

2014 JOBZ Business Assistance Report

Report to the Legislature

Summary of Business and Financial Assistance Reported

By State and Local Government Agencies Between

January 1, 2004 and December 31, 2013

In Accordance With

Minnesota Statutes § 116J.993 Through § 116J.995

(Appendices Available Under Separate Cover)

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**2014 JOBZ BUSINESS ASSISTANCE REPORT**

**Introduction**

This report summarizes Job Opportunity Building Zone (JOBZ) business subsidy agreements signed in 2013 and reported on the JOBZ Minnesota Business Assistance Form. The activity levels for JOBZ business assistance have been declining significantly from year to year as reported by local government agencies. There were three JOBZ business assistance agreements reported by local government agencies in 2014 for 2013 activity compared to 82 agreements reported for 2004 activity (see Table 1). There were 125 local government agencies that reported on 256 JOBZ business assistance agreements that were reached between January 1, 2004 and December 31, 2013 (see Appendix A).

TABLE 1

Activity Levels of JOBZ Business Assistance Reached

Between January 1, 2004 and December 31, 2013

|  |  |
| --- | --- |
| **Activity Period** | **Activity Levels** |
| January 1, 2013 – December 31, 2013 | 3 |
| January 1, 2012 – December 31, 2012 | 6 |
| January 1, 2011 – December 31, 2011 | 6 |
| January 1, 2010 – December 31, 2010 | 5 |
| January 1, 2009 – December 31, 2009 | 12 |
| January 1, 2008 – December 31, 2008 | 20 |
| January 1, 2007 – December 31, 2007 | 22 |
| January 1, 2006 – December 31, 2006 | 42 |
| January 1, 2005 – December 31, 2005 | 58 |
| January 1, 2004 – December 31, 2004 | 82 |
| **Totals** | **256** |

**Overview of JOBZ Activities**

***2013 JOBZ Activity***

Of the three JOBZ business assistance agreements reached between January 1 and December 31, 2013, agencies reported a new full-time job creation goal of 215 jobs compared with actual job creation of 130 full-time employment (FTE) jobs.[[1]](#footnote-1) The average hourly wage goal including benefits was $14.55. The actual average hourly wage (excluding benefits) was $28.96 with an average hourly health benefit of $2.00 and non-health benefit of $5.12. The total average hourly wage was $36.07 including benefits.

Agencies reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $19.4 million for real property – land and buildings - and $8.5 million

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for personal - equipment. Agencies reported that recipients had more time to meet their goals and obligations in the agreements (see Appendix B).

***2012 JOBZ Activity***

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2012, agencies reported a new full-time creation goal of 91 jobs compared with actual job creation of 230 FTE jobs. The average hourly wage goal including benefits was $13.07. The actual average hourly wage (excluding benefits) was $21.40 with an average hourly health benefit of $1.66 and non-health benefit of $0.98. The total average hourly wage was $24.04 including benefits.

The job retention goal was six jobs compared to 60 jobs retained. The average hourly wage goal including benefits was $12.00. The actual average hourly wage (excluding benefits) was $21.52 with an average hourly health benefit of $3.91 and non-health benefit of $3.68. The total average hourly wage was $29.11 including benefits. Agencies reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $3.0 million for real property – land and buildings - and $1.5 million for personal – equipment. Agencies reported that recipients had more time to meet their goals and obligations in the agreements (see Appendix C).

***2011 JOBZ Activity***

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2011, agencies reported a new full-time job creation goal of 187 jobs compared with actual job creation of 189 FTE jobs. The average hourly wage goal including benefits was $15.17. The actual average hourly wage (excluding benefits) was $25.22 with an average hourly health benefit of $2.27 and non-health benefit of $1.31. The total average hourly wage was $28.78 including benefits.

The job retention goal was 39 jobs compared to 56 jobs retained. The average hourly wage goal including benefits was $12.19. The actual average hourly wage (excluding benefits) was $33.77 with an average hourly health benefit of $0.96 and non-health benefit of $2.63. The total average hourly wage was $37.36 including benefits. Agencies reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $10.9 million for real property – land and buildings - and $3.7 million for personal – equipment (see Appendix D).

