

BUSINESS INCENTIVES PRACTICE

MAJOR INCENTIVE PROGRAMS MINNESOTA

A Cushman & Wakefield Global Business Consulting Publication



2015

BUSINESS INCENTIVES PRACTICE

Cushman & Wakefield's Business Incentives Practice ("BIP") strategically assists companies through the process of securing optimal incentive packages for projects considering an expansion, consolidation, or relocation. BIP leverages a project's unique strengths and benefits to identify, negotiate, and implement all feasible economic development or government incentives ("Incentives") opportunities. Moreover, BIP provides ongoing support and administration for a project to address any issues that may arise. By engaging BIP to work in parallel to the site selection team, businesses can have assurance that the optimal level of Incentives is secured and realized.

SERVICES

BIP's mission is to develop a strategy that enhances business performance, while reducing a project's up-front capital and ongoing operational costs through the procurement of Incentives. Many businesses are not aware they may be entitled to Incentives benefits for certain expansion, consolidation, and relocation activities. BIP identifies said opportunities through a multifaceted methodology that begins with careful analysis of project-specific data. The process continues with a detailed due diligence on all aspects of site-specific Incentives opportunities and concludes with the negotiation, implementation, and administration of Incentives.

RESULTS

BIP has successfully secured Incentives packages for a broad range of clients globally. The BIP team maintains a robust incentives database and along with its vast experience it facilitates the best possible results for a project. Since its inception, BIP professionals have negotiated in excess of \$3.0 billion in savings for its clients.



KEY PROJECT TYPES

BIP enables its clients to identify, negotiate, and quantify the myriad of incentives available through the federal, state, and municipal governments, as well as utilities service providers. BIP clients represent all industry sectors, ranging in size from Fortune 100 corporations to private owners, occupiers and developers. Almost any type of corporate location initiative can benefit from the use of C&W's Business Incentives Practice:

- Corporate Headquarters Facilities
- Manufacturing Facilities
- R&D Centers
- Warehouse and Distribution Facilities
- Call Centers
- Data Centers
- Back-Office Centers
- Mixed-Use Developments

MINNESOTA'S RECENTLY AWARDED INCENTIVES (USD M)

COMPANY	INVESTMENT	JOBS	INCENTIVES
Rahr Malting	\$68.0	28	\$0.6
Andersen Corporation	\$38.0	200	\$2.0
Design Ready Controls	\$9.5	25	\$0.5
Smiths Medical	\$7.5	162	\$0.9
Cardio3 BioSciences	\$1.5	33	\$1.0
PurNet	\$1.9	20	\$0.1
Federal Package Network	\$7.2	37	\$0.2
Vascular Solutions	\$8.7	60	\$0.8
Code 42 Software	\$70.0	400	\$3.0
Ikonic	\$4.3	20	\$0.5
Rambow	\$0.5	15	\$0.1
Unison Comfort Technologies	\$0.6	75	\$0.4

OVERVIEW OF MAJOR MINNESOTA INCENTIVE PROGRAMS

MINNESOTA INVESTMENT FUND

The Minnesota Investment Fund provides below-market financing to help add new workers and retain high-quality jobs on a statewide basis. There is a maximum award of \$1 million per project. Funds are awarded to local units of government who provide loans to assist expanding businesses. After two years, the loan is forgiven, or the low-interest loan is paid-off. Terms are for a maximum of 20 years for real estate investments, and a maximum of 10 years for machinery and equipment.

JOB CREATION FUND

The Minnesota Job Creation Fund is a new statewide performance-based job creation program that is meant to provide targeted incentives, awarded on a project-by-project basis, to businesses looking to expand or relocate in Minnesota. The Minnesota Job Creation Fund is meant to replace JOBZ, which is set to expire in December of 2015. The amount of award varies based on wages of new full-time positions:

- \$1,000 per new full-time job created with wages over \$25,000
- \$2,000 per new full-time job created with wages over \$35,000
- \$3,000 per new full-time job created with wages over \$45,000

RESEARCH AND DEVELOPMENT TAX CREDIT

The Research and Development tax credit provides a deduction against gross income for research and development expenses. The tax credit relies on a two-tiered rate structure; a 10% tax credit applies to the first \$2 million of qualified research expenses, and a 2.5% tax credit for eligible expenses above \$2 million.

DATA CENTER TAX INCENTIVE

The Data Center tax incentive program is meant to attract companies with data and network operation centers to Minnesota. In order to qualify for the program, projects have to be more than 25,000 square feet, and project costs have to be more than \$30 million over four years for brand new data centers. Refurbished data centers will require a \$50 million investment over two years. Qualifying projects receive sales tax exemptions for 20 years on computers and servers, cooling and energy equipment, energy use, software, and pay no personal property tax.

GREATER MINNESOTA BUSINESS EXPANSION TAX CREDIT

This program provides sales tax exemptions of up to 12 years to eligible existing businesses located in Greater Minnesota that meet eligibility requirements. Available tax incentives include sales tax exemption on qualified purchase, property tax exemption for improvements to commercial or industrial property, and an income tax credit based on calculation of wages and number of employees.

Minnesota shows an average deal value of \$9.91 million with 84 new jobs created per deal

MINNESOTA JOB SKILLS PARTNERSHIP PROGRAM

The Minnesota Job Skills Partnership Program assists businesses by financing the design and implementation of customized job training projects. This fund successfully merges business needs and local customized training opportunities into a winning formula to increase the skills level and wages of the Minnesota workforce. Minnesota participating businesses must partner with an accredited Minnesota educational institution. The maximum grant award is \$400,000, and is awarded to the educational institution to develop and deliver training specific to the business needs. A cash or in-kind contribution from the participating business must match grant funds on at least a one-to-one basis. A short-form application is available for grants of up to \$50,000.

OTHER MINNESOTA INCENTIVE PROGRAMS

- Small Business Development Loan Program
- State Small Business Credit Initiative
- Angel Tax Credit for Business
- Border Cities Enterprise Zone Program
- Job Opportunity Building Zone
- Urban Initiative Loan Program
- Indian Business Loan Program
- Minnesota Reservist and Veteran Business Loan Program
- Small Business Technology Transfer Program
- Foreign Trade Zones

A Cushman & Wakefield Global Business Consulting Publication

For more information, contact:

Alexander Frei

Co-Head, Business Incentives Practice for the Americas
Global Business Consulting
T +1 (312) 470 1836
alex.frei@cushwake.com

Aaron Hirschl

Consulting Analyst
Global Business Consulting
T +1 (312) 470 2373
aaron.hirschl@cushwake.com