

Creating opportunities for sustainable employment in North Minneapolis



Final Presentation

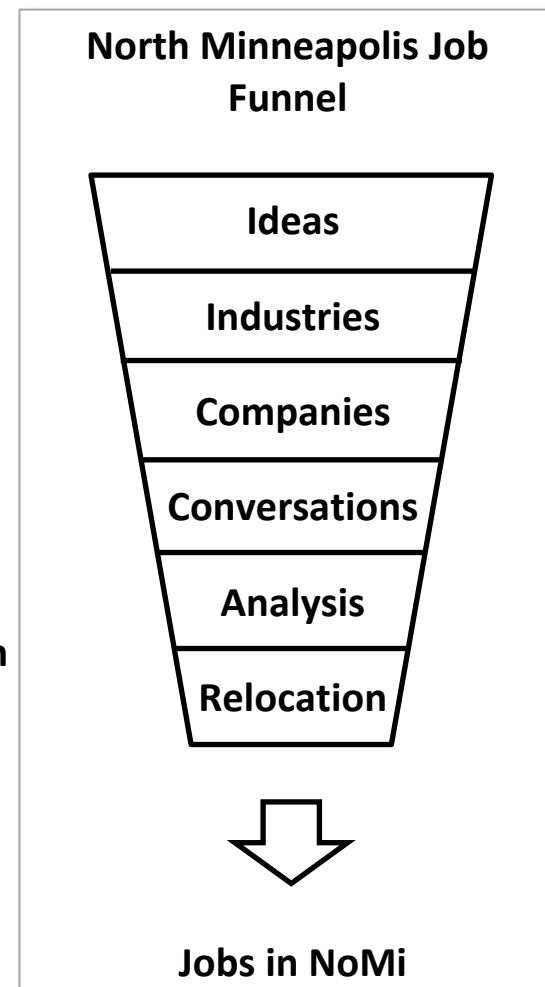
May 8, 2013

CARLSON
SCHOOL OF MANAGEMENT
UNIVERSITY OF MINNESOTA

CARLSON CONSULTING ENTERPRISE

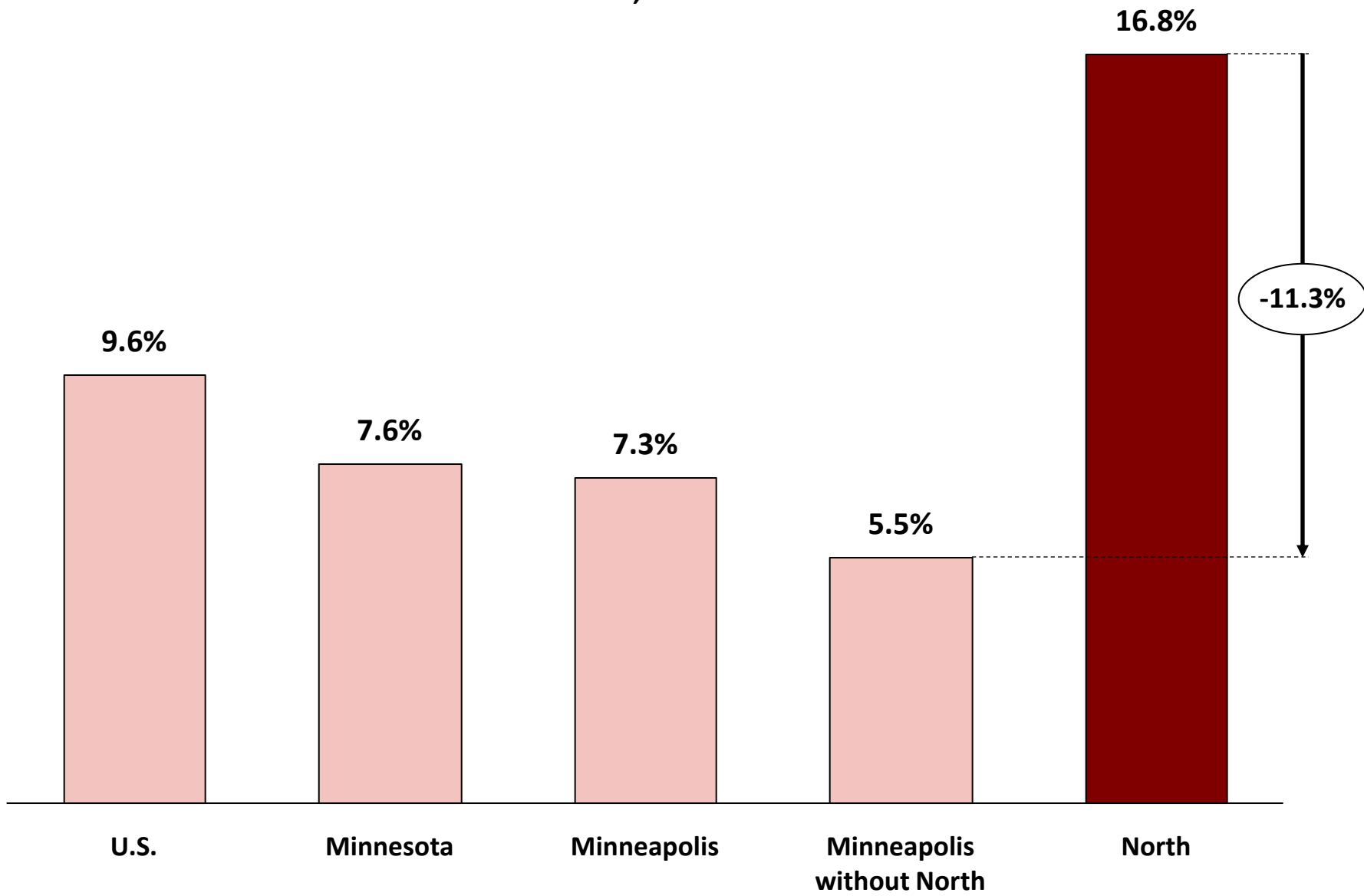
Agenda

- **Review overall project scope and approach**
- **Discuss updates to Cut Fruit Express relocation**
- **Analyze plug and play office initiative**
- **Analyze CSR-driven packaging initiative**
- **Analyze other industries that make sense for NoMi job creation**
- *Appendix*



North Minneapolis (NoMi) suffers from a significant employment disparity with the rest of Minneapolis

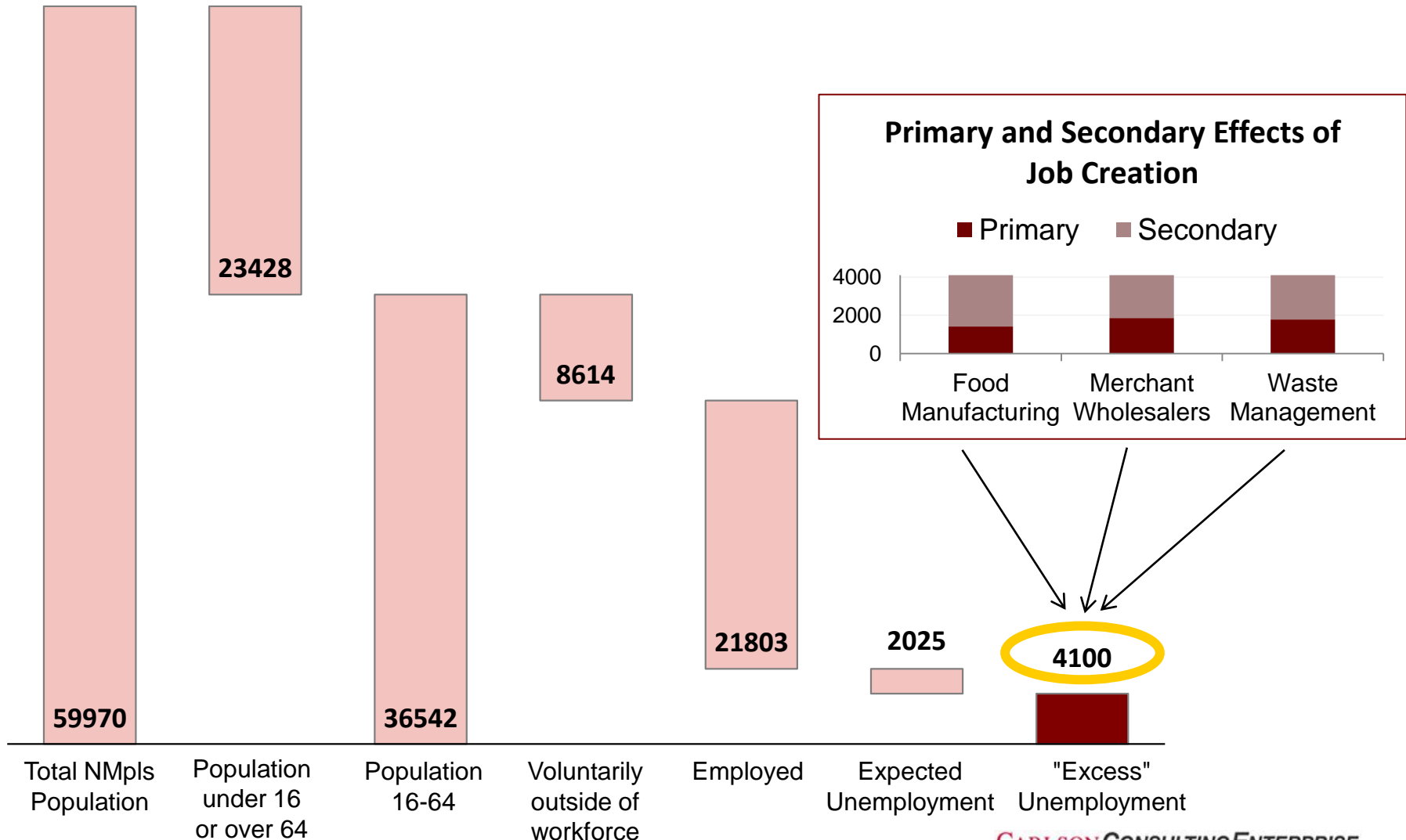
2010 UNEMPLOYMENT RATE BY GEOGRAPHY, %



NoMi needs to add approximately 4,100 jobs to close the employment gap

COMBINING PRIMARY AND SECONDARY JOBS MULTIPLIES EFFORTS TO CLOSE THIS GAP

2010 North Minneapolis Population, by Employment Status



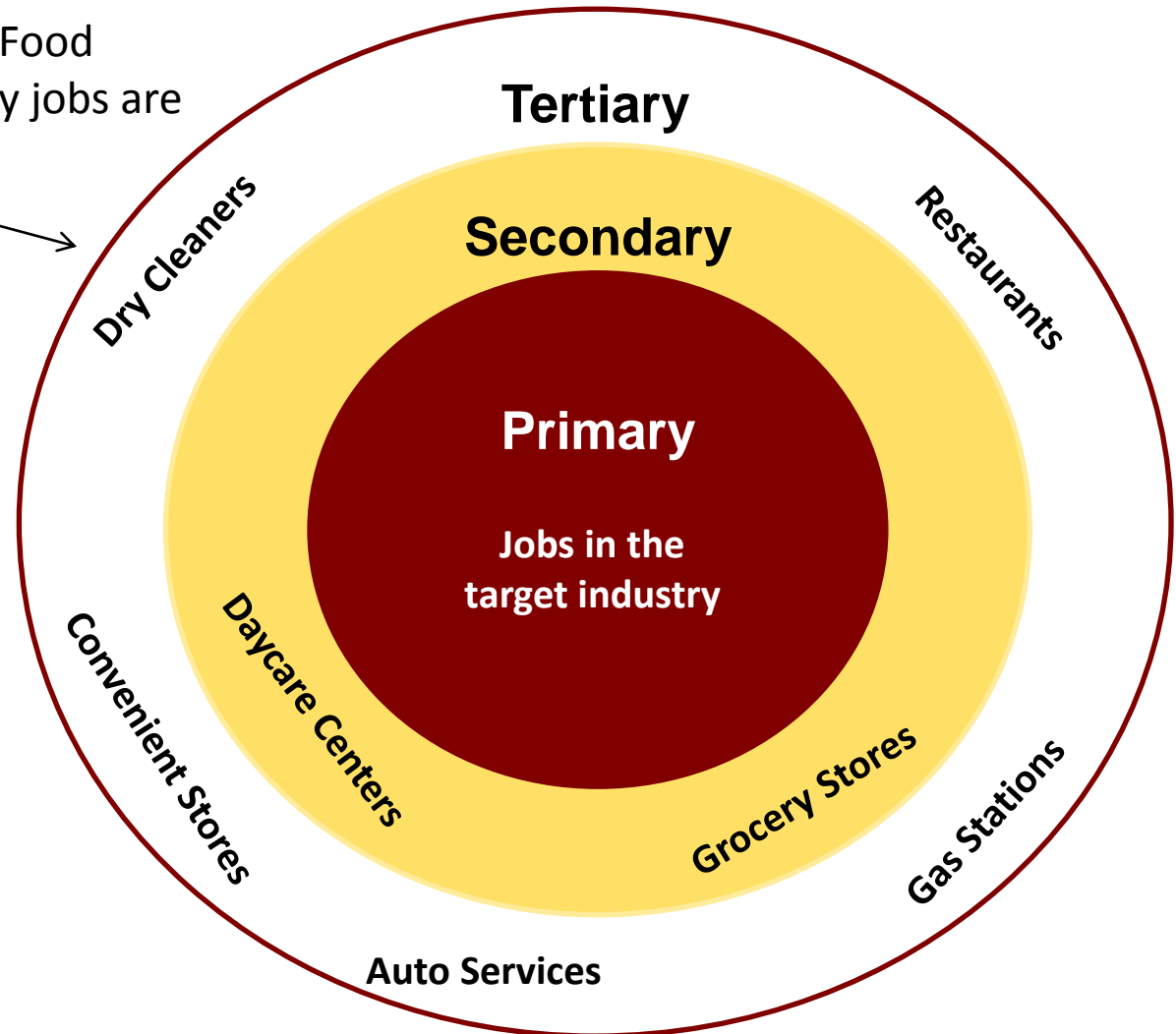
Each primary job created with the help of JCT leads to creation of jobs in other industries

EFFECT OF THE “MULTIPLIER EFFECT” INTO FILLING IN THE 4,100 UNEMPLOYMENT EXCESS

For every 10 jobs created in Food Manufacturing, 19 secondary jobs are created

Industries with high economic multipliers

1. Beverage & tobacco products manufacturing (5.9x)
2. Oil & gas extraction (4.9x)
3. Chemicals manufacturing (3.7x)
4. Publishing industries (3.3x)
5. Food manufacturing (2.9x)



The CCE team has contacted several job creation experts in the past 14 weeks

Government Resources

- Thavisack Silaphet (Sr. City Planner – CPED)
- Erik Hanson (Principal Project Coordinator – CPED)
- Chad McGuire (Research Specialist - Center for Urban and Regional Affairs)
- Upper Manhattan Empowerment Zone Development Corporation (Harlem, NY)
- Urban Redevelopment Authority of Pittsburgh (Pittsburgh, PA)
- Team NEO (Cleveland, OH)
- World Business Chicago

Non-Profit Organizations

- Mike Wymme, Holly Larsen, and Kylie Patterson (Emerge Community Development)
- Jimmy Loyd (Small Business Program Manager – Northside Economic Opportunity Network)
- Alicia Uzarek and Shaina Brassard (West Broadway Business & Area Coalition)
- Shym Cooke (Manager, North Minneapolis Workforce Center – DEED)
- Janna King (President, Economic Development Services, Inc.)