***2010 JOBZ Activity***

Of the five JOBZ business assistance agreements reached between January 1 and December 31, 2010, agencies reported a new full-time job creation goal of 74 jobs compared with actual job creation of 184 FTE jobs. The average hourly wage goal including benefits was $12.76. The actual average hourly wage (excluding benefits) was $19.95 with an average hourly health benefit of $3.44 and non-health benefit of $2.49. The total average hourly wage was $25.89 including benefits.

The job retention goal was 20 jobs compared to 20 jobs retained. The average hourly wage goal including benefits was $12.45. The actual average hourly wage (excluding benefits) was $22.15 with an average hourly health benefit of $2.32 and non-health benefit of $1.26. The total

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average hourly wage was $25.73 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $4,269 for personal – equipment (see Appendix E).

***2009 JOBZ Activity***

Of the 12 JOBZ business assistance agreements reached between January 1 and December 31, 2009, agencies reported a new full-time job creation goal of 165 jobs compared with actual job creation of 220 FTE jobs. The average hourly wage goal including benefits was $12.78. The actual average hourly wage (excluding benefits) was $17.98 with an average hourly health benefit of $1.35 and non-health benefit of $1.33. The total average hourly wage was $20.66 including benefits.

The job retention goal was 504 jobs compared to 504 jobs retained. The average hourly wage goal including benefits was $12.01 per hour. The actual average hourly wage (excluding benefits) was $23.32 with an average hourly health benefit of $2.10 and non-health benefit of $2.85. The total average hourly wage was $28.27 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $636 for real property – land and buildings - and $426,751 for personal – equipment (see Appendix F).

***2008 JOBZ Activity***

Of the 20 JOBZ business assistance agreements reached between January 1 and December 31, 2008, agencies reported a new full-time job creation goal of 290 jobs compared with actual job creation of 696 FTE jobs. The average hourly wage goal including benefits was $12.81. The actual average hourly wage (excluding benefits) was $19.73 with an average hourly health benefit of $2.80 and non-health benefit of $1.50. The total average hourly wage was $24.04 including benefits.

The job retention goal was 322 jobs compared to 301 jobs retained. The average hourly wage goal including benefits was $12.52. The actual average hourly wage (excluding benefits) was $20.58 with an average hourly health benefit of $2.71 and non-health benefit of $1.75. The total average hourly wage was $25.04 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $2.2 million for real property – land and buildings - and $5.8 million for personal – equipment (see

Appendix G).

***2007 JOBZ Activity***

Of the 22 JOBZ business assistance agreements reached between January 1 and December 31, 2007, agencies reported a new full-time job creation goal of 133 jobs compared with actual job creation of 427 FTE jobs. The average hourly wage goal including benefits was $12.76. The actual average hourly wage (excluding benefits) was $20.17 with an average hourly health benefit of $2.15 and non-health benefit of $2.01. The total average hourly wage was $24.33 including benefits.

The job retention goal was 344 jobs compared to 242 jobs retained. The average hourly wage goal including benefits was $12.45. The actual average hourly wage (excluding benefits) was

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$31.71 with an average hourly health benefit of $2.11 and non-health benefit of $1.96. The total average hourly wage was $35.78 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $1.5 million for real property – land and buildings - and $5.6 million for personal – equipment (see

Appendix H).

***2006 JOBZ Activity***

Of the 42 JOBZ business assistance agreements reached between January 1 and December 31, 2006, agencies reported a new full-time job creation goal of 482 jobs compared with actual job creation of 1,131 FTE jobs. The average hourly wage goal including benefits was $12.78. The actual hourly wage (excluding benefits) was $18.83 with an average hourly health benefit of $2.14 and non-health benefit of $1.26. The total average hourly wage was $22.22 including benefits.

