. The program will be implemented statewide on a competitive basis.

The redevelopment of previously developed land is critical to sustaining private and public investments in our communities and providing additional economic development opportunities. Left to their own devices, businesses and housing developers will usually select project sites that are available, accessible and relatively inexpensive. Because redevelopment sites are located in the developed areas of our communities, the sites are accessible. However, because there is still obsolete or abandoned development on the site, and because the cost of removing the existing development is very high, the sites are neither available nor inexpensive. The Redevelopment Grant Program will use state funds to clear previous development, install updated infrastructure and stimulate private reinvestment in existing Minnesota neighborhoods and communities. Recycling existing properties relieves development pressure on the urban fringe and utilizes existing municipal facilities and systems such as schools, fire and police protection, streets and highways, and water and wastewater systems.

The Redevelopment Program modified by the 2002 legislature is different from the previous program in that it targets greater Minnesota only. DEED recommends amending the Redevelopment Grant Program to recreate a statewide focus (50% metro, 50% non-metro). This recommendation will not change any of the program's criteria or intended uses.

Impact on Agency Operating Budgets (Facilities Notes)

DEED would administer the Redevelopment Program with existing program staff. Non-bond funds would be used for this activity. All operation and maintenance activities will be conducted by the local communities.

Previous Appropriations for this Project

As stated earlier, a previous version of the Redevelopment Grant Program was created in statute by the 1998 legislature at M.S. 116J.561 to 116J.567. The program assisted both metro and greater Minnesota communities. The program received a general fund appropriation of $4 million in 1999 and a $3 million general fund appropriation in 2000. Six million in general fund money was appropriated by the 2000 legislature for 2001. To date, Department of Trade & Economic Development (DTED) has completed six funding rounds. For the six rounds, DTED received 95 applications requesting nearly $38 million. DTED was able to award 43 grants.

Other Considerations

Gap financing provided by the Redevelopment Grant Program is an important element in helping communities finance expensive redevelopment projects, allowing communities to remain economically competitive. Despite the absence of an appropriation since 2001, DEED continues to receive inquiries of funding availability. The Redevelopment Grant Program was over-subscribed during the years in which it had funds to award. DEED continues to receive calls on the program and inquires of needed funding.

DEED's recommendation to recreate a statewide Redevelopment Grant Program will allow for a consistent application of redevelopment efforts and continued continuity of the program.

Project Contact Person

Louis Jambois, Community Finance Director
Minnesota Department of Employment and Economic Development
500 Metro Square Building
121 – 7th Place East
St. Paul, Minnesota 55101
Phone: (651) 297-3172
Fax: (651) 296-5287
E-mail: louis.jambois@state.mn.us

Governor's Recommendations

The Governor recommends general obligation bonding of $25 million for this program. $10 million is for the redevelopment grant program, to be evenly divided between redevelopment of brownfields and new development. The Governor further recommends that $15 million be directed towards development within designated biotechnology and health science zones. Also included are budget planning estimates of $10 million in 2006 and $10 million in 2008 for the redevelopment program. These funds may only be used for bond eligible activities.

Redevelopment Grant Program | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	26,000	20,000	20,000	20,000	86,000
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**26,000**	**20,000**	**20,000**	**20,000**	**86,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	10,000	10,000	10,000	30,000
General Fund Projects	13,000	0	0	0	13,000
State Funds Subtotal	13,000	10,000	10,000	10,000	43,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	13,000	10,000	10,000	10,000	43,000
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**26,000**	**20,000**	**20,000**	**20,000**	**86,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	10,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

STATEWIDE STRATEGIC SCORE		
Criteria	**Values**	**Points**
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	75
User and Non-State Financing	0-100	50
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	325

2004 STATE APPROPRIATION REQUEST: $30,600,000

AGENCY PROJECT PRIORITY: 3 of 4

PROJECT LOCATION: Statewide

Project At A Glance

- The Wastewater Infrastructure Fund (WIF) provides supplemental grant and loan funding to high priority municipal wastewater projects with high cost needs.

Project Description

For high cost projects, WIF monies are used as 0% loans for up to 40 years to supplement loans from the Water Pollution Control Revolving Fund (Clean Water State Revolving Fund), and as grants to match grant assistance provided by the U.S. Department of Agriculture (USDA) Rural Development. The first priority for the requested funds would be to match grants from Rural Development's FY 2004 funds, which would be available starting in October 2003. The WIF grant match helps the Minnesota Rural Development office obligate all of its grant and loan dollars, making it eligible to go to the national pool for additional funds for Minnesota communities.