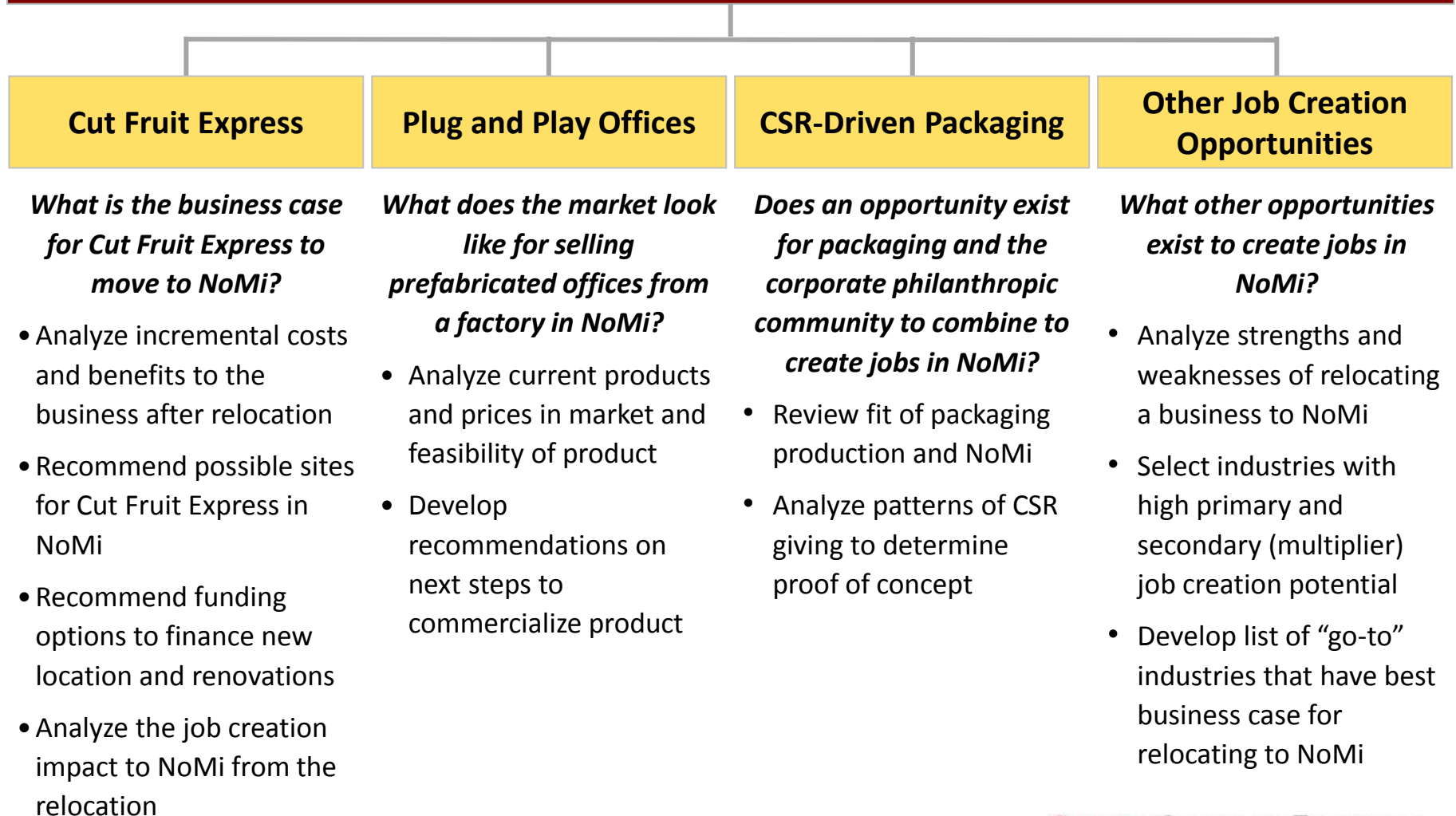
Business Community

- Dennis Werneke (Owner - American Chemical, Inc.)
- Ian Alexander (Attorney and City Council Candidate)
- Ian Silver-Ramp (Owner, Mississippi Mushrooms)
- Al McFarlane (Owner, Insight News)
- Flora (Owner, Flora's Hair Design)
- James (Sales Consultant, ModSpace)
- Ben Maxwell (President, Dovetail Homes)
- Mike Fiterman (CEO, Liberty Packaging)
- General Mills (Marketing Manager)
- Reynolds Anthony (Consultant, Urban Homeworks)
- Dave (Owner, Columbia Burlap and Bag Co. & Dallas Bag and Burlap Co.)
- Peggy Lero (Sales Representative, Hilltop Trailers)
- Jeff Seamans (Minnesota Branch Manager, Satellite Shelters Inc.)
- David Endy (Co-owner, Stratford Homes)
- Grant Schluender (Project Manager, Anadarko Petroleum Corporation)
- Marcia Popa (Industry Expert)

The Carlson Consulting Enterprise team was asked to address several important questions job creation efforts in NoMi

PROJECT SCOPE AND APPROACH

How should we approach the four job creation opportunities proposed?



Executive Summary

Cut Fruit Express

The Cut Fruit Express relocation is a strong job creation initiative because of its stability and strong business case for relocation. However, Cut Fruit Express will require low-interest or forgivable loans to cover relocation costs and the new site, and needs to sell its current site at a good price to afford the relocation.

Plug and Play offices

The Plug and Play office initiative could help create 8-25 new jobs in NoMi, but interviews revealed that consumers are somewhat skeptical of concept, and in-market testing to validate market demand is likely needed before UROC's influence is needed to locate site and financial support.

CSR-driven packaging

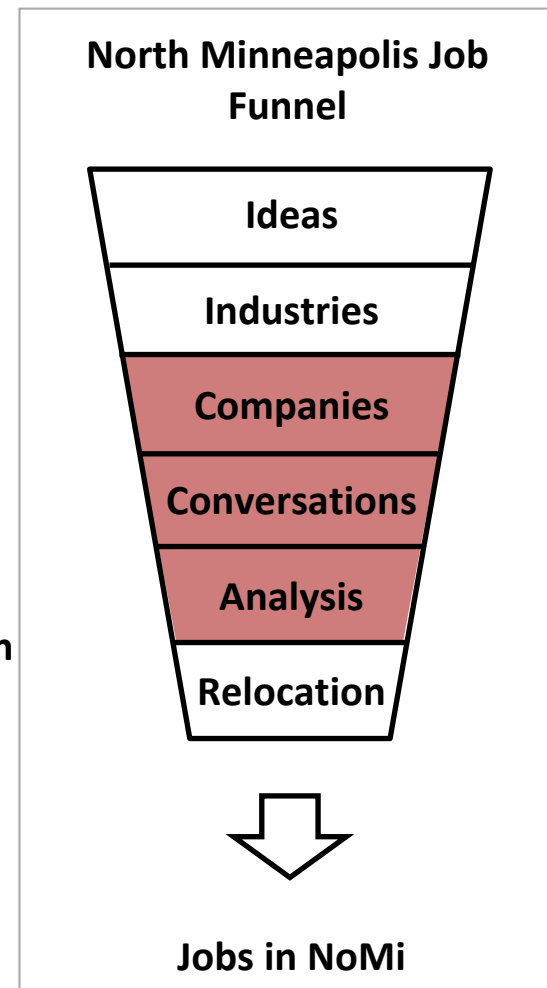
While obtaining philanthropic or CSR funding from local F500 firms appears to be difficult, packaging production could be a good fit for NoMi.

Refilling the hopper

Several industries, including beverage and food manufacturing, woodworking, and warehousing, that appear to be the best fit for NoMi job creation. The JCT team should focus efforts on finding and attracting firms in the recommended industries to relocate to NoMi.

Agenda

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- **Discuss updates to Cut Fruit Express relocation**
- Analyze plug and play office initiative
- Analyze CSR-driven packaging initiative
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- *Appendix*



The relocation of CFE to NoMi passes the strategic fit screening

Strategic Evaluation of CFE Opportunity Evaluate fit for BOTH business and city

Benefits of relocation for Minneapolis

Evaluation

Rationale



Job creation in NoMi: relocation may create up to **90** jobs in 5 years. Jobs created fit the skills of NoMi labor pool, positions will mostly be filled by NoMi workers.



Long term prospects: CFE is a mature, low-risk enterprise and is growing at low rates. In the long term, it will still be providing jobs in NoMi, but the number of jobs offered is not expected to grow.



Responsible employment: CFE offers employees use of a sizable garden, improving employee and community morale.



Assistance needed: CFE will require low-interest financing, but likely no ongoing support.

Positive Neutral Negative Not Assessed

Benefits of relocation for CFE

Evaluation

Rationale



Business case: CFE will stand to save over \$100k/year by relocating to NoMi through a combination of fuel, labor, and utility savings, but will likely incur significant one-time moving costs.



Labor pool: NoMi's labor pool should fit CFE well, and the owner has experience hiring in NoMi.



Access to raw materials / inputs: The move will bring CFE closer to most of its suppliers and its primary labor pool.



Access to markets: The move will bring CFE closer to the majority of its customers, saving fuel and allowing for faster delivery times.

The relocation of CFE to NoMi also passes the practical screening

Practical Evaluation How will the initiative actually work?

Ability to succeed in NoMi

Evaluation

Rationale



Available properties: properties are available that may suit CFE's needs, but significant modifications are likely due to refrigeration requirements.



Hiring plan: o specific hiring plan exists, but owner has significant experience hiring in NoMi.



Growth potential: CFE is has been in operation for 10+ years, and is slowly growing. Business is breaking even and has little cash on hand.



Mobility: most equipment can be easily moved via trucks



Access to capital: CFE has little cash on hand and will likely require a profitable sale of current site to afford down payment for NoMi site.

Positive Neutral Negative Not Assessed

Next Steps

UROC to broker connections and help with one-time assistance packages

Existing businesses -- > CFE has existing suppliers, buyers, and proven business model. No help needed from UROC.

Access to capital -- > UROC and CCE can help CFE access the most attractive financing options for its new location in NoMi

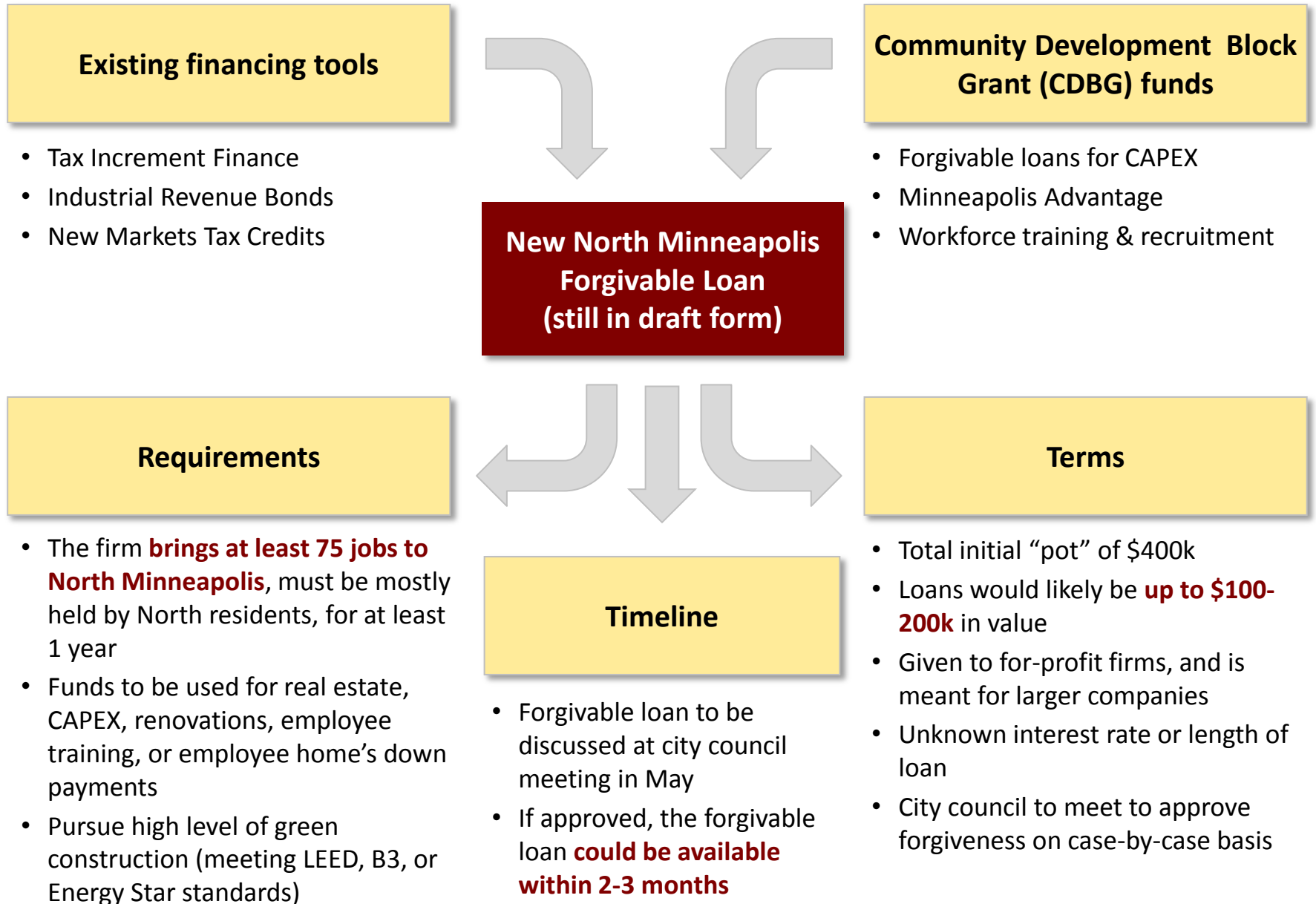
Specific job profiles -- > UROC to connect CFE with employment programs in NoMi to ensure jobs created go to NoMi residents.

Locations for business available -- > UROC and CPED can help CFE with "off the market" commercial properties that may be well-suited for CFE's needs (already have list of most promising locations).

The team recommends three main funding options for CFE's relocation

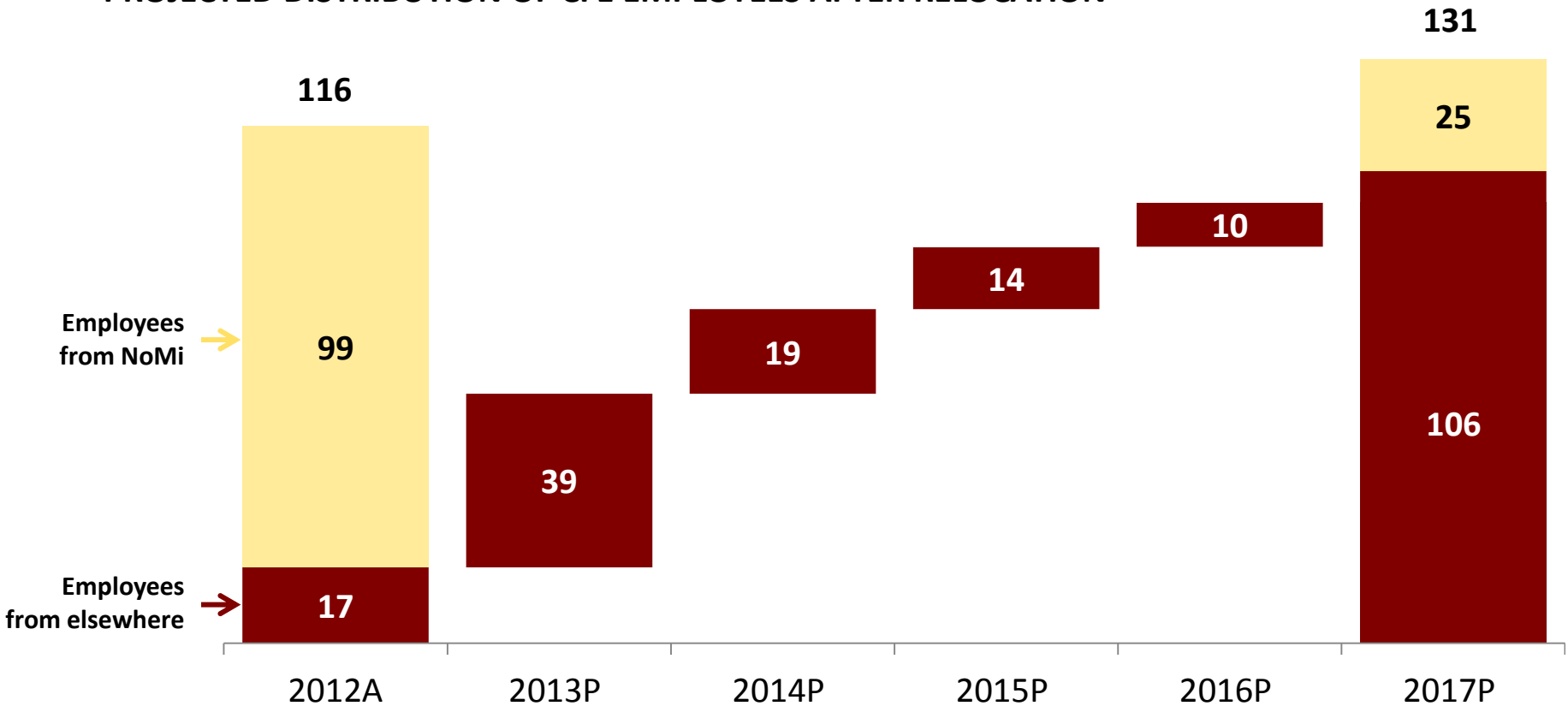
	Key Terms	Approval Process	Timing	Point Person
Minneapolis Common Bond Fund	<ul style="list-style-type: none"> • 10% down • ~4.5-5% rate • 20 year term • Up to \$10M • (more detail in Appendix C) 	<ul style="list-style-type: none"> • Provide the following: <ul style="list-style-type: none"> – 3 years of inc. stmts. – Personal financial information of LB – Description of project, including costs – Appraisals and environmental reports 	<ul style="list-style-type: none"> • ~90 days to approval • Can be sped up by providing financial info ahead of time • Next Steps: gather financial data and submit to CPED for pre-approval 	<ul style="list-style-type: none"> • Charles Curtis at CPED • charles.curtis@minneapolis.gov • (612) 673-5079
SPPA Trillion BTU Loans from St. Paul Port Authority (SPPA)	<ul style="list-style-type: none"> • Only applies to refrigeration equipment • 10% down • ~2-4% rate • 5 year term • Typically up to \$1-2M 	<ul style="list-style-type: none"> • Xcel Energy to perform free audit and engineering study • If audit and study successful, apply for SPPA loan and provide: <ul style="list-style-type: none"> – Financial history – Intended use of proceeds 	<ul style="list-style-type: none"> • 1-2 months to approve after successful audit • Can be sped up by providing financial info ahead of time • Next Steps: start Xcel audit 	<ul style="list-style-type: none"> • Pete Klein at SPPA • pmk@sppa.com • (651) 204-6211
SBA504 Small Business Loans	<ul style="list-style-type: none"> • 10% down • ~5-6% rate • 20 year term • Up to \$4M 	<ul style="list-style-type: none"> • Application includes: <ul style="list-style-type: none"> – Loan history – Use of proceeds – Tax returns – Historical & projected income statements 	<ul style="list-style-type: none"> • Unsure, will likely be faster to renew existing SBA loan • Next Steps: discuss with current SBA loan contact 	<ul style="list-style-type: none"> • No specific person at SBA (large organization) • answerdesk@sba.gov • (800) 827-5722