The job retention goal was 281 jobs compared to 309 jobs retained. The average hourly wage goal including benefits was $12.09. The actual hourly wage (excluding benefits) was $22.56 with an average hourly health benefit of $2.01 and non-health benefit of $1.32. The total average hourly wage was $25.90 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $26.9 million for real property – land and buildings - and $186.0 million for personal – equipment (see Appendix I).

***2005 JOBZ Activity***

Of the 58 JOBZ business assistance agreements reached between January 1 and December 31, 2005, agencies reported a new full-time job creation goal of 700 jobs compared with actual job creation of 1,774 FTE jobs. The average hourly wage goal including benefits was $12.86. The actual average hourly wage (excluding benefits) was $19.76 with an average hourly health benefit of $2.35 and non-health benefit of $1.85. The total average hourly wage was $23.76 including benefits.

The job retention goal was 953 jobs compared to 895 jobs retained. The average hourly wage goal including benefits was $12.56. The actual average hourly wage (excluding benefits) was $23.09 with an average hourly health benefit of $2.58 and non-health benefit of $2.34. The total average hourly wage was $27.99 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $2.9 million for real property – land and buildings - and $23.7 million for personal – equipment (see Appendix J).

***2004 JOBZ Activity***

Of the 82 JOBZ business assistance agreements reached between January 1 and December 31, 2004, agencies reported a new full-time job creation goal of 1,392 compared with actual job creation of 3,396 FTE jobs. The average hourly wage goal including benefits was $11.96. The actual average hourly wage (excluding benefits) was $18.87 with an average hourly health benefit of $2.29 and non-health benefit of $1.67. The total average hourly wage was $22.82 including benefits.

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The job retention goal was 1,201 compared to 1,049 jobs retained. The average hourly wage goal including benefits was $11.73. The actual average hourly wage (excluding benefits) was $22.41 with an average hourly health benefit of $3.46 and non-health benefit of $1.82. The total average hourly wage was $26.53 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $4.7 million for real property – land and buildings and $36.2 million for personal – equipment (see

Appendix K).

**2004 – 2013 Statewide JOBZ Activity**

Of the 256 JOBZ business assistance agreements reached between January 1 and December 31, 2013, agencies reported a full-time job creation goal of 3,729 jobs compared with actual job creation of 8,377 FTE jobs. The average hourly wage goal including benefits was $12.64. The actual average hourly wage (excluding benefits) was $19.57 with an average hourly health benefit of $2.27 and non-health benefit of $1.68. The total average hourly wage was $23.46 including benefits.

The job retention goal was 3,670 compared to 3,436 jobs retained. The average hourly wage goal including benefits was $11.81. The actual average hourly wage (excluding benefits) was $23.09 with an average hourly health benefit of $2.68 and non-health benefit of $1.97. The total average hourly wage was $27.32 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2013 of $71.5 million for real property – land and buildings - and $264.5 million for personal – equipment (see Appendix L).

***Recipients that Fulfill All Goals and Obligations through 2014***

As of December 2013, there were four reported JOBZ business agreements where the recipients have achieved all goals and fulfilled all obligations stipulated in the amended JOBZ agreements that shorten the duration of the agreement to December 31, 2013 (see Appendix M).

***Recipients that Failed to Fulfill All Goals and Obligations through 2014***

As of December 2013, there were 10 reported JOBZ business agreements where the recipient had ceased operations or was terminated for non-compliance reasons. They were removed from the program by DEED (see Appendix N). Of the 10 agreements that were terminated, there were two agreements that were removed by DEED because they failed to report in 2014.

***Relocation for JOBZ Business Assistance Agreements***

Of the three JOBZ business assistance agreements reached between January 1 and December 31, 2013, agencies reported that in 2014 recipients had not relocated as a result of signing the JOBZ agreement.

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2012, agencies reported in 2014 that two recipients (33.3 percent) relocated as a result of signing the JOBZ agreement and four (66.7 percent) did not. Of the two relocations that resulted from signing the JOBZ agreement, no employees lost their job.

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Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2011, agencies reported in 2014 that one recipient (16.7 percent) relocated as a result of signing the JOBZ agreement and five (83.3 percent) did not. Of the one relocation that resulted from signing the JOBZ agreement, no employees lost their job.