For USDA Rural Development projects, the WIF program provides 50% of the grant eligible amount determined by Rural Development. Rural Development's grant calculations are determined by first looking at the amount of debt service and operation and maintenance costs a city can afford to pay based on a figure of 1.7% of its median household income, with the total grant then providing for 100% of construction costs above that level. For projects that do not receive Rural Development grants, the WIF program provides a zero interest loan for up to 40 years for eligible project costs that exceed 5% of the market value of the project area.

WIF funds are directed to the highest priority projects, based on their environmental and public health needs as determined by the Minnesota Pollution Control Agency (MPCA). The WIF program gives small communities the opportunity to build a strong economic base by addressing their wastewater problems while keeping costs affordable for their residents.

Impact on Agency Operating Budgets (Facilities Notes)

The requested amount includes $400,000 in general fund appropriations for the cost of the MPCAs administration of the WIF program. The amount requested for the MPCA provides substantial oversight, including technical and environmental review, prioritizing projects, and permitting.

Previous Appropriations for this Project

Previous WIF appropriations total $82.3 million, which the Public Facilities Authority (PFA) has awarded or reserved for WIF grants to 66 projects. An additional $15 million was appropriated in the 2003 bonding bill, which the PFA expects to commit to projects by 12-1-03.

Other Considerations

The WIF program was designed to be a gap-financing tool used in conjunction with the Water Pollution Control Revolving Fund and the USDAs Rural Development grant program for wastewater. Communities are required to seek grant assistance from other sources before becoming eligible for either WIF or the USDA Rural Development grant program. The unique state/federal partnership with Rural Development was designed to coordinate assistance to communities to keep the systems affordable, as well as make it easier for many of the smaller communities to access funding.

Project Contact Person

Terry Kuhlman, Executive Director
Minnesota Public Facilities Authority / DEED
500 Metro Square Building
121 – 7th Place East
St. Paul, Minnesota 55101-2146
Phone: (651) 296-4704
Fax: (651) 296-5287
E-mail: terry.kuhlman@state.mn.us

Cathy Moeger, Financial Management Director
Minnesota Pollution Control Agency
520 Lafayette Road
St. Paul, Minnesota 55155
Phone: (651) 296-7369
Fax: (651) 297-1456
E-mail: cathy.moeger@state.mn.us

Governor's Recommendations

The Governor recommends general obligation bonding of $10 million for this program. The Governor also recommends a general fund appropriation of $200,000 for program administration. Also included are budget planning estimates of $10.2 million in 2006 and $10.2 million in 2008.

Wastewater Infrastructure Fund | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	251,928	92,300	92,300	92,300	528,828
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**251,928**	**92,300**	**92,300**	**92,300**	**528,828**

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	75,811	30,000	30,000	30,000	165,811
General Fund Projects	2,719	600	600	600	4,519
General	3,000	0	0	0	3,000
Infrastructure Dev	1,101	0	0	0	1,101
State Funds Subtotal	82,631	30,600	30,600	30,600	174,431
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	54,180	20,000	20,000	20,000	114,180
Local Government Funds	9,434	3,300	3,300	3,300	19,334
Private Funds	0	0	0	0	0
Other	105,683	38,400	38,400	38,400	220,883
TOTAL	**251,928**	**92,300**	**92,300**	**92,300**	**528,828**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	30,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
No	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

STATEWIDE STRATEGIC SCORE		
Criteria	**Values**	**Points**
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	70
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	50
User and Non-State Financing	0-100	66
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	386

North Minneapolis WFC Repair

2004 STATE APPROPRIATION REQUEST: $230,000

AGENCY PROJECT PRIORITY: 4 of 4

PROJECT LOCATION: North Minneapolis WorkForce Center

Project At A Glance

- The exterior walls of the North Minneapolis WorkForce Center have extensive water damage. A thorough, professional study of the problem has estimated the repair cost at $230,000.

Project Description

The WorkForce Center at 1200 Plymouth Avenue North, Minneapolis, Minnesota, is a one-story, stand-alone building of steel and masonry construction.

Over the past few years, moisture infiltration has become a severe issue on all four exterior walls. Much of the problem stems from the expansion and contraction of the steel structure in relation to the concrete block wall, since resulting horizontal and vertical cracks have let water in. Also contributing to the problem are a deteriorating parapet, and the nature of the exterior paint (which acts as a vapor barrier).

The agency has undertaken small-scale repairs (e.g., tuckpointing); but such measures are losing effectiveness. Further dollars spent on such patchwork maintenance are more and more likely to become a waste of state dollars, until the agency implements a long-term solution.