A new financing option from CPED might be very attractive to Cut Fruit Express



CFE has potential to create up to 89 jobs in North Minneapolis within 5 years

PROJECTED DISTRIBUTION OF CFE EMPLOYEES AFTER RELOCATION



Key Takeaways

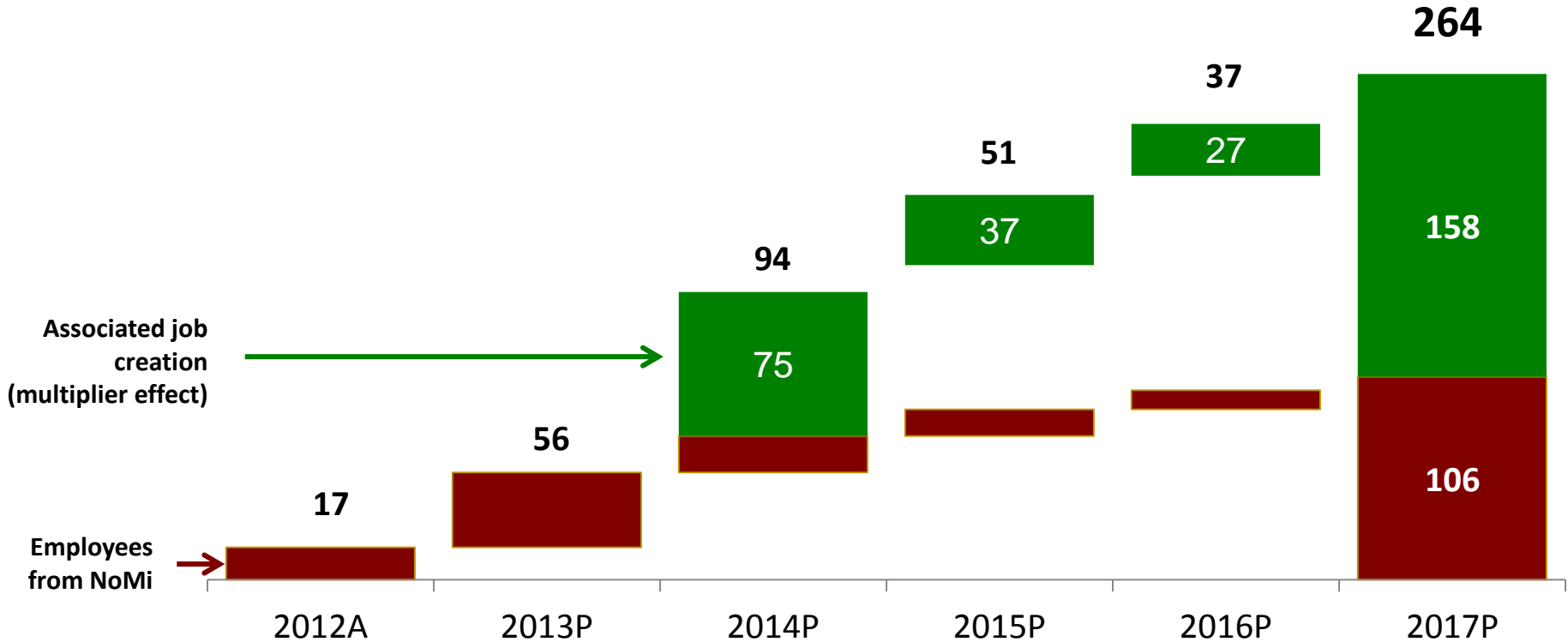
- CFE relocation can create about 90 new jobs in NoMi over 5 years
- Assuming no other change in NoMi unemployment, the CFE relocation would **reduce NoMi unemployment from 16.8% to 16.5%**

Assumptions (validated with Lawford B.)

- 90% of new employees to be from NoMi
- Turnover rate declines from 55% to ~30% over 5 years
- Employees grow at 3%/year

North Minneapolis job creation leads to additional jobs for the NoMi economy

PROJECTED INCREMENTAL NOMI JOBS AFTER RELOCATION WITH MULTIPLIER



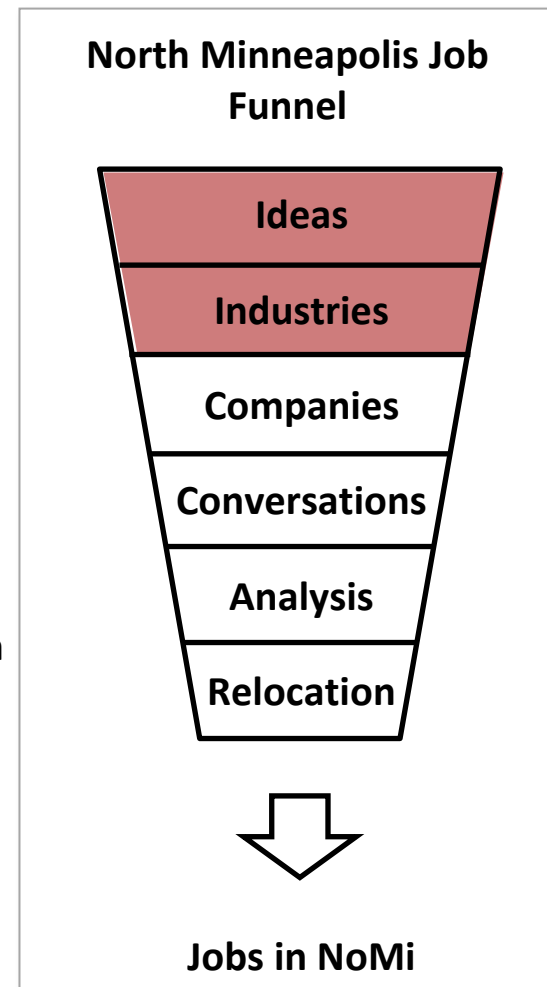
Key Takeaway: Assuming no other change in NoMi unemployment, the CFE relocation would **reduce NoMi unemployment from 16.8% to 15.4%**

Source: Patrick Holwell – Denver, CO Workforce Study

- Creation of Food Manufacturing jobs have a 1.93 multiple
- Limited mobility of workforce will limit leakage

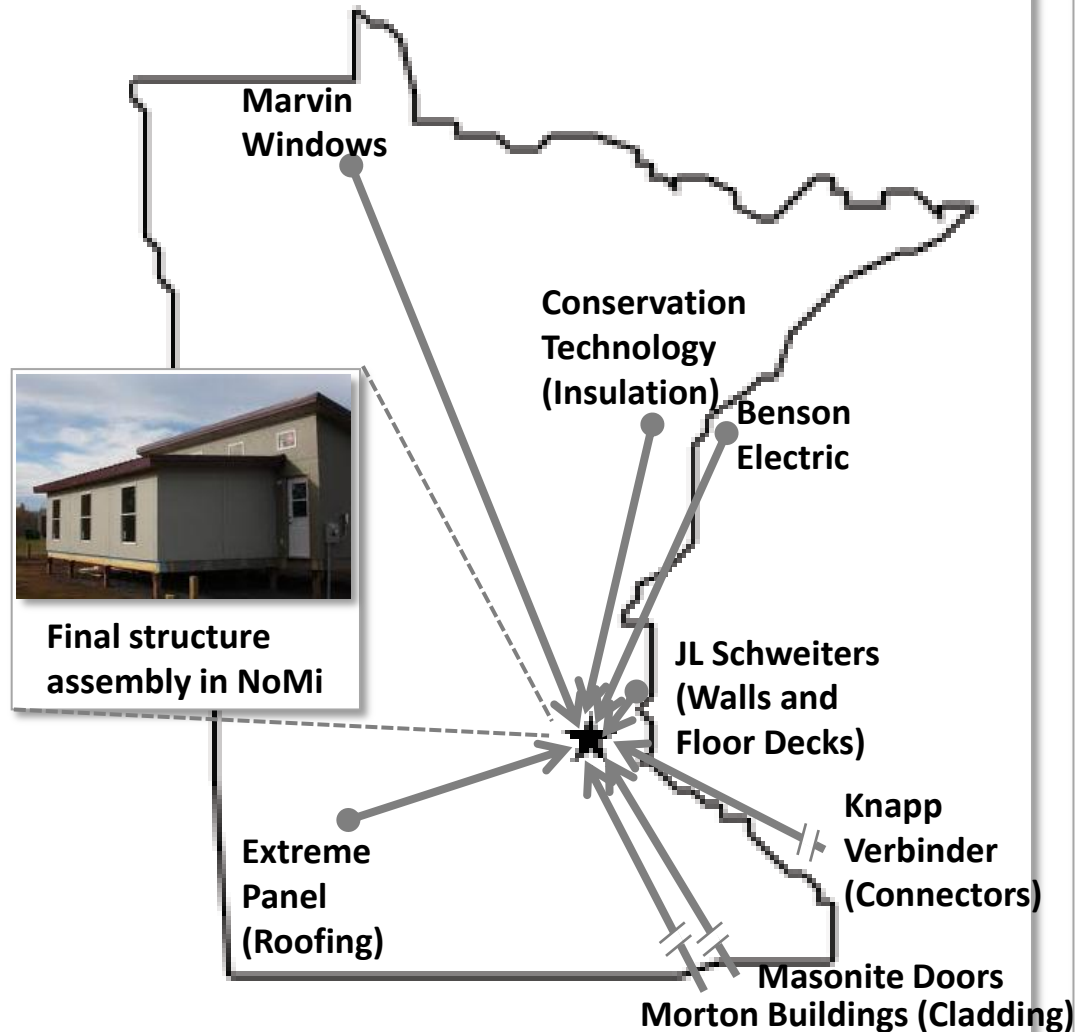
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The Plug & Play concept involves assembling rapidly deployable houses or offices in North Minneapolis

Plug & Play assembly concept



Focus of CCE Team

Determine fit/feasibility of NoMi as assembly location

- Briefly analyzed potential locations and fit with NoMi labor force

Interview vendors and collaborators

- Toured plant for walls and floor decks in Hugo, MN to gain industry knowledge
- Interviewed Extreme Panel and Stratford Homes to help determine market potential

Interview potential customers and distributors

- Interviewed Hilltop Trailers, Satellite Solutions, Modspace, and Anadarko Petroleum to gather insights from potential customers and distributors

We analyzed Plug & Play offices using the strategic framework

Strategic Evaluation of Plug and Play Opportunity Evaluate fit for BOTH business and city

Benefits of relocation for Minneapolis

Evaluation

Rationale



Job creation in NoMi: New jobs may be created in Nomi, but the exact amount is uncertain. Not likely to be very high with estimates at around 20 new jobs.



Long term prospects: The Plug and Play idea, though unique, faces a lot of competition and does not have a proven commercial track record.



Responsible employment: Plug and Play will benefit the community by creating skilled jobs, occupying vacant factory space, and possibly supplying low-income housing for NoMi itself.



Assistance needed: The Plug and Play idea will require a business plan, low-interest financing, and a sales team to get up and running.

 Positive  Neutral  Negative  Not Assessed

Benefits of relocation for Plug and Play

Evaluation

Rationale



Business case: Plug and Play will be located in a central area relative to its customers and suppliers, but other aspects of the business are as yet unclear.



Labor pool: Still unsure about how well Nomi's labor pool would fit the Plug and Play model. There will be ~8-25 unskilled laborers needed, as well as some specialized tradesmen such as electricians or plumbers.



Access to raw materials / inputs: Plug and Play will be fairly central to many of its suppliers, but many are still far away from NoMi.



Access to markets: NoMi is roughly centrally located in upper Midwest, but there are no specific customers that are particularly close to NoMi.

The “House Cubed” concept could be applied to either commercial or residential markets



“House Cubed” developed by NRRI at UMD



Residential

- More customer desire for quality and features
- Less price-sensitive customers
- Could be used to augment product offering of distributors currently selling commercial trailers



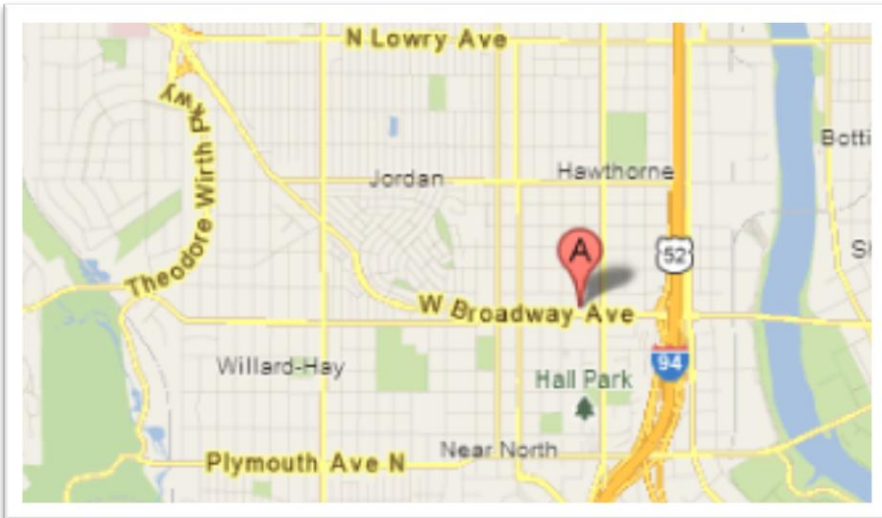
Commercial (focus for team)

- Less strict building codes
- Currently more local demand for commercial vs. residential products
- Higher likelihood of frequent relocation, which takes advantage of high mobility of House Cubed
- There is no moratorium for commercial structures in ND (currently is one for residential)

Key themes from Plug and Play Voice-of-Customer interviews

Theme	Examples	Quotes
Service and reputation is crucial	<ul style="list-style-type: none">• In the modular home and mobile office industries, there is a lot of brand loyalty and reputation behind products.• In order for a smaller, local company to compete with nationally known companies, customer services must be strong.	<p>“Buyers in North Dakota are wary. They look for reputation and track record”</p> <p>Satellite Shelters</p>
Customers are cost sensitive	<ul style="list-style-type: none">• RV (\$.75 - \$2.00 per square foot per month)• Mobile Office (~\$70 per square foot)• Single Apartment in ND (\$3,000 per month)• \$150 to \$2500 cost increase to set up double-wide vs. single trailer	<p>The mobile office business is a “very established business which leads to company focus and a lower price per unit”</p> <p>Stratford Homes</p>
Location of plant is critical	<ul style="list-style-type: none">• Faster turn around to customers.• Proximity to suppliers keeps costs low.• Cheaper to ship the finished product at once than all of the parts separately.	<p>“Shipping most of our trailers from Minneapolis to North Dakota is cost-prohibitive”</p> <p>Hilltop Trailers</p>

The foreclosed car dealership at 800 West Broadway could be a good location to manufacture in North Minneapolis



Key Features

- Foreclosed by Hennepin County on 9/15/11
- 50,000 sq. ft., two-story building
- Asking price of \$585,000
- Not possible to rent due to lien on property
- Grant funds may be available to redevelop the property

Contact information

- Beth Grosen, Senior Project Coordinator, CPED, 612-673-5002
- Jonathan Lipinski, Property Management Specialist, Hennepin County, 612-348-3925

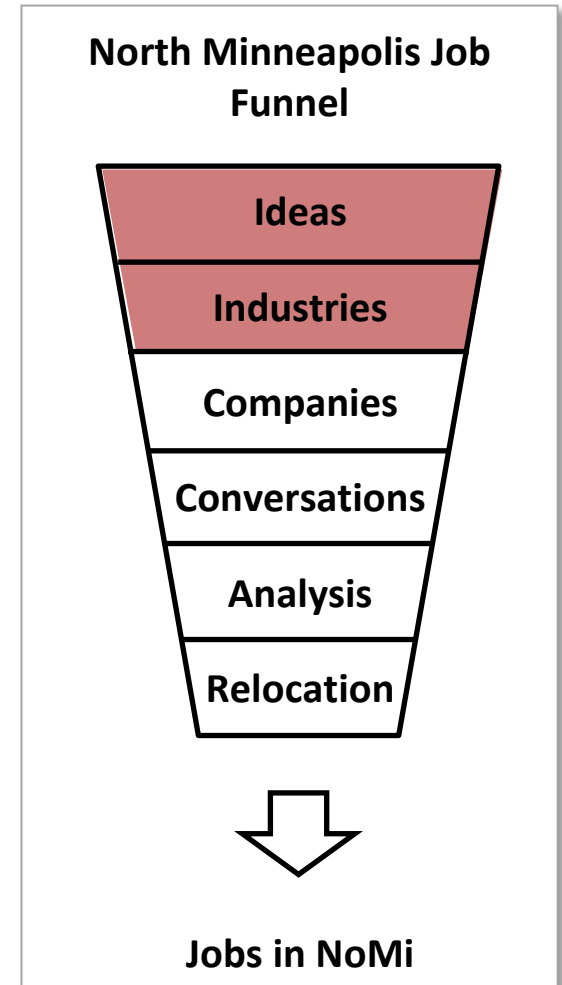
Recommendation for Patrick and UROC: next steps / timing / responsibility