Of the five JOBZ business assistance agreements reached between January 1 and December 31, 2010, agencies reported in 2014 that two recipients (40.0 percent) relocated as a result of signing the JOBZ agreement and three (60.0 percent) did not. Of the two relocations that resulted from signing the JOBZ agreement, no employees lost their job.

Of the 12 JOBZ business assistance agreements reached between January 1 and December 31, 2009, agencies reported in 2014 that five recipients (41.7 percent) relocated as a result of signing the JOBZ agreement and seven (58.3 percent) did not. Of the five relocations that resulted from signing the JOBZ agreement, eight employees lost their jobs.

Of the 20 JOBZ business assistance agreements reached between January 1 and December 31, 2008, agencies reported in 2014 that six recipients (30.0 percent) relocated as a result of signing the JOBZ agreement and 13 (70.0 percent) did not. Of the six relocations that resulted from signing the JOBZ agreement, one employee lost their job.

Of the 22 JOBZ business assistance agreements reached between January 1 and December 31, 2007, agencies reported in 2014 that four recipients (18.2 percent) relocated as a result of signing the JOBZ agreement and 18 (81.2 percent) did not. Of the four relocations that resulted from signing the JOBZ agreement, no employees lost their job.

Of the 42 JOBZ business assistance agreements reached between January 1 and December 31, 2006, agencies reported in 2014 that nine recipients (21.4 percent) relocated as a result of signing the JOBZ agreement and 33 (78.6 percent) did not. Of the nine relocations that resulted from signing the JOBZ agreement, no employees lost their job.

Of the 58 JOBZ business assistance agreements reached between January 1 and December 31, 2005, agencies reported in 2014 that 18 recipients (31.0 percent) relocated as a result of signing the JOBZ agreement and 40 (69.0 percent) did not. Of the 18 relocations that resulted from signing the JOBZ agreement, 91 employees lost their jobs.

Of the 82 JOBZ business assistance agreements reached between January 1 and December 31, 2004, agencies reported in 2014 that 25 recipients (30.5 percent) relocated as a result of signing the JOBZ agreement and 57 (69.5 percent) did not. Of the 25 relocations that resulted from signing the JOBZ agreement, no employees lost their job.

**Overview of 2013 JOBZ Findings**

The forms summarized in this section of the report encompass JOBZ business assistance agreements reached between January 1 and December 31, 2013. There were three JOBZ business assistance agreements reported by government agencies in 2014 for 2013 activities. More information about the JOBZ program including annual reports can be found at http://mn.gov/deed/.

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***Public Purpose for JOBZ Business Assistance Agreements***

Minnesota Statutes §116J.994 requires that business assistance agreements including JOBZ agreements state a public purpose. Of the three JOBZ agreements entered into in 2013, there were six public purposes in those agreements because agencies reported more than one public purpose for each project. Creating high-quality job growth and increasing the tax base were the type of public purposes for three JOBZ business subsidy agreements (50 percent). Government agencies reported that these type of public purposes accounted for all of the purposes reported.

***Industrial Sector of JOBZ Business Assistance for Recipients***

Of the three JOBZ business assistance agreements reported by government agencies in 2014, the manufacturing sector accounted for one agreement (33.3 percent); followed by the service sector, one agreement (33.3 percent); and wholesale trade, one agreement (33.3 percent).

***Zone Distribution of JOBZ Business Assistance Agreements***

The Region 5 zone accounted for the most JOBZ business assistance reported in 2014. As

Table 2 illustrates, Region 5 had two agreements (66.7 percent) and Region 7E had one. The location of the JOBZ zones is on DEED’s Annual Reports website at http://mn.gov/deed/business/financing-business/tax-credits/jobz/documents-reports.jsp.

TABLE 2

Zone Distribution of JOBZ Business Assistance Agreements Reached

Between January 1 and December 31, 2013

|  |  |  |
| --- | --- | --- |
| **Zone** | **Quantity** | **Percentage** |
| Region 5 | 2 