A full study of the problem by R. J. Johnson Associates is available, along with cost estimates. The bulk of the $230,000 would be spent on thermal and moisture protection. Costs also include significant modifications to masonry, wood, and plastics; specialized finishes; professional fees; and a 10% contingency estimate.

Impact on Agency Operating Budgets (Facilities Notes)

There is no anticipated impact on agency operating budget.

Previous Appropriations for this Project

There have been no previous appropriations for this project.

Project Contact Person

John Stavros, Chief Financial Officer, DEED
Phone: (651) 296-3965
E-mail: John.Stavros@state.mn.us

Governor's Recommendations

The Governor does not recommend capital funds for this project.

North Minneapolis WFC Repair | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	230	0	0	230
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**0**	**230**	**0**	**0**	**230**

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	230	0	0	230
State Funds Subtotal	0	230	0	0	230
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**0**	**230**	**0**	**0**	**230**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	230	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
No	MS 16A.642: Project Cancellation in 2009

STATEWIDE STRATEGIC SCORE		
Criteria	**Values**	**Points**
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	40
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	25
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	40
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	0
Total	700 Maximum	175

2004 STATE APPROPRIATION REQUEST: $20,000,000

AGENCY PROJECT PRIORITY: 1 of 1 (Governor's Request)

PROJECT LOCATION: Mayo Clinic Rochester

Project At A Glance

- This request is for $20 million for the purchase of three additional floors of research space to be constructed on top of the Stabile Building on the Mayo Clinic campus.
- The added space will accommodate both basic science and clinical researchers, along with research infrastructure that will facilitate University of Minnesota and Mayo Clinic collaborations. The space will be used primarily by Mayo Clinic researchers, allowing it to more fully participate in the Minnesota Partnership for Biotechnology and Medical Genomics.
- This new research facility is required to accommodate Mayo Clinic research growth and allow it to more effectively partner with University of Minnesota researchers to speed the course of medical discovery. The facility will be owned by the University of Minnesota and operated by Mayo Clinic.

Project Description

This request is for $20 million in general obligation bonds so the University of Minnesota can purchase from Mayo Clinic a three story vertical addition to Mayo Clinic's Stabile Building in Rochester, Minnesota which is designed, constructed furnished and equipped in a manner acceptable to the University and suited for the purpose of conducting medical research. The additional space will allow for an expansion of research activities at Mayo Clinic which, in turn, will allow Mayo researchers to more fully participate in the Minnesota Partnership for Biotechnology and Medical Genomics.

Project Rationale

Both the University of Minnesota and Mayo Clinic contribute substantially to the economic well-being of Minnesota. The two institutions employ approximately 75,000 individuals and respectively rank as two of the top medical research institutions in the United States. Together they manage over $700 million in sponsored and gifted research funding. Each institution has invested heavily in their respective biotechnology and medical genomics programs. Mayo Clinic has invested significantly in its digital database of over four million confidential patient records, which are linked to an invaluable repository of more than 10 million tissue and serum samples. The University of Minnesota has invested significantly in stem cell biology, supercomputing, and basic research programs that underpin both biomedical and medical genomics.

The Minnesota Partnership for Biotechnology and Medical Genomics is a unique collaborative venture involving the state of Minnesota, the University of Minnesota and Mayo Clinic. The collaboration seeks to bring together the University of Minnesota and Mayo Clinic, to build on their respective investments to date and to position Minnesota as a world leader in biotechnology and medical genomics applications. This partnership will result in important new medical discoveries, thereby improving the health care for patients and eventually supporting the development of new businesses and jobs in Minnesota. The overall goals of the partnership are to:

- position Minnesota as a world leader in biotechnology and medical genomics;
- achieve breakthroughs in new methods to accurately diagnose and to develop innovative therapies for major disease areas such as cancer, heart disease and neurological disease;
- expand a new industry - dynamic new business and quality jobs;
- maintain Minnesota's position as a destination for medical care and its medical industry as a major contributor to the state's job base; and
- expand Minnesota's tax base.

Continued growth in Mayo Clinic's research programs has effectively exhausted the space available to its researchers. Existing research space within the Stabile Building has been constructed using an "open laboratory" design, which minimizes physical barriers between researchers and subsequently fosters increased collaboration. This approach promotes innovation and increases the speed with which discovery and development of new ideas and technologies takes place. This new space will allow biotechnology and medical genomics activities to both grow and flourish on the Mayo Clinic campus, bringing together researchers and infrastructure that will substantially contribute to research being conducted as part of the partnership.

While it is envisioned that the research space will be predominantly used by Mayo Clinic investigators, the expansion of the Stabile Building will facilitate collaboration by Mayo Clinic and University of Minnesota researchers. The building already maintains a telecommunications link between the two organizations, and large lecture halls are available to support discourse and joint discussions. The new research space will also allow researchers on joint projects to more easily share personnel and laboratory space as necessary.

This vibrant partnership will benefit Minnesota as research discoveries are translated into the clinical setting through clinical trials. Such clinical trials draw patients to Mayo Clinic and University of Minnesota doctors for their care, and those patients are the first to benefit. Researchers within the new facility will be able to tap into Mayo Clinic's adjoining clinical activities, which draw over 300,000 patients annually. This type of clinical/research environment also fosters significant educational opportunities, as evidenced by the majority of the state's physicians having received their training at either the University of Minnesota or Mayo Clinic.

The partnership will measure its near term success in part on the number of National Institutes of Health grants attributed to the partnership. This in turn will validate the state's investment in an area that has tremendous potential for growing the number of well-paying jobs in a plethora of fields and thereby expanding Minnesota's tax base.

Impact On State Agency Operating Budgets

The Minnesota Partnership for Biotechnology and Medical Genomics will be seeking additional state funds to support the research activities of the partnership.

Funds to operate the new research facility will not be required from the state, as the University of Minnesota and Mayo Clinic will manage this issue through appropriate condominium and use agreements.

Previous Appropriations for this Project

The legislature authorized $400,000 for predesign and design of a medical research building at Mayo Clinic during the 2003 legislative session. The University of Minnesota has contracted with Mayo Clinic for that work.

Other Considerations

The legislature's initial authorization of $400,000 to begin the design of a medical research building at Mayo Clinic was made on the basis of requiring approximately $40 million to construct a building with approximately 45,000 square feet of assignable space to meet the projected need. A critical review of the options available for constructing a new research facility, including the need to closely integrate the facility with existing research activities, led to the adoption of a more fiscally conservative option. The proposed option will also construct approximately 45,000 square feet of assignable space, but will leverage the existing structure and supporting infrastructure of the Stabile Building to vertically expand at a cost of approximately one-half the amount of capital bonding originally envisioned.

Mayo Clinic will have made a significant contribution to the project through its investments in the existing building's structure and supporting infrastructure, decreasing the amount of capital bonding required by approximately $11 million. The structural contributions include the value of the foundation, footings and columns to support the three additional floors. The supporting infrastructure contributions include, but are not limited to, elements such as subway connections, loading docks, elevators, and electrical / mechanical utilities. These pre-made investments decrease the amount of general obligation bonds that must be sold by the state to finance the construction of this research facility by $11 million.

When completed, the added research space and supporting infrastructure will be owned by the University of Minnesota and operated by Mayo Clinic. This will be accomplished through the execution of condominium or appropriate subdivision agreements and use agreements between the University of Minnesota and Mayo Clinic.

Project Contact Person

Michael Perkins, Associate Vice President
Capital Planning and Project Management
University of Minnesota
University Services
423 Donhowe Building
319-15th Avenue Southeast
Minneapolis, Minnesota 55455
Phone: (612) 626-0662
Fax: (612) 625-0770
E-mail: perkinsm@facm.umn.edu

Jack Jibben, Vice Chair
Facilities Coordination/Campus Planning
Mayo Clinic
200 First Street Southwest
Rochester, Minnesota 55905
Phone: (507) 538-1783
Fax: (507) 284-2268
E-mail: jibben.john@mayo.edu

Governor's Recommendations

The Governor recommends general obligation bonding of $20 million for this project.

UofM/Mayo Clinic Biotechnology Research Facility | ($ in Thousands)

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
1. Property Acquisition	0	20,000	0	0	20,000
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	0	0	0	0
4. Project Management	0	0	0	0	0
5. Construction Costs	0	0	0	0	0
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	0	0	0	0
9. Inflation	0	0	0	0	0
TOTAL	**0**	**20,000**	**0**	**0**	**20,000**

CAPITAL FUNDING SOURCES	Prior Years	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	20,000	0	0	20,000
State Funds Subtotal	0	20,000	0	0	20,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	**0**	**20,000**	**0**	**0**	**20,000**

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2004-05	FY 2006-07	FY 2008-09	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	0	0	0
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	0	0	0
Revenue Offsets	0	0	0	0
TOTAL	0	0	0	0
Change in F.T.E. Personnel	0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	20,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
No	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
No	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
Yes	MS 16A.695 (4): Program Funding Review Required (by granting agency)
No	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2009

STATEWIDE STRATEGIC SCORE		
Criteria	**Values**	**Points**
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	0
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	0
Agency Priority	0/25/50/75/100	0
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	0
Total	700 Maximum	0