Next Step	Rationale	RACI	Timing
Further discussions with distributors	<ul style="list-style-type: none"> Provides direct link to potential customers for description of needs Endorsement by distributor leverages established trust – implies endorsement Leverages administrative and service capacity 	<ul style="list-style-type: none"> Patrick - Responsible 	<ul style="list-style-type: none"> Critical step – complete ASAP
Complete design and field test	<ul style="list-style-type: none"> Utilizing user feedback to refine or validate design strengthens value-based sales pitch 	<ul style="list-style-type: none"> Patrick - Responsible 	<ul style="list-style-type: none"> Critical step – complete ASAP
Select site in NoMi	<ul style="list-style-type: none"> Once customers have placed orders, need to select best location in NoMi for product assembly 	<ul style="list-style-type: none"> Patrick - Responsible UROC - Informed 	<ul style="list-style-type: none"> Locate site following key customer identification
Begin applying for funding	<ul style="list-style-type: none"> Once site has been determined, UROC and CPED resources can help find funds 	<ul style="list-style-type: none"> Patrick - Responsible UROC - Informed 	<ul style="list-style-type: none"> Occurs specific to business plan at time of launch

RACI Responsible, Accountable, Consulted, Informed

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We reviewed the packaging concept from two standpoints: strategic fit and CSR fit

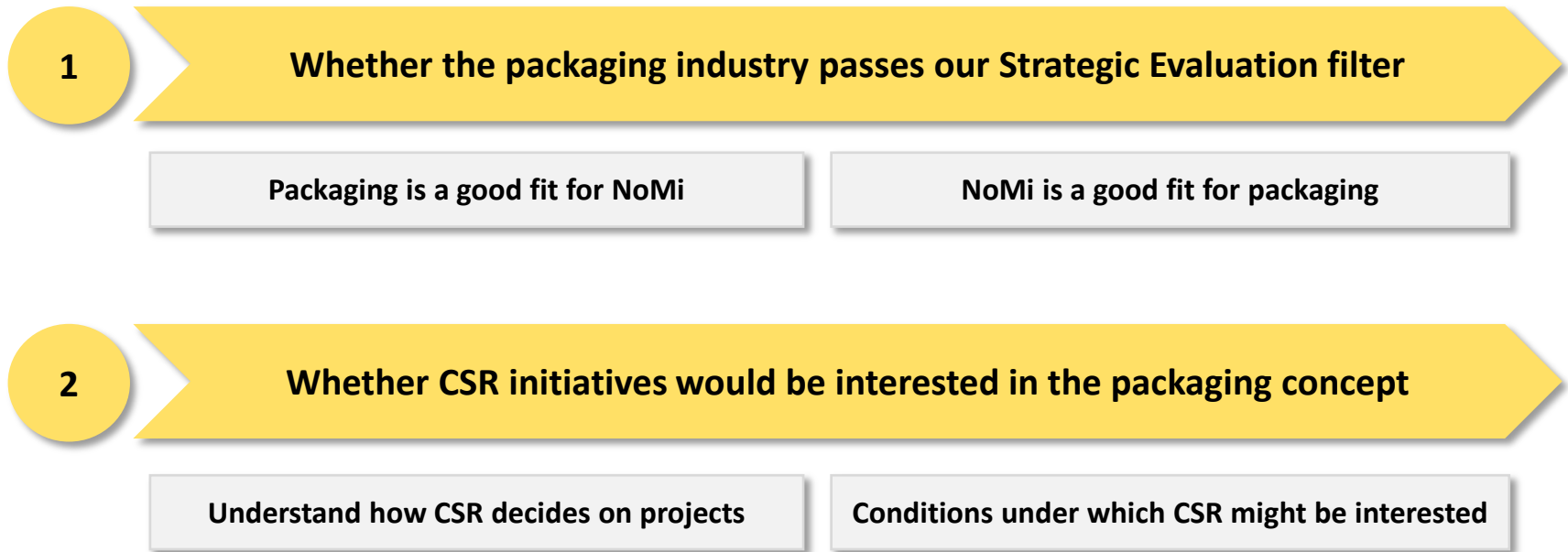
THE PACKAGING CONCEPT

Hypothesis

Fortune 500 companies in Minnesota would be willing to re-source some of their packaging needs (e.g. boxes and bags) to a business established in North Minneapolis in order to help improve employment in the area

Feasibility assessment

This packaging concept will work if the following conditions are met

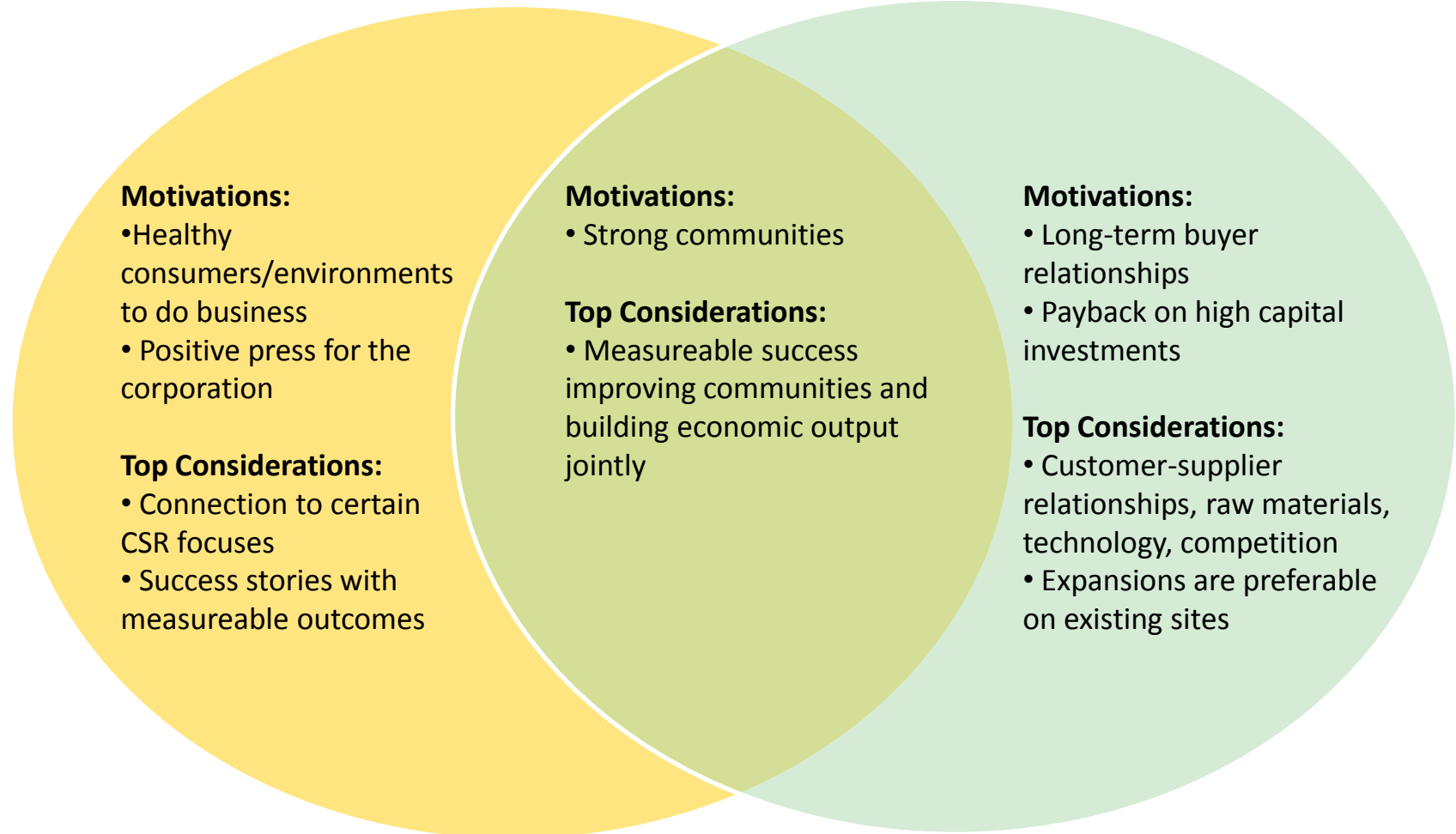


To assess the packaging – CSR concept, the benefits for each side must exceed the costs

CSR AND PACKAGING COMPANY MOTIVATIONS

Corporate Social Responsibility

Cardboard Packaging



In the midpoint, we proposed a two phased framework to help assess opportunities

FRAMEWORK FOR EVALUATING NEW JOB CREATION OPPORTUNITIES

Strategic Evaluation

Evaluate fit for BOTH business and city

Fit to NoMi

- Q1.** How many jobs can the business create? Will the jobs be filled in by NoMi workers?
- Q2.** What are the long term prospects of the business?
- Q3.** Will the business be a good “neighbor” and “employer”?
- Q4.** What will NoMi have to offer to get the business to relocate?

Fit to Business

- Q1.** What is the business case for relocation?
- Q2.** Is the labor pool in NoMi adequate (skill, demographic)?
- Q3.** Does the business have easy access to RM/inputs?
- Q4.** Does the business have adequate access to markets in NoMi?

Practical Evaluation

How will the initiative actually work?

Ability to succeed in NoMi

- Q1.** Are there available properties in NoMi that suit the business needs?
- Q2.** Is there a plan on how to hire employees in NoMi?
- Q3.** Does the business have a stable track record or a parent company?
- Q4.** How feasible is it for the business to move its equipment to NoMi?
- Q5.** How will the business get the cash it needs to start up operations in NoMi?

Next Steps

If the initiative passes:
UROC to broker connections and help with one-time assistance packages

If the initiative doesn't pass:
UROC to hold until conditions change

UROC representative to evaluate strategic fit, then report to JCT to pass to next phase.

We applied the strategic filter to evaluate the opportunity fit for business and NoMi

WHEN SHOULD EACH STAGE BE APPLIED TO ASSESS OPPORTUNITIES

Strategic Evaluation

Evaluate fit for BOTH business and city

Fit to NoMi

Fit to Business

The Strategic evaluation can be applied in abstract (i.e., for types of industries) or in concrete (i.e., for specific companies)

We applied the strategic screening check if packaging is a good fit and is worth seeking companies to move to NoMi

Q3. Will the business be a good “neighbor” and “employer”?

Q4. What will NoMi have to offer to get the business to relocate?

Q1. What is the business case for relocation?

Q2. Is the labor pool in NoMi adequate (skill, location)?

Q3. Does the business have easy access to RM/inputs?

Q4. Does the business have adequate access to markets in NoMi?

Practical Evaluation

How will the initiative actually work?

Ability to succeed in NoMi

Next Steps

Q1. Are there available

The practical evaluation needs to be applied for concrete business opportunities

The JCT Team should apply this screening once a packaging company is considering moving to NoMi

Q4. How feasible is it for the business to move its equipment to NoMi?

Q5. How will the business get the cash it needs to start up operations in NoMi?

If the initiative passes:

to broker connections and help with one-time assistance

If the initiative doesn't pass:

UROC to hold until conditions change





The relocation of packaging businesses to NoMi passes the strategic fit screening

Strategic Evaluation of Packaging Opportunity Evaluate fit for BOTH business and city

Benefits of relocation for NoMi

Evaluation

Rationale





-  **Job creation in NoMi:** This industry is capital intensive. The higher the automation, the lower the low-skilled positions offered. The industry trend for automation
-  **Long term prospects:** The industry trend is for increasing automation. The more automated facilities in NoMi get, the fewer low skilled jobs they will be creating. Important to assess the indirect job creation opportunities
-  **Responsible employment:** Unknown. Without a specific company in target, the benefits to NoMi of a responsible packaging employer cannot be assessed
-  **Assistance needed:** Industry is capital intensive. Assistance required should be high for startups and medium-low for businesses that are just relocating

 Positive  Neutral  Negative  Not Assessed

Benefits of relocation for Packaging

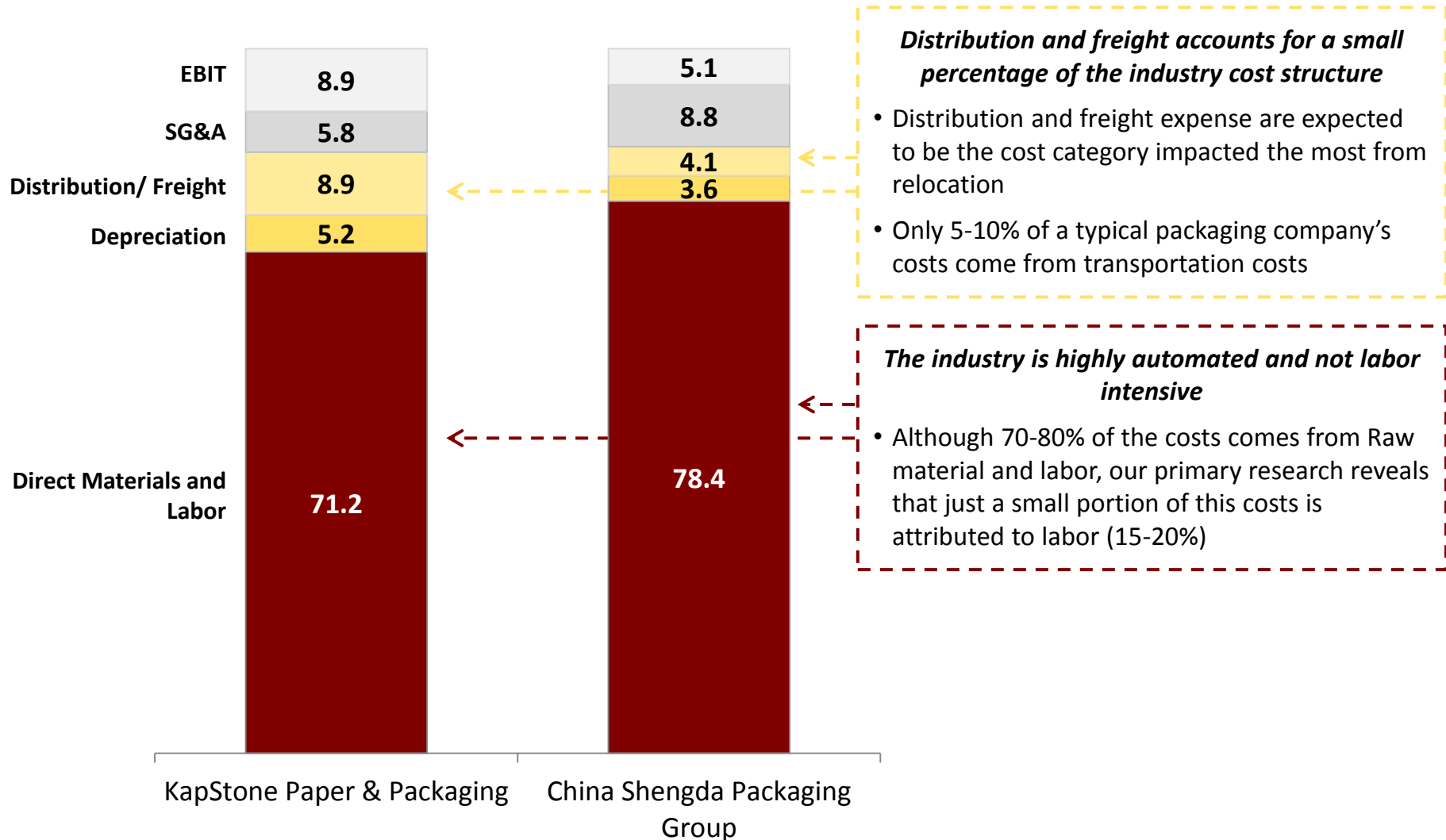
Evaluation

Rationale

-  **Business case:** limited upside due to capital intensity
-  **Location requirement:** (a) availability of warehouse buildings with docs; (b) availability of commercial industrial zoning and utilities service. Larger businesses, however, might require more space than offered in NoMi
-  **Labor pool:** access to labor with the skill set required for the job (low to middle skilled labor - equipment operator, loading / unloading goods)
-  **Access to raw materials / inputs:** depends on the type of packaging; considering the presence of other packaging companies in the Metro area, this might not be an issue
-  **Access to markets (1):** proximity to interstate intersections and wide streets facilitate distribution of cargo;
-  **Access to markets (2):** proximity to customers depend on type of packaging

Selected packaging companies show transportation amounts to 5-10% of total costs only

PACKAGING ECONOMIES (EST % OF SALES)



The complexity of the customer-supplier relationship affects the packaging/CSR concept

FACTORS AFFECTING THE CHOICE AND RELATIONSHIP PACKAGING SUPPLIERS AND CUSTOMERS

FACTORS	TAKEAWAYS	IMPLICATIONS FOR NOMI
Volume may influence the choice of supplier	<ul style="list-style-type: none"> Supplier must have reputation, scale and logistic capabilities to attend customer's demand timely and efficiently Customers expect to have discounts based on volume 	⇒ Suppliers of niche products/low demand , and local distribution might be a better fit for NoMi
Contamination risk increases customer buyer inspection	<ul style="list-style-type: none"> Customers will audit suppliers to ensure high standards of hygiene and sanitation If risk of contamination is high, costs of approving suppliers will be high; customers will trust a reputable large firm 	⇒ Suppliers of products with low contamination risk are a better fit, unless a big reputable supplier is relocating
Type of packaging makes proximity more or less relevant	<ul style="list-style-type: none"> The cost of delivery is a factor of distance and level of utilization of the transportation vehicle Corrugated containers, for example, high use of space and can not be economically shipped in long distances 	⇒ Suppliers of products that cannot be shipped long distance might find NoMi more attractive
Level of integrated increases complexity of relationship	<ul style="list-style-type: none"> Integration generally requires supplier to be located closely to customer, as suppliers will hold large amounts of inventory and deliver an agreed portion at request 	⇒ Suppliers that require lower level of integration an inventory holding might be a better fit
Packaging industry is extremely price competitive	<ul style="list-style-type: none"> Big customers quote their order for an entire product line with multiple suppliers All else being equal (reputation, quality, financial stability), customers will contract with the best bid 	⇒ Companies supplying to small and medium customers might be a better fit

The choice of supplier is a factor of price, quality and reputation

KEY TAKEAWAYS FROM PACKAGING INDUSTRY INTERVIEWS

KEY TAKE-AWAYS

- The choice of supplier is a business decision
- Large corporations chooses suppliers based on the following factors
 1. Best price
 2. Best-in-market quality
 3. Financial and operating reliability (ability to deliver the volume ordered)
 4. Complex integration to reduce customer inventory levels
 5. High sanitation standards

BEST FIT FOR NOMI

- Considering the particularities of the packaging industry, companies with the following profile might be a better fit
 1. Suppliers of niche products or low demand
 2. Local distribution
 3. Low contamination risk (unless capital investment is not an issue)
 4. Lower level of integration with customers (not holding large amounts of inventory for long time)
 5. Mid-size to small size customers

CSR

- All else being equal from a business standpoint, large corporations may have CSR considerations when choosing suppliers
- As we will address in the following slides, customers may favor contracting with certifies minority or women owned suppliers

Companies generally have specific CSR foci that drives the decision to sponsor projects

CSR MISSIONS OF SELECTED FORTUNE 500 COMPANIES IN THE TWIN CITIES AREA

	General Mills	Target	3M	Ecolab	Cargill
Focus	Health, Communities, Environment	Education, Environment, Health, Volunteerism	Sustainability, Environment	Waste Reduction, Water Preservation	Food security, safety, environmental sustainability
Partnership	Food & Safety organizations, Feeding America food shelves, First Book	Schools, Libraries, Feeding America, American Red Cross	Smithsonian Museum, The Nature Conservancy	The Field Museum, YMCA of Chicago, Water for People	Bonsucro, World Food Program, World Wildlife Fund
Possible connections to NoMi	\$570M annually with diverse suppliers. Work with food-related non profits	Grants for public safety, involvement with MPS	Any energy efficiency or waste reduction program	Riverfront/water-related projects	Food donations, seeds/fertilizer for local agriculture

CSR departments choose partners based on select criteria

Reputation and connection to a CSR focus are most important

Connection to a CSR focus

- Non-profits or other types of organizations must have a similar focus to that of the corporate CSR
- Clearer, simpler focuses are often chosen to target specific issues (i.e., General Mills and Feeding America food shelves)

Reputation

- Larger organizations have an advantage in CSR partnerships
- Older organizations tend to have reputation for organizational effectiveness and trustworthiness

Each partner should imagine that they are forming a joint venture that would require approval from their Board of Directors¹.

Project-specific specialties

- With smaller, locally-focused CSR initiatives, more local partners are used
- When a project is a certain non-profit's specialty, they are more likely to be chosen

Financial Stability

- Partnerships are scrutinized to verify financial stability of non-profit and business CSR focuses

With regards to board oversight in CSR, the informed investor evaluates risk, return potential and financial performance while incorporating environmental, social and governance into his/her analysis².

1. Nieker, Mark, and Christy Macy. "What Works in CSR Partnerships." *What Works Series*. International Youth Foundation, 2006.
2. McPherson, Susan. "HBR Blog Network." *Harvard Business Review*, 6 Jan. 2012. Web. 01 May 2013.

Initiatives, such as BDR, supports certified minority and women-owned suppliers

THE BILLION DOLLAR ROUNDTABLE (BDR)

The Billion Dollar Round Table



- **Purpose:** Recognize companies that spend at least \$1 million with minority and woman-owned suppliers.
- **Mission:** *“To drive supplier diversity excellence through best practice sharing and thought leadership.”*

Membership requirements

- Sources at least \$1.0 billion to minority and women business
- Has supplier diversity program
- Report annual sourcing to minority and women suppliers and dollars sourced are audited annually
- Must strive to increase sourcing to minority and women suppliers

Current Members



Supplier certification

- Suppliers must be certified by National Minority Supplier Development Council (NMSDC) or Women’s Business Enterprise National Council (WBENC)
- Both NMSDC and WBENC have extensive process and criteria for qualification (see Appendix E)
- Qualification might be expensive and time consuming

Advantages for BDR members

- The BDR is a very exclusive group of Fortune 500 companies; being part of it is a privilege
- Supporting minority and women-owned business is a powerful CSR instrument
- Many Fortune 500 companies favors minority and women-owned business to be eligible for the BDR

Advantages for certified businesses

- Customers prefer to contract with minority and women owned business - however, these business must be certified as so to be eligible
- Certification gives leverage when negotiating with customers
- JCT might be able to assist minority and women-owned business in getting the certification

Packaging is a good fit for NoMi, but the CSR-packaging concept might be a difficult sell

SUMMARY OF MOTIVATIONS, COSTS AND BENEFITS; RECOMMENDATION

1

Whether the packaging industry passes our Strategic Evaluation filter

Packaging is a good fit for NoMi and NoMi is a good fit for packaging

- However, the job creation opportunity will depend on the type of packaging being produced and size of company
- Due to the increasing level of automation in packaging, other industries might be a better fit for job creation purposes

2

Whether CSR initiatives would be interested in the packaging concept

The Packaging-CSR concept might be a difficult sell:

- CSR and packaging share the common motivation of building strong communities; however, this motivation is not the priority for packaging
- Selecting suppliers is a business decision, involving many complex factors (price, reliability, integration, etc.) - factoring CSR considerations into an already complex structure to select suppliers is a difficult sell

However, women and minority-owned suppliers might have priority

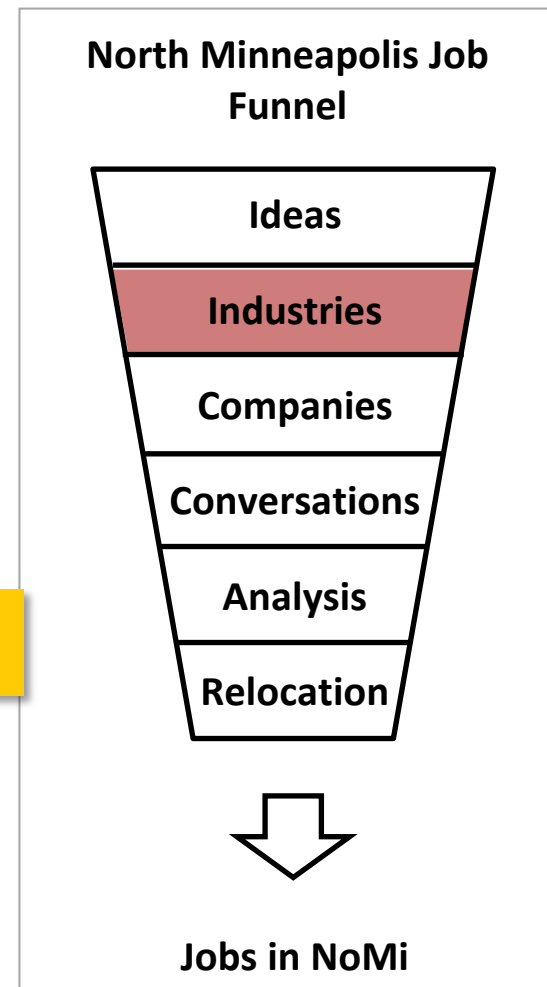
- Existing and certified minority or women-owned suppliers might enjoy priority treatment when contracting (see BDR), provided they can offer competitive price, quality and meet all other standards



JCT Team can provide assistance for business to get the certification, making them more competitive

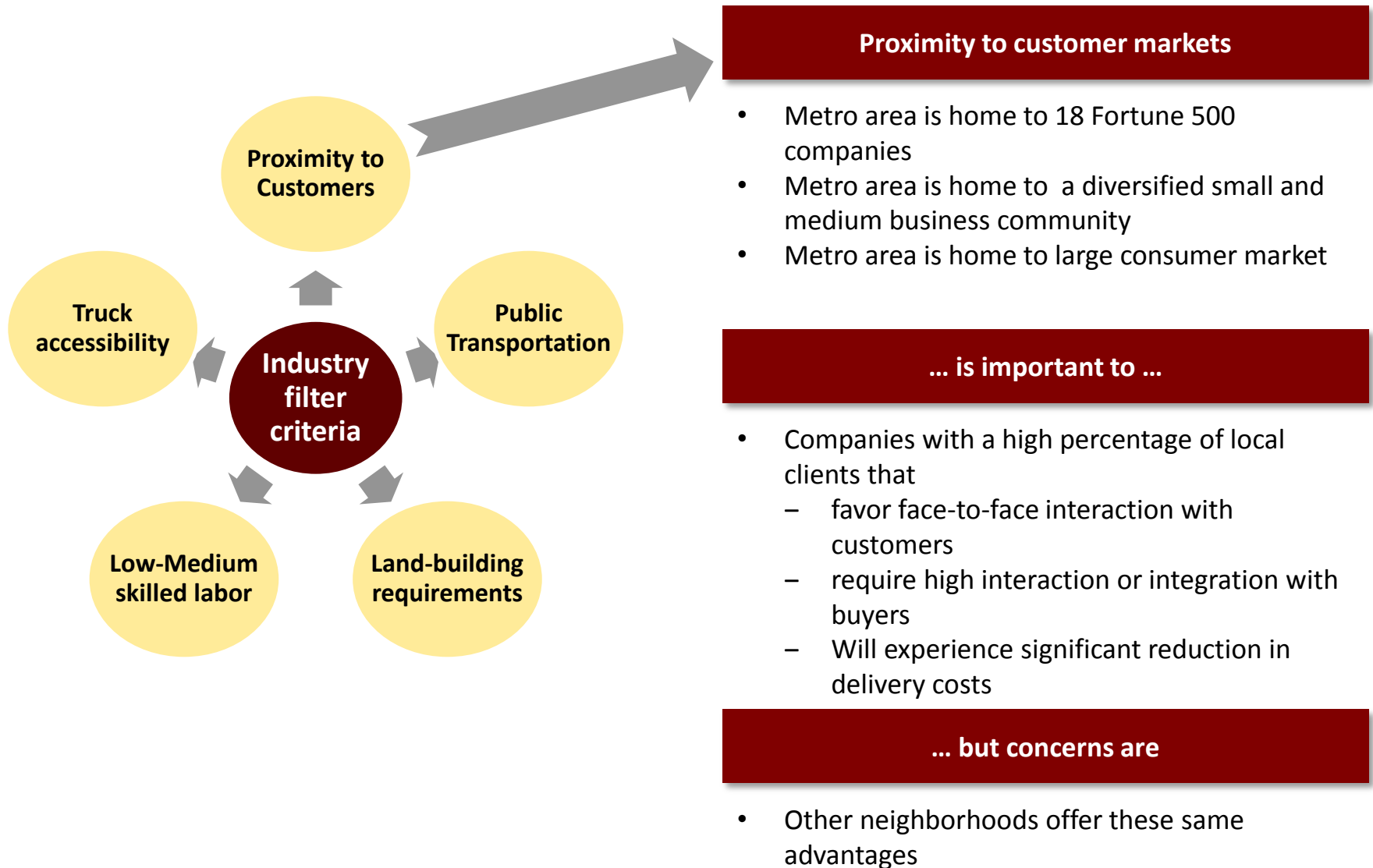
Agenda

- Review overall project scope and approach
- Discuss updates to Cut Fruit Express relocation
- Analyze plug and play office initiative
- Analyze CSR-driven packaging initiative
- Analyze other industries that make sense for NoMi job creation
- *Appendix*



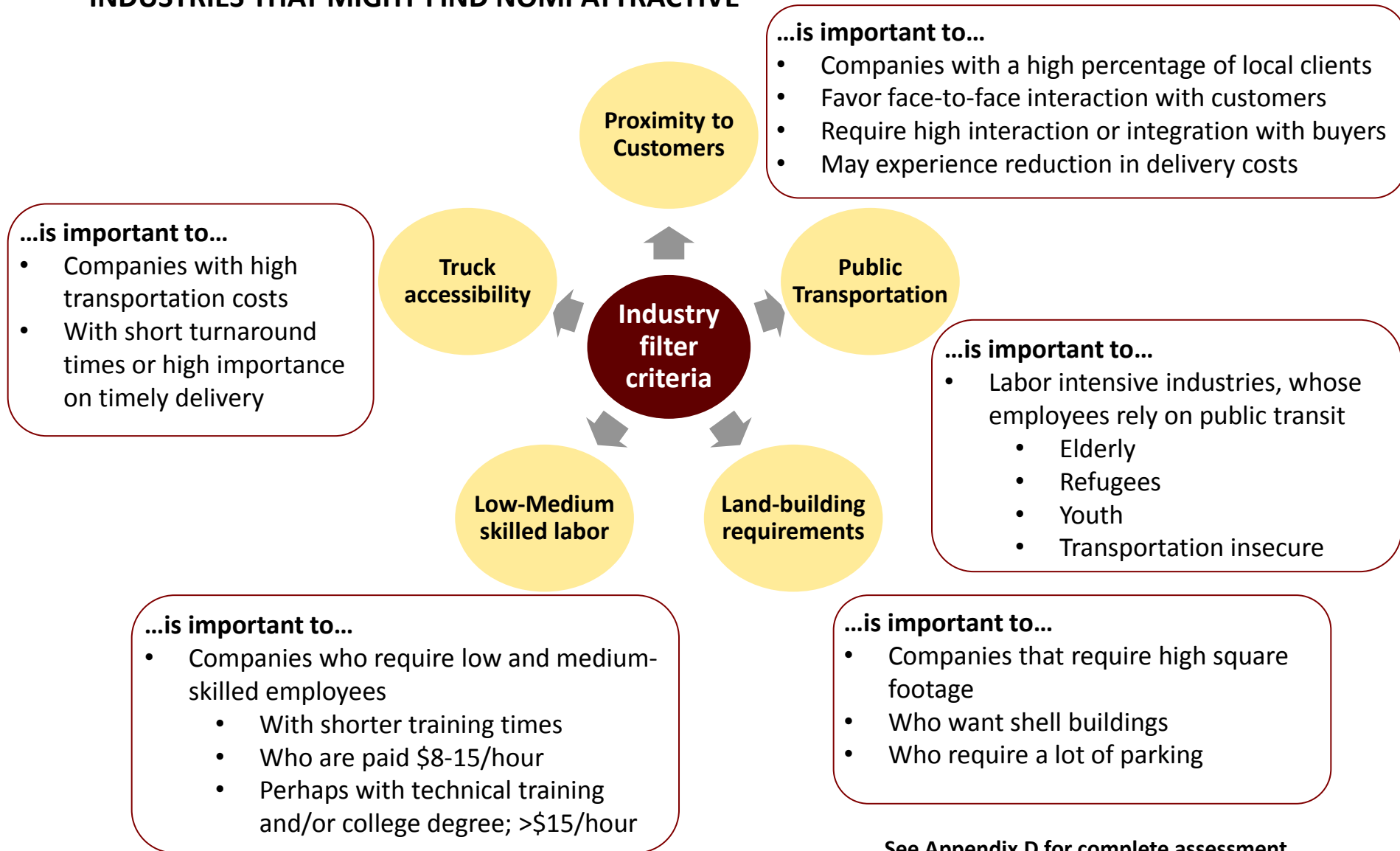
We explored the criteria that would make NoMi attractive and the industries that care

FIVE CRITERIA FRAMEWORK TO FURTHER ASSESS NOMI ATTRACTIVENESS TO INDUSTRIES



NoMi main qualities will be important certain types of industries

INDUSTRIES THAT MIGHT FIND NOMI ATTRACTIVE



See Appendix D for complete assessment

The Standard Industry Classification (SIC) helped us narrow down industries for NoMi

METHODOLOGY FOR PRE-SELECTING INDUSTRIES

The SIC Code

- Industries are grouped into progressively broader industries classifications, starting by the division, then major group and industry group
- E.g., Division D – Manufacturing, is divided into 40 major groups (codes 20 to 39), each group divided into hundreds of industries.

Methodology for Pre-selecting major-groups

- We selected divisions and major groups based on (a) job creation potential, (b) likelihood of recruiting labor locally and (c) fit to urban area.
- We applied our the criteria developed in the slides above to select examples of industries that might be a good fit for NoMi and vice-versa.

Next Steps

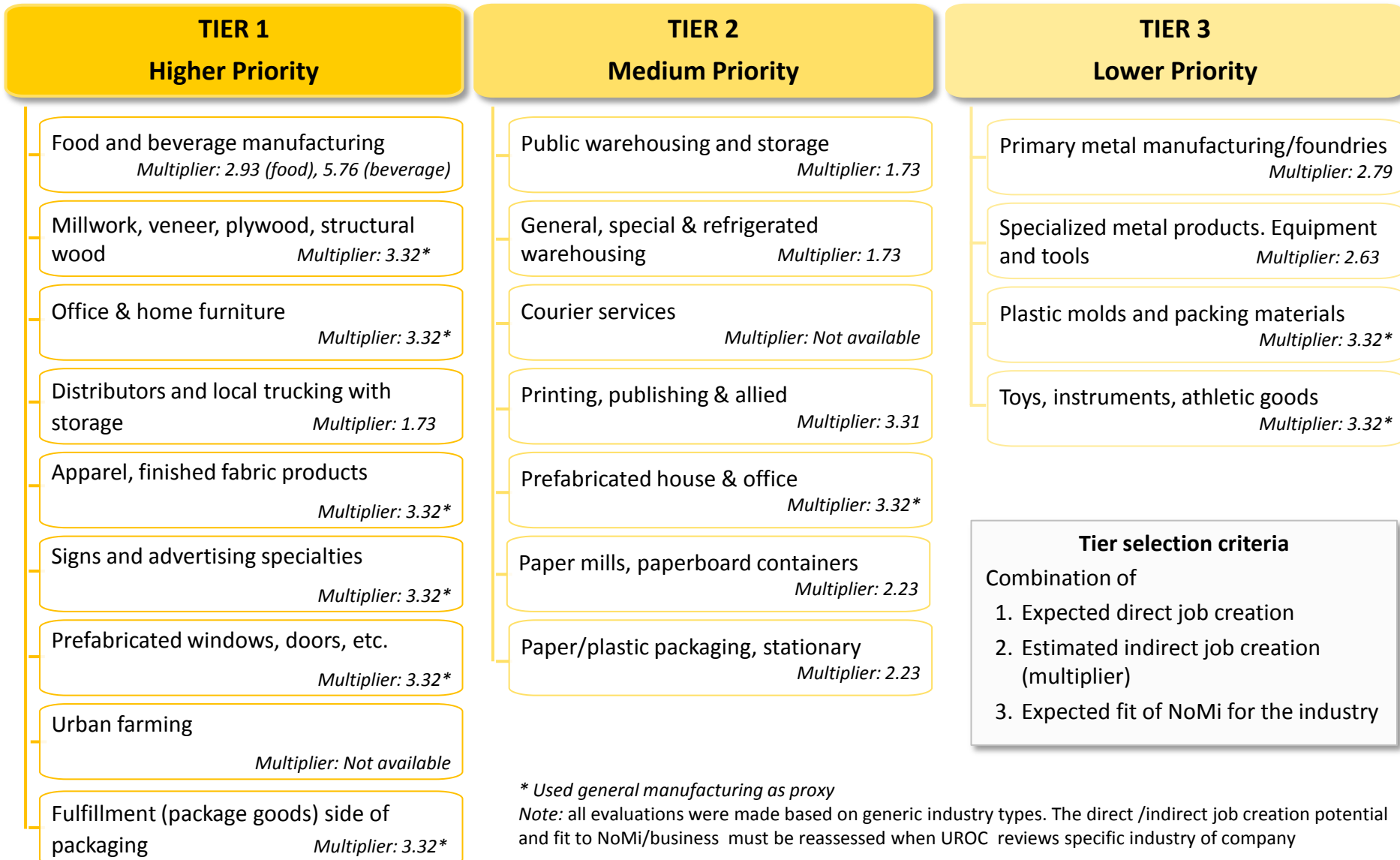
1. Develop better understanding of the industries selected
2. Reassess the fit to NoMi and vice-versa
3. Approach local businesses in these industries to pitch for relocation
4. Apply or Strategic and Practical evaluation framework to assess the impact and feasibility of relocation

The divisions and major-groups in yellow passed or initial screening



We divided the pre-selected industries into 3 tiers, based on likelihood of being a good fit

TARGETING THESE INDUSTRIES WOULD BE THE MOST EFFICIENT



* Used general manufacturing as proxy

Note: all evaluations were made based on generic industry types. The direct /indirect job creation potential and fit to NoMi/business must be reassessed when UROC reviews specific industry of company

Recommendation of next steps explore these opportunities

Next Step	Rationale	RACI	Timing
Develop a better understanding of the industries recommended	<ul style="list-style-type: none"> Provides clarification and confirmation of a potential list of partners for relocation to NoMi Industries that have reason to locate in NoMi (some advantage) will be more likely to consider 	<ul style="list-style-type: none"> Intern? – Responsible JCT - Accountable 	<ul style="list-style-type: none"> 0-3 months
Reassess the fit to NoMi and vice versa	<ul style="list-style-type: none"> Assessing the industry’s fit to NoMi and vice-versa helps JCT make a case for the business and NoMi 	<ul style="list-style-type: none"> Intern? - Responsible JCT - Accountable 	<ul style="list-style-type: none"> 0-3 months
Approach local businesses in these industries	<ul style="list-style-type: none"> Approaching businesses with high potential increases likelihood of success 	<ul style="list-style-type: none"> JCT - Responsible UROC - Accountable 	<ul style="list-style-type: none"> 3-6 months
Apply Strategic/Practical evaluation	<ul style="list-style-type: none"> In order to assess the impact and feasibility of relocation, need to evaluate strategic/practical viability 	<ul style="list-style-type: none"> JCT - Responsible UROC - Accountable 	<ul style="list-style-type: none"> 3-6 months

RACI Responsible, Accountable, Consulted, Informed

Conclusion

Cut Fruit Express

The Cut Fruit Express relocation is a strong job creation initiative because of its stability and strong business case for relocation. However, Cut Fruit Express will require low-interest or forgivable loans to cover relocation costs and the new site, and needs to sell its current site at a good price to afford the relocation.

Plug and Play offices

The Plug and Play office initiative could help create 8-25 new jobs in NoMi, but interviews revealed that consumers are somewhat skeptical of concept, and in-market testing to validate market demand is likely needed before UROC's influence is needed to locate site and financial support.

CSR-driven packaging

While obtaining philanthropic or CSR funding from local F500 firms appears to be difficult, packaging production could be a good fit for NoMi.

Refilling the hopper

Several industries, including beverage and food manufacturing, woodworking, and warehousing, that appear to be the best fit for NoMi job creation. The JCT team should focus efforts on finding and attracting firms in these industries to relocate operations to NoMi.

Agenda

- Review overall project scope and approach
 - Discuss updates to Cut Fruit Express relocation
 - Analyze plug and play office initiative
 - Analyze CSR-driven packaging initiative
 - Analyze other industries that make sense for NoMi job creation
- *Appendix*

List of Appendices

Appendix A	CFE business profile, CFE operations and plant, CFE Plant and Equipment
Appendix B	CFE Financial Statements
Appendix C	Financing Resources
Appendix D	Industry Attractiveness Criteria
Appendix E	Minority and Women Owned Supplier Certification Eligibility and Process
Appendix F	Interviews with leaders in Community Development and Job Creation Initiatives
Appendix G	Interviews with packaging leaders in customer and supplier sides
Appendix H	Interviews with housing & office related industry leaders

Appendix C – Financial Resources (1 of 4)

● Good Fit
 ● Neutral
 ● No Fit
 ● Not Assessed

	501(c)(3) Rev Bonds	Alt. Financing Program	Bank Qualified Direct Loan	Bus Dev Fund Loans	Energy Efficiency Loans	Homegrown Bus Dev Center
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Use	<ul style="list-style-type: none"> Tax-exempt financing for capital improvements 	<ul style="list-style-type: none"> Profit based financing tool – 0% interest for improvements 	<ul style="list-style-type: none"> Cost effective tax exempt loans 	<ul style="list-style-type: none"> Assist w/ redev projects that have potential to create jobs 	<ul style="list-style-type: none"> Provide financing for energy efficiency improvements 	<ul style="list-style-type: none"> Provide financing and tech assistance for food processing
Governance	<ul style="list-style-type: none"> IRS-Federal designation 	<ul style="list-style-type: none"> City of Minneapolis 	<ul style="list-style-type: none"> City of Minneapolis and Bond Council 	<ul style="list-style-type: none"> CPED and Center or Energy and Environment 	<ul style="list-style-type: none"> CPED and Center or Energy and Environment 	<ul style="list-style-type: none"> Metropolitan Consortium of Community Dev (MCCD) & CPED
Fund Source	<ul style="list-style-type: none"> Federal Government 	<ul style="list-style-type: none"> 50/50 City of Minneapolis and private lenders 		<ul style="list-style-type: none"> Participating Lenders 	<ul style="list-style-type: none"> City of Minneapolis 	<ul style="list-style-type: none"> City of Minneapolis
Potential \$'s Available		<ul style="list-style-type: none"> \$50K 	<ul style="list-style-type: none"> \$1-\$2 M 	<ul style="list-style-type: none"> \$75K or 50% of project costs for GAP FINANCING 	<ul style="list-style-type: none"> \$75K 	<ul style="list-style-type: none"> \$10K for 5 yrs
Estimated fit for CFE	<ul style="list-style-type: none"> REJECTED - For use by no-profits 	<ul style="list-style-type: none"> Does CFE qualify as retail, service, or light manufacturing? 	<ul style="list-style-type: none"> REJECTED - For use by no-profits 	<ul style="list-style-type: none"> Repayment credits available for each MN resident hired & retained 1 yr 	<ul style="list-style-type: none"> Energy efficiency is beyond scope for project. May provided benefit w/ abatements 	<ul style="list-style-type: none"> 10% of ingredients must be from MN or within 200 mi of state line

* City of Minneapolis CPED website

Appendix C – Financial Resources (2 of 4)

● Good Fit
 ● Neutral
 ● No Fit
 ● Not Assessed

	Great Streets Gap Financing	Revenue Bonds	2% Loans	2% Commercial Corridor Loans	Working Capital Program	Tax Increment Financing (TIF)
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Use	<ul style="list-style-type: none"> Transformative dev in designated commercial corridors 	<ul style="list-style-type: none"> Finance medical, commercial, and non-profit facilities 	<ul style="list-style-type: none"> Support small businesses w/ equip and facility improvements 	<ul style="list-style-type: none"> Financing to small business in commercial corridors 	<ul style="list-style-type: none"> Provides working capital only 	<ul style="list-style-type: none"> Public financing method – redev and community improvement
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Governance	<ul style="list-style-type: none"> City of MPLS City Council & Federal Block Grant 			<ul style="list-style-type: none"> City of MPLS & CPED 		
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Fund Source	<ul style="list-style-type: none"> City of Minneapolis 			<ul style="list-style-type: none"> Private lender 	<ul style="list-style-type: none"> Private Banks 	
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Potential \$'s Available	<ul style="list-style-type: none"> Last resort loan- Typical size \$150K-\$450K 	UNKNOWN		<ul style="list-style-type: none"> Up to \$75K for equipment and improvements 	UNKNOWN	
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Estimated fit for CFE	<ul style="list-style-type: none"> Need to define “transformative” and “designated commercial corridor, node and LRT station areas” 		<ul style="list-style-type: none"> Need to define “small business” 	<ul style="list-style-type: none"> Need to clarify eligible improvements. “may not be replacement equipment” 	<ul style="list-style-type: none"> Will be determined by financial health of CFE 	
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• City of Minneapolis CPED website
 ** http://www.minneapolismn.gov/cped/ba/cped_two_percent_commercial

Appendix C – Financial Resources (3 of 4)

● Good Fit
 ● Neutral
 ● No Fit
 ● Not Assessed

	EB-5 Investor Program	Brownfields Program	Henn. Co. Transit Dev. Grants	Small Business Administration	Local Banking Community	Non domestic funding sources
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Use	<ul style="list-style-type: none"> Foreign sourced low interest business loans for job creation 	<ul style="list-style-type: none"> Grants to assist contaminated property cleanup 	<ul style="list-style-type: none"> Redevelopment to enhance transit use 	<ul style="list-style-type: none"> Provide many advising and funding services 	<ul style="list-style-type: none"> Traditional lending products 	<ul style="list-style-type: none"> Business loans to spur job creation
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Governance	<ul style="list-style-type: none"> North Dakota/Northwest Minnesota EB-5 Center 		<ul style="list-style-type: none"> Hennepin County 	<ul style="list-style-type: none"> Federal 		
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Fund Source	<ul style="list-style-type: none"> Foreign Investors 				<ul style="list-style-type: none"> Local commercial banks 	
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Potential \$'s Available	<ul style="list-style-type: none"> \$1M per 10 jobs created 	UNKNOWN				
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Estimated fit for CFE		<ul style="list-style-type: none"> Applicable only to certain properties 				
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* City of Minneapolis CPED website

Appendix C – Financial Resources (4 of 4)



	Sm Business Dev Loan Program	SBA 504 Loans				
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Use

- Loans for Manufacturing and Industrial Small Business

- Growth, relocation and modernization

Governance

- Minnesota Agriculture and Economic Dev Board (MAEDB)

- SBA and Certified Development Company (CDC)

Fund Source

- State of Minnesota

- Private Banks

Potential \$'s Available

- 80% of total cost up to 5M

- \$5.5 M

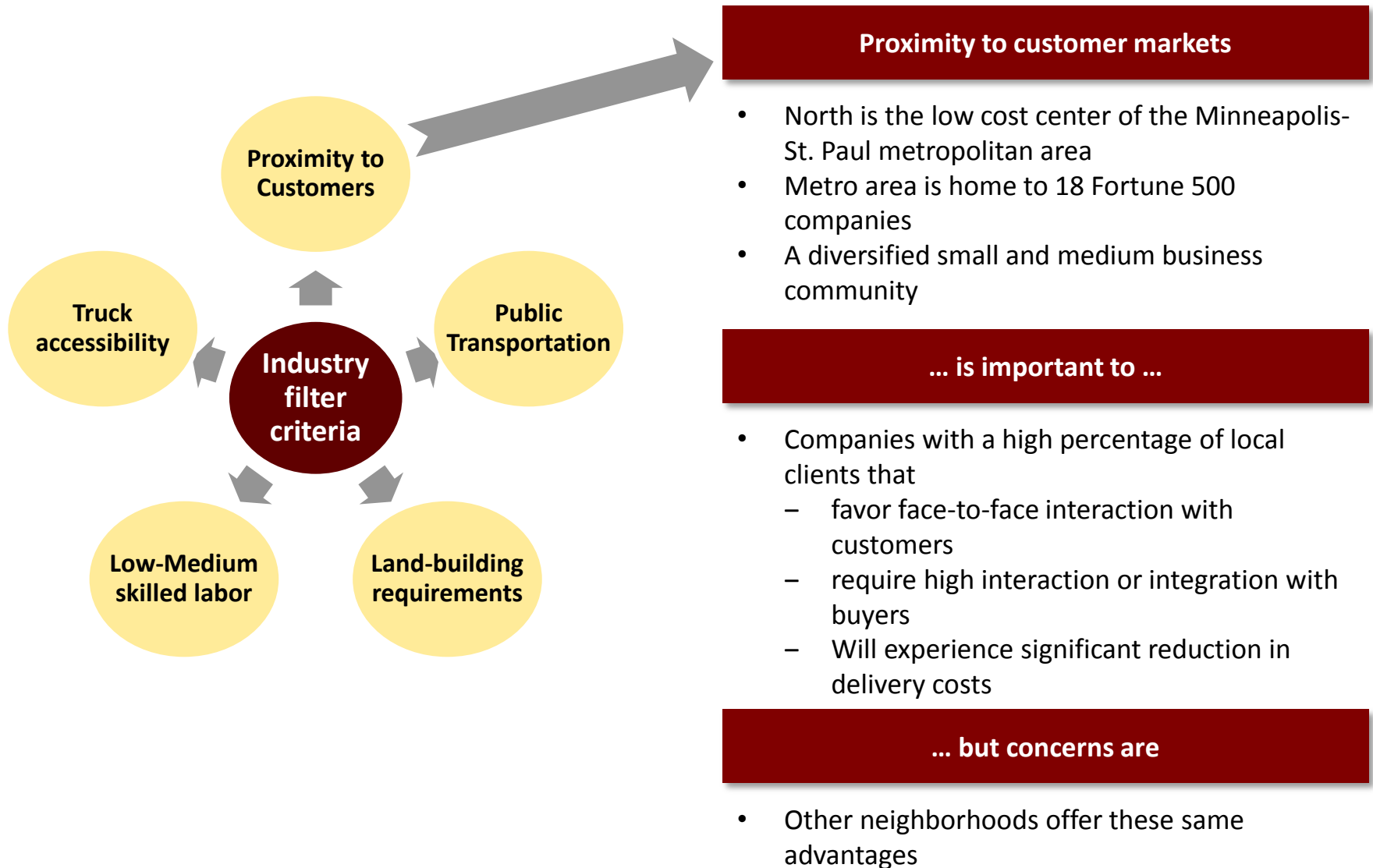
Estimated fit for CFE

- Must meet employment targets

* City of Minneapolis CPED website

Appendix D: Attractiveness Criteria

WE IDENTIFIED FIVE CRITERIA TO ASSESS THE ATTRACTIVENESS TO INDUSTRIES



Appendix D: Attractiveness Criteria

WE IDENTIFIED FIVE CRITERIA TO ASSESS THE ATTRACTIVENESS TO INDUSTRIES

Mass Transit for employees

- NoMi is within 10 mi. of 2 interstate and numerous regional highways
- Metro Transit supports 11 bus lines, including 3 express routes

Truck Access

- Highways 94 & 35

... is important to ...

- Labor intensive industries, whose employees rely on public transit
 - Elderly
 - Refugees
 - Youth
 - Transportation insecure

... is important to ...

- Companies who use a lot of trucks

... but concerns are

- NoMi doesn't offer an advantage compared to other neighborhoods in the Metro area

... but concerns are

- Dock fees from the met council may erase part of this advantage

Appendix D: Attractiveness Criteria

WE IDENTIFIED FIVE CRITERIA TO ASSESS THE ATTRACTIVENESS TO INDUSTRIES

Industrial zoning

- Significant commercial zoning exists
 - Along MS River
 - West Broadway
 - Humbolt Industrial area
 - Camden Industrial area

Low and medium skilled labor

- Low educational attainment and job skills supply
- 65% of employed residents commute outside of Mpls for work

... is important to ...

- Companies that require high square footage
- Who want shell buildings
- Who require a lot of parking

... is important to ...

- Companies who require low and medium-skilled employees
 - With shorter training times
 - Who are paid \$8-15/hour
 - Perhaps with technical training and/or college degree; >\$15/hour

... but concerns are

- High renovation costs
- Need to rebuild or fix the building

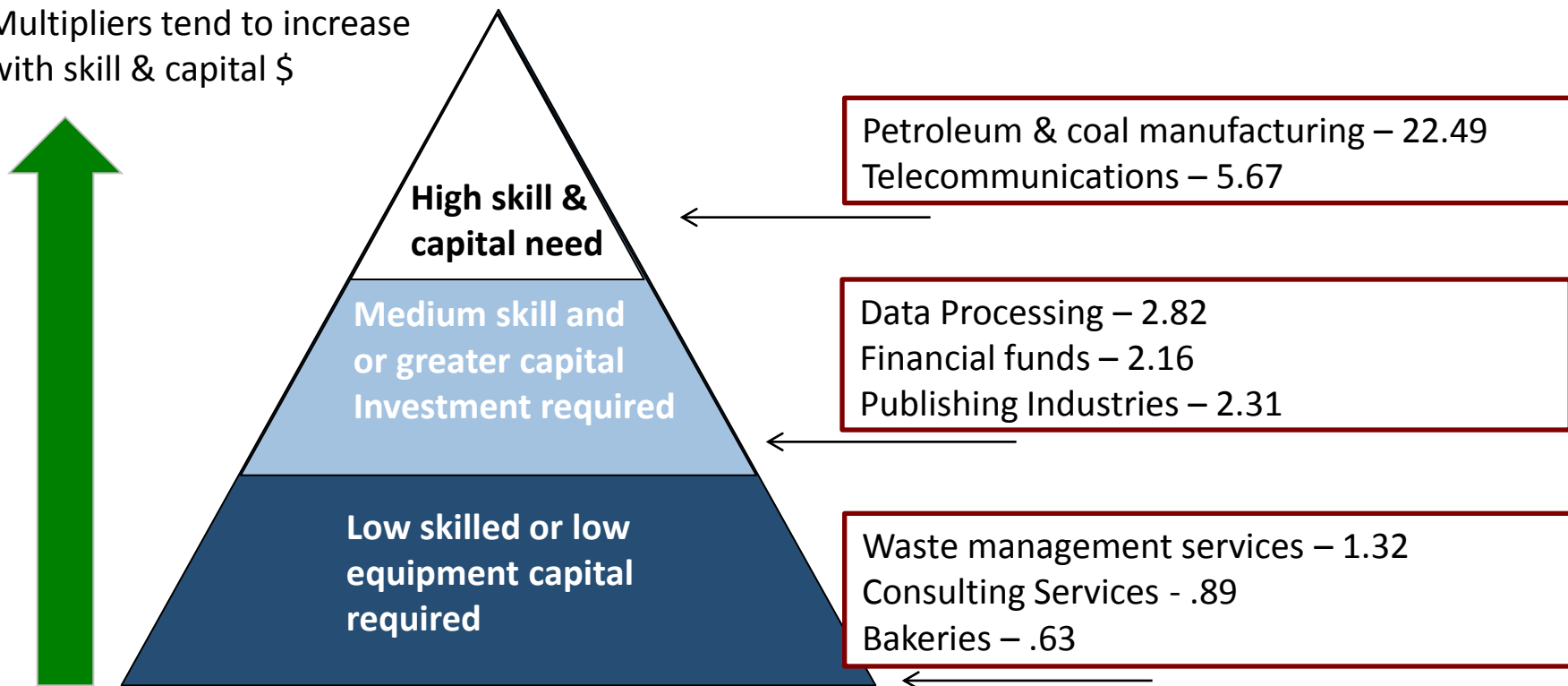
... but concerns are

- Creating the right types of jobs
- Which sustain people above the poverty line

APPENDIX D - Attractiveness Criteria

SAMPLE EMPLOYMENT MULTIPLIERS

Multipliers tend to increase with skill & capital \$



Key Takeaway: Many companies currently operating within NoMi would have a multiplied impact on the neighborhood if they added even a modest number of additional jobs
A Strategy to add jobs should account for existing businesses and incentives

Source: Patrick Holwell – Denver, CO Workforce Study
• Limited mobility of workforce will limit leakage

Appendix E – Minority and Owned Supplier Certification

BRIEFING OF NMSDC – NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL CERTIFICATION



Eligibility

Business owned by minority individuals

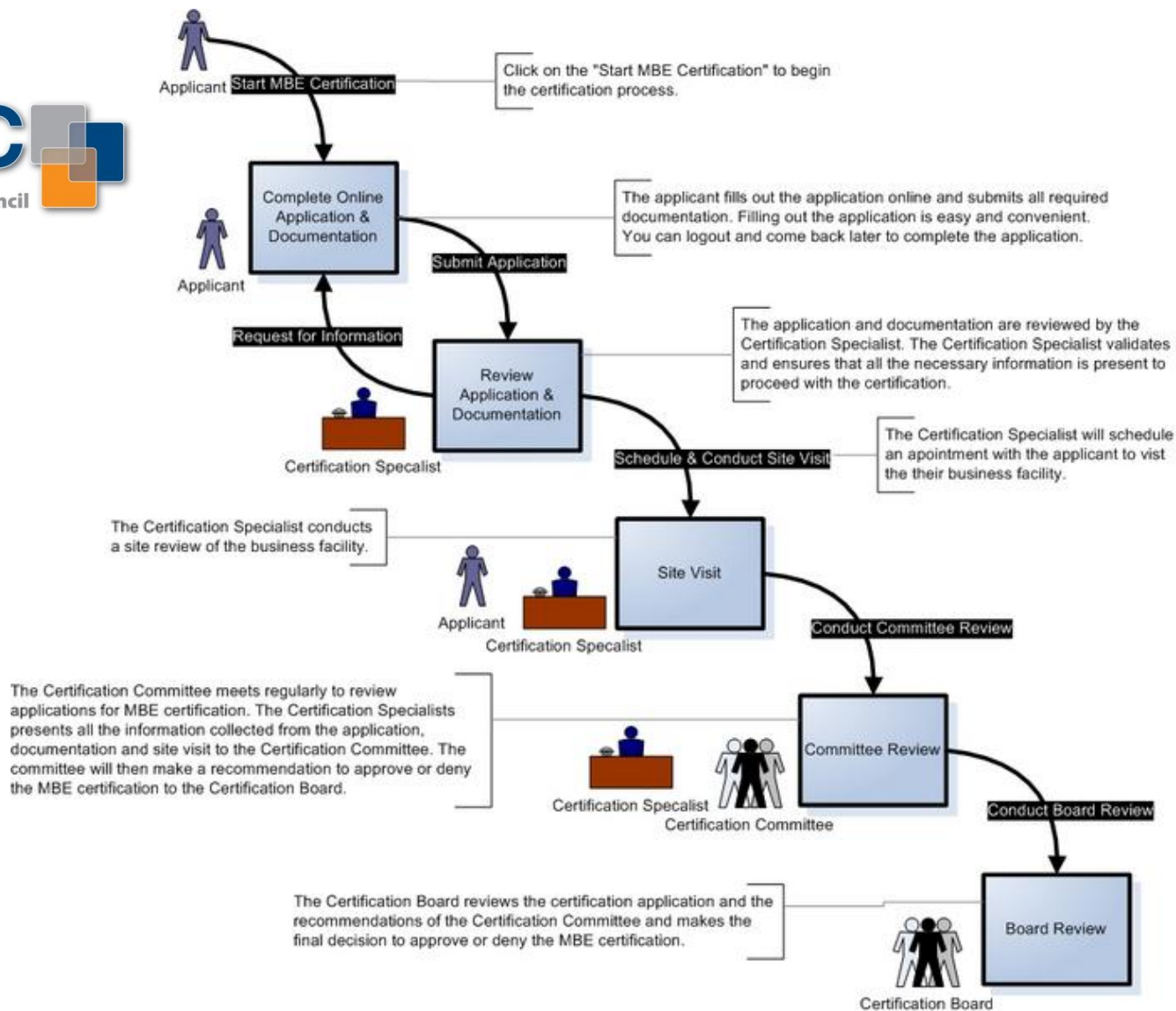
- Ownership means
 1. The business is at least 51% owned by such individuals or, in the case of a publicly-owned business, at least 51% of the stock is owned by one or more such individuals; and
 2. The management and operations are controlled by those minority group members.
- An individual is considered member of a minority group when she is at least 25% Asian, Black, Hispanic and Native American.

Application

- Application is standardized and processed by the regional affiliate councils.
- The Midwest Minority Supplier Development Council (MMSDC), based in Minneapolis, handles applications in Minnesota, North and South Dakota, Western Iowa and Nebraska (see <http://affiliate.nmsdc.org/mmsdc/>)
- MMSDC list the following criteria in addition to the ownership described in Eligibility
 1. For-profit enterprise
 2. Business physically located in the United States or its trust territories
 3. The minority/ethnic owner(s) of the business are U.S. citizens

Appendix E – Minority and Owned Supplier Certification

BRIEFING OF NMSDC APPLICATION PROCESS, MINNESOTA CHAPTER



Appendix E – Women Owned Supplier Certification

BRIEFING OF WBENC – WOMEN BUSINESS ENTERPRISE NATIONAL COUNCIL CERTIFICATION



Eligibility

- Applicant company must be at least 51% owned and controlled by one or more women who are U.S. citizens or lawful permanent residents, or in the case of any publicly-owned business, at least 51% of the equity of which is owned and controlled by one or more women who are U.S. citizens or lawful permanent residents; and
- Management and daily operation must be controlled by one or more of the women owners.

Application

- Applications are made by filling online forms and contracts, together with presenting the documentation require
- WBENV will carry on a detailed due diligence. Among other information, he applicant must inform (a) list of owners, board of directors, officers, trusts and companies that own any equity in the company; (b) number of women working for the business, including the owner, (c) equipment and vehicles owned by company, (d) lawsuits the company is involved in , to name a few.
- For additional information on application process and eligibility criteria, refer to http://www.wbenc.org/default/Documents/Certification/Standards_Procedures_Mar08.pdf

Appendix F – Interview Summary: CPED Common Bond Fund –



Community Planning and Economic Development

Contact Name: Charles Curtis

Title:

Phone: 612-673-5079

Generic Terms & Conditions of CPED Financing

General Conditions

- Fixed rate financing
 - 10 years equipment
 - 20 years land and buildings
- Minimum 10% equity requirement
- Guarantees of owners and spouses
- Financing lease structure
- Monthly payments of principal and interest

Insurance

- Minimum \$2 million liability and business interruption insurance at least equal to one year's debt service on all debt
- CPED named additional insured on all insurance
- Building and equipment must be insured for fair value and not less than outstanding debt
- Covenants for debt service coverage – net worth – current ratio

Restrictions and Other Conditions

- No dividends, distributions, or payments in excess of established salary level to shareholders or related parties and entities unless covenants met
- Title, survey, environmental, and flood plain reports required
- Borrower pays cost of execution of bond issue
- Debt service reserve equal to 1 year's debt service on bond issue
 - Borrower pays interest at bond rate and receives interest income on balance held by trustee and at end of this fund pays last year's debt service
 - Option for borrower to post letter of credit from acceptable bank
- Annual administrative fee to CPED of 3/8 % of the original par amount of bonds issued and on ongoing annual trustee fee of approximately \$2,000

Appendix F – Due Diligence Checklist – CPED Common Bond Fund (Generic)



Community Planning and Economic Development

Contact Name: Charles Curtis

Title:

Phone: 612-673-5079

Collection of the following is the responsibility of business owner applicant

Description of Objective and Non-Financial Characteristics

- Source and use of funds for project
- Floor plan for proposed space and equipment description
- Ownership of company
- Projections for succeeding five years including capital and equipment acquisition budget
- Top ten (10) client list and contact information
- Copy of working capital credit line
- Status of income tax audits, if any
- Real estate items, title, survey, environmental zoning
- List of litigation
- Copies of any material contracts, i.e. loan agreements, union agreements, long-term supply and sale contracts, unfunded employee benefit plans, employment agreements, etc.
- Business plan
- Succession plan
- Attorney

Financial Data

- Past three (3) years audited financial statements
- Current year to date unaudited financial statements compared to prior year
- Capital expenditures for last three (3) years
- Financial statements of guarantors (Individuals with greater than 10% ownership and spouses)
- Accounts receivable aging
- Life insurance on guarantors
- Insurance for liability and physical damage
- Accountant

Appendix F – Interview Summary: Janna King



Name: Janna King

Title: President, Economic Development Services, Inc.

Contact Info: (612) 925-2013, jking@econdevelop.com

Date of Interview: 2/18/13

Economic development experience

- Has been doing economic development for several years
- Started in Brainerd area, was first president of St. Cloud business development
- Most recent project was relocating a foundry (262k ft²). Had to organize training for workforce and fast-track a landfill project
- Also has worked in TX, and currently works with Met Council and Xcel Energy

Lessons learned

- Best way to justify a relocation project is to do a 10-15 year pro-forma, if possible, weighing out the pros and the cons
- Best thing the city can do is help with the transition, not the ongoing operations of the business.
- There are lots of short-term headaches, including the building, land, insurance, phones, labor
- Has not seen philanthropic efforts work out before (not to say that they can't), maybe could work with General Mills foundation to donate to UROC

Prioritization of opportunities

- “If it’s just an idea, there’s lots of work to be done. This is something long-term that will require lots of resources”
- The first priority would go to businesses that are going concerns, and have an owner that’s open to moving
- Can de-prioritize struggling or contracting businesses
- Also need to look at fit with workforce for prioritization

Referrals

- David Stokes, SIOR, commercial realtor (david.stokes@cassidyurl ey.com) may be useful in selling the old building
- Recommended using mncar and greatermsp for commercial property searches
- Recommended SBA504 loans (only requires 10% down, 20 year fixed rate)
- Stu Ackerberg would be a good contact, and he also has a building that may fit our needs

Appendix F – Interview Summary: Kenneth Knuckles



Name: Kenneth J. Knuckles

Title: President and CEO of the Upper Manhattan Empowerment Zone Development Corporation (UMEZ)

Contact Info: kknuckles@umez.org or 212-410-0030

Date of Interview: 03/07/2013

Background	More Background	Recommendations / Keys to Success	Results	Other
<ul style="list-style-type: none"> • UMEZ was set up during the Clinton era to be a job creation vehicle • 501-C3 • \$300 Million in capital to begin from local and federal governments • BRONX received \$50 Million • Focus investments in several ways: <ul style="list-style-type: none"> ➢ Lending to projects of specific scales that create jobs. ➢ Cultural economy: arts, museums, etc... to bring tourists into the city 	<ul style="list-style-type: none"> • Also do a lot of small business lending: restaurants, mom and pop business, etc... • Bring in outside consultants to develop the workforce so they are ready for work • Harlem = 550,000 people, 1/3 of all Manhattan • Primarily African American and Latino • More whites moving in 	<ul style="list-style-type: none"> • Get public money is involved • Require job creation for loans given out - Approximately \$35,000 per job • Make sure the workforce is completely ready for work • No one size fits all • All projects are put forth by community which creates buy-in. Ideas not forced by government 	<ul style="list-style-type: none"> • Created 9,000 jobs – 2/3rds of which have been full time • Significant amounts of loans repaid • They have become self sustaining and no longer reliant on the funding from the federal government • Median income up from \$20,000 to \$27,000 	<ul style="list-style-type: none"> • Waiting to hear back on potential contacts from other cities • UMEZ is one of the original 9 cities that was given funding from the Federal Government • Only the first 9 were given federal grants • They were one of the few that were able to thrive after funding ended because they had become self sufficient

Appendix F – Interview Summary: Jonathan Truong



Name: Jonathan Truong

Title: Graduate Student at the Humphrey School of Public Affairs

Contact Info: truo0108@umn.edu

Date of Interview: 02/27/2013

Background	His Project	Recommended Contacts	Other Ideas	Relocation Caution
<ul style="list-style-type: none"> • Works with Samuel Myers • Graduate Student and TA • Roy Wilkins Center for Human Relations and Social Justice 	<ul style="list-style-type: none"> • He is working on a project with Sam Myers and several graduate students • Working with the African American Leadership Forum (AALF) • Examining many groups and welfare programs to ultimately try and decrease inequality between races • Minnesota Family Investment Program is an example 	<ul style="list-style-type: none"> • EMERGE • Kylie Patterson • Northside Economic Opportunity Network (NEON) • Twin Cities Rise • Northside Achievement Zone (NAZ) • HIRED in North Minneapolis 	<ul style="list-style-type: none"> • He recommended we look into another idea for the North Minneapolis area called Cookie Cart 	<ul style="list-style-type: none"> • He understands that we are looking at relocating another company to North Minneapolis to help create jobs in that area. • He advises that we consider the side effects associated with bringing in another company such as higher property costs.

Appendix G - Interview Summary: Marcia Popa (1 of 2)



Name: Marcia Popa

Title: undisclosed

Contact Info: non-public

Date of Interview: 4/19/13

Selecting Packaging Suppliers

Audit and Compliance with Regulation

- Main concerns: Contamination/food contact. Buyer will check supplier compliance with higher standards of sanitation, hygiene and quality of packaging (materials and process).
- Compliance check / Audit: packaging practices get audited and monitored by buyers (e.g., GM and 3M) and 3rd party auditors, particularly when it involves products with high contamination risk (e.g., dairy). 3M does less direct investigation on suppliers, relying more on certification organizations (ISO, for example)
- Financials: suppliers must be financially stable. Buyers will check the suppliers financials and ratings periodically.
- Other Criteria: All else being equal, buyers will prefer contracting with suppliers that (a) are minority owned; (b) thinks about environment.

Other screenings

- Specialization: by specialization and type of material (cereal box, yogurt lid, etc.).
- Proximity: Supplier needs to be close to buyer's manufacturing plant to reduce time-to-deliver and costs. Generally the buyer contract with one supplier that has manufacturing facilities in many different locations.
 - However, this may change depending on the type of packaging. Corrugated containers, moving containers – bulky and use a lot of room. Don't want to ship very far. Others, like rollstock (used for couches?), can be shipped farther because it can be condensed, rolled.

Appendix G - Interview Summary: Marcia Popa (2 of 2)



Name: Marcia Popa

Title: Undisclosed

Contact Info: non-public

Date of Interview: 4/22/13

Supplier size and Relationship with buyer

Volume considerations

- **Volume:** High volume or low volume is what defines whether a small supplier can handle the demand. Buyers try to diversify as much as they can.
- **High volume:** Large Suppliers: Fortune 500' generally place high volume orders. Suppliers must have scale and locations that allow them to reduce shipping cost and attend the volume demand. Big integrated companies can run high volume. Besides, the more volume they give to a supplier, the better it will help the cost structure.
- **Low volume:** Small suppliers: Niche supplier (for smaller volumes) might be able to attend specific needs. Whenever this is the case, companies might favor minority owned supplier, all else being equal. Also, bigger suppliers are less interested in small-volume lines.
- **Note:** GM tend to use bigger packagers to leverage their size – steady, large orders. 3M's dental division uses big and small suppliers. Marcia was surprised to see how many smaller suppliers 3M does work with.

Relationship and integration

- **Relationship:** generally longer term (2+ years). Often no formal contract, but if there is a contract, it will be bid out periodically to ensure best prices. It takes long time to transition from a supplier to another (logistic adjustments and compliance checks). In exceptional cases, relationship can be transactional. The largest the risk of contamination / the more specialized the supplier / the largest the volume, the least transactional will be the relationship.
- **Replacement:** Buyer generally has a number of possible suppliers with whom they quote periodically, guaranteeing the best possible price. This allows flexibility in case buyer needs to replace supplier.
- **JIT integration:** Both supplier and buyer seeks to reduce inventory and use JIT delivery. Stage of JIT systems depends on product line. Managing suppliers is an extremely complex matter and inventory levels/JIT have to work for both sides. .

Appendix G - Interview Summary: Columbia Burlap & Bag Company



Name: Dave

Title: Head of Columbia Burlap & Bag Company and (Kansas City, MO) and Dallas Bag & Burlap Co. (Dallas, TX)

Contact Info: non-public

Date of Interview: 4/4/13

Referral: Rick of Berg Bag Company, MN

Company background

- **Origin:** founded in 1950 as used bags distributor in Kansas City
- **Business:** Import s and distributes burlap bags and other burlap products, woven polypropylene products including sand bags; manufactures wire baskets for the tree growing industry
- **Customer:** mostly B&B. Sell straight to business and other bag companies . Customers are long term and generally source their entire needs with the company
- **Area:** not regional; business model allows to do business all over the world if needed
- Recently moved Dallas location

Key aspects of neighborhood

- **Ability to move goods in and out quickly:** (a) Intersection of interstate highways (Kansas plant 1 mile from intersection); (b) ease of transportation and wide street: trucks in and out
- **Space to hold inventory** (seasonal business): availability of warehousing
- Key need #3: availability of labor:
- **Workforce:** (a) nature of workforce determine location; (b) needs low to middle skilled labor (equipment operator, loading / unloading goods)
- **Utilities:** speed of response from utility companies to adverse events. Is the neighborhood a priority?

Building requirements

- **Space:** (a) Kansas city manufacturing and warehouse facility: 200,000 sq. ft.; (b) Dallas warehouse and processing: 20,000 sq. ft.
- **Other:** 16-18 ft. ceiling and 3-5 good docs
- **Parking:** 10-20, since it is not labor intensive
- **Other comments:** Image is not as important as practicality – the business is all about sales

Employees

- **Type:** low skilled, middle class blue collar
- **Pay:** \$12 an hour
- **Training:** depends on the function – operating machines are more skilled; loading / unloading docs and machines are less skilled
- **Number:** 25-35 employees, reaching 40, during peak season; 7-8 employees (15 in peak season) are low skilled
- **Other comments:** Need people that take pride of what they are doing and won't be frustrated doing repetitive work for long time

Appendix G - Interview Summary: Mike Fiterman (1 of 2)



Name & Company: Mike Fiterman, Liberty Packaging

Contact Info: non-public

Date of Interview: 4/26/13

Referrals:(a) Stuart Ackerberg, experienced NoMi developer and (b) Father O’Connel, who has been working on the development of the North from educational and financial standpoints

General Information

Liberty Company Profile

- **Size and Customers:** Mid-size business, serving either big corporations (Fortune 500’s) or mom-and-pop businesses. Fortune 500 companies generally work with the largest packaging players (e.g., International Paper Company and Georgia-Pacific). Mom-and-pop customers are served by smaller packaging plants.
- **Products:** includes making paper, paperboard, designing boxes, die-cutting boxes, folding and gluing

Suggested industries for NoMi

- **Fulfillment:** the side of the business that puts the products in the boxes, which is more labor intensive than packaging manufacturing.
 - Mike mentioned Rise (in Anoka) and Minnesota Diversified Industries – MDI have a contract with USPS to package stamps for collectors

Size and locations requirements

- **Minimum size to operate:** 50k sq. ft., which would include small warehousing space. Smaller facilities might not be able to reach the scale need to fund capital required to operate.
- **Proximity to customers:** closer is always better. However, some types of packaging (solid material, folding cards) can be shipped longer distances, because you can load a lot of weight in the truck. Other packages, such as corrugated, cannot be shipped long distance because they occupy a lot of truck space (ship “air”). Even when you can ship long distance though your price might not be competitive with that of closer competitors.

Appendix G - Interview Summary: Mike Fiterman (2 of 2)



Name & Company: Mike Fiterman, Liberty Packaging

Contact Info: non-public

Date of Interview: 4/26/13

Referrals: (a) Stuart Ackerberg, experienced NoMi developer and (b) Father O'Connel, who has been working on the development of the North from educational and financial standpoints

Industry Characteristics

Packaging industry profile

- **Cost structure:** Higher portion of the costs comes from general overhead (rent, heat, electricity, depreciation) and raw material. Labor accounts for no more than 15-20% of the costs. This is an industry that is not labor intensive.
- **Capital Intensity:** Capital investment to start a plant is extremely high (millions of dollars in equipment), especially in the corrugated container, cardboard and folding-card (e.g., cereal boxes) businesses. Business would only be profitable above the \$10 Million annual sales mark. Startups are not common, unless existing business decide to enter the packaging industry to leverage on relationships.
- **Labor:** A 50k sq. ft. facility would employ around 6-7 low-skilled workers (high automation), or 25-30 (low automation). Due to increasing competition, low automated facilities are uncommon.
- **Warehousing (inventory carrying cost):** Due to complexity and time required to setup the equipment, suppliers tend to produce the entire order at once. Since clients require delivery of small portions of the order every week, suppliers ends up storing high volumes of product in their facility. .

What are customers looking for?

- **Competitive price:** The industry is highly competitive. Price is set on reverse auction bids, which drive prices down. Although customers and suppliers aim for long term relationship, all else being similar, a better price is what determines the choice of supplier.
- **Reliability:** Customer must trust that supplier will supply quality products and fulfill the order timely. To do that, customers check (a) supplier financial health; (b) size of operations; (c) distribution system; (d) level of automation; (e) time playing in the industry, etc..
- **Quality:** Suppliers must be able to consistently manufacture quality products and deliver them without damage. This will be a factor of quality of machinery, distribution system, etc.

Appendix G - Interview Summary: Marketing Manager, General Mills



Name: [withheld]
Title: Marketing Manager
Contact Info: non-public
Date of Interview: 4/24/13

Selecting Packaging Suppliers and Relationship with Buyer

Audit and Compliance with Regulation

- **Main concerns:** General Mills has high standards for food safety and contamination of anything that would go with a product.
- **Compliance check / Audit:** The sourcing department at General Mills audits the large packaging partners to ensure compliance.
- **Other Criteria:** All else being equal (quality, safety, and price), General Mills does have a goal for working with suppliers that (a) are minority owned; (b) thinks about environment.

Integration with Suppliers

- **Specialization:** by specialization and type of material (cereal box, yogurt lid, etc.). However, General Mills has low involvement unless for a specific reason. ie) cost-reduction with the packager, or a specific pallet or packaging design.
- **Proximity:** Suppliers are generally close to manufacturers, and General Mills uses only a few, large partners.

Volume/Price considerations

- **Relationship:** General Mills uses a few, large suppliers, and the relationship is managed through sourcing.
- **Replacement:** When a new contract is initiated, General Mills' internal packaging R&D will submit specs for RFP to packaging companies. In most cases, existing partners are the best fit.
- **Price pressure:** Price is very competitive. In one recent case, General Mills was looking to use a smaller, specialized supplier for a unique product. An existing, large supplier immediately matched price to negate any advantage of the smaller player.

Appendix F - Interview Summary: ModSpace

Name: Doug Olson

Title: Territory Sales Manager

Contact Info: (612) 418-5568 doug.olson@modspace.com

Date of Interview: May 7, 2013



Background	Sales Process	Cost Structure	Other Comments
<ul style="list-style-type: none"> • University of Minnesota alumnus • ModSpace is “able to provide pretty much anything” • Customer segments include: <ul style="list-style-type: none"> • Temporary and semi permanent school rooms • Showrooms for residential development – designer services w/ show rooms and french doors • Field offices and living spaces for remote development • Taco Bell 	<ul style="list-style-type: none"> • Majority of sales are to returning clients or referrals <ul style="list-style-type: none"> • Customers value consistency and reliability of service • Most customers understand their needs and innovation in the industry is low • Diagnosis of need is specific to the customer and customer requirements are able to be retro fit <ul style="list-style-type: none"> • Modifications include: <ul style="list-style-type: none"> • Nurses station • ADA features • Bathrooms • Room expansions • Man-camp features 	<ul style="list-style-type: none"> • Most costs are built into a lease ranging from 1 month to 3 years or more • Costs include <ul style="list-style-type: none"> • \$/sqft • Modification/retrofit costs • Transportation • Setup • Site preparation as needed including excavation, leveling, foundation, plumbing, and electrical 	<ul style="list-style-type: none"> • Doug is willing to speak with Patrick and refer him to the construction services department at Mod Space for further advice and possible collaboration • ModSpace sourced, serviced, and leased the 10 mobile office units used on the Twins Stadium construction project <ul style="list-style-type: none"> • Units are currently in route to Iowa for another project

Appendix H - Interview Summary: Hilltop Trailers



Name: Peggy Lero

Title: Sales Rep

Contact Info: 763-450-4150, peggy@hilltoptrailers.com

Date of Interview: 4/17/2013

Hilltop's background	Market Characteristics	Pricing	Other Comments
<ul style="list-style-type: none"> • Been in business since 1951, most of business is in RV's, also have produced mobile homes, and then got into mobile offices • Have since bought trailers and retrofitted them to office trailers • Have sold some into ND, but freight to get them to ND is cost-prohibitive. • Competitors are nation-wide, they are MN only. • Mostly sell to construction sites 	<ul style="list-style-type: none"> • Codes are very different for commercial trailers vs. modular housing • She sees concerns with regulation – can't build an office trailer and modify it to livable space • She seems small demand for double-wides, which is where House Cubed falls • Large projects (1-2 years) is generally where double-wide trailers are needed • Road projects, stadium projects, schools all have shown need for double-wides, but no specific industry that she could think of 	<ul style="list-style-type: none"> • Generally standard trailers are \$0.75 to \$2.00. • Many companies prefer to rent these, as they are temporary. • 8x16 trailer is \$165/month, to 10x40 is \$270/month, 12x60 is \$380/month • Response times and customer service is very important • 1 person can handle the rental end of 300 units or so • \$150 to \$2500 cost increase to set up double-wide vs single trailer 	<ul style="list-style-type: none"> • Doesn't see a whole lot of demand for House Cubed, unless people specifically need double-wide trailers. • Costs to assemble will be much higher than her products (simple trailers)

Appendix H - Interview Summary: Satellite Shelters



Name: Jeff Seamans

Title: Branch manager for Minnesota

Contact Info: (763) 416-4192, jeffs@satelliteco.com

Date of Interview: 4/16/2013

Satellite's background

- They don't do residential, but do commercial buildings (like the UMN golf course temp clubhouse)
- He is familiar with the House Cubed concept
- Factory for Satellite is in Indiana – close to raw materials. Locating close to suppliers is key. Much of the manufacturing for the raw material inputs is in Indiana.
- Cost to ship a 12x61 module from IN to MN is ~\$2300, but cost to do separately would be \$15,000 or more!
- Sell a lot into ND – but it is a tough market. In desperate need of housing, but lots of people trying to sell into it. Buyers are wary – they look for reputation and track record

Market Demand / Competitors

- Two things will likely make it cost-feasible for House Cubed
 - Locating close to suppliers
 - Workforce has to be capable – factories are like an assembly line, very important to be specialized (i.e. in building walls). Need to have a stable demand to keep workforce employed. Need a continuous stream of orders, rather than a big one. Different skill levels for different factories, generally need to be trained – esp for electrical assembly

Pricing

- Mobile office – like construction, temporary offices, requiring ANSI seal and MN codes, typically costs around \$70/sqft (with plumbing and toilets).
- Apartments in ND can go for upwards of \$3000/month
- Moratorium on temporary housing – needs to be permanent. Not sure if House Cubed would qualify as permanent or not.
- Commercial mod structures have big, well-established companies supplying ND (Satellite, William Scotsman, Modspace are the big 3 in ND)
- He could see himself potentially partnering (buying) House Cubed, if it led them to new mkts (like residential, ST housing), would mark up ~20-30%

Other Contacts

- Could go after end users (oil/gas companies to see what they would pay)
 - Hess
 - Halliburton
 - Realtors
- “I do see this having legs”
- “Why not just build the two sections separately and then connect them?”
- “The House Cubed is actually very similar to our product”
- “Is the cost of shipping the second unit worth the cost of the on-site labor and crane-work?”
- “Our guys can set up two double-wides and finish the job in 5 hours, and generally don't need a crane.”

Appendix H - Interview Summary: Stratford Homes



Name: David Endy

Title: Co-owner of 2 modular housing companies in Wisconsin and Idaho

Contact Info: davidendy@vcicapital.com

Date of Interview: 4/12/2013

David's background

- Started as a banker
- Stratford Homes started in 1973 - he acquired in 1987
- Had a plant in Iowa, but that closed down
- Builds single family modular homes
- Also has experience with commercial projects
- Mr. Endy expects to have his business grow over the next few years between 12-18%
- Less competitors so David can ship farther (e.g. western ND = 700-800 miles)
- Usually can ship in a 300 mile radius before cost becomes a burden.
- Use trucks because products are too wide for trains

Market Demand / Competitors

- Advantage to consumers: one company is producing 65-90% of the final product
- Streamlines process for builders too
- Modular homes are built to the same code as traditionally built homes where as mobile homes build to a smaller code
- Mobile home industry has been decimated recently due to a decline in financing
- Mobile offices is a "very established business" which leads to company focus and a lower price per unit
- Panelized industry might have slightly larger volume, but requires more homes to be built to be profitable – approx. 250 instead of 100

Nomi: Space and Transportation Requirements

- Space inside and outside of the plant needed for David's Wisconsin factory = 120,000 square feet
- He is also using a good portion of a 23 acre parcel of land
- The houses (boxes) may not ship for a few days so they need space to store 20 to 30 of those boxes
- Putting these boxes on trailers takes a lot of room
- "The more urban you get, the harder it gets to transport products". Escorts required if over 14.5 feet which most boxes are

Nomi: Workforce Requirements and Contacts

- Some trades relatively skilled: plumbers, electricians, etc
- Specialty unions can become involved
- David had 150 employees at peak, now is around 60 employees (approx. 40 plant, 20 office) per business
- Contacts to reach out to:
 - Satellite Industries
 - Whitely Mobile Homes Inc.
 - William Scotsman
 - GE MOD
 - Modular Building Institute – Virginia
 - Wausau Homes (panels business)

Appendix H - Interview Summary: Dovetail Homes LLC, Lighthouse Investment Group LLC



Name: Ben Maxwell

Title: President HM Capital Group, LLC, CEO Dovetail Homes, LLC, Lighthouse Investment Group

Contact Info: [non-public information]

Date of Interview: April 20, 2013

Background	Customer Requirements	Specific Need	Other Comments
<ul style="list-style-type: none"> Homebuilder in Denver, CO metro area 36 new homes built per year Projects budgets of 5-20 M\$ 	<ul style="list-style-type: none"> Space constraints in urban and metro developments often require office units to be parked on the street <ul style="list-style-type: none"> Street placed units must comply with police restrictions Use of mobile office as Model of project design is often not necessary <ul style="list-style-type: none"> In multi home developments, first few units built serve as model In remote development projects requiring office space for superintendent and sub contractors cheapest option is usually selected 	<ul style="list-style-type: none"> Denver market is changing <ul style="list-style-type: none"> Housing inventory is at a 40yr low Buyers are price takers Space is at a premium Project costs are driven down with the reduced profit margins per project 	<ul style="list-style-type: none"> “sounds like a good idea but the question is about execution” <ul style="list-style-type: none"> How do all the elements come together in a shorter timeline than existing solution Makes sense if there was a licensing agreement in place with a manufacturer or distributor <ul style="list-style-type: none"> Minimizes human capital investment Reduces risk “Is the inventor wanting to be a consultant or a business owner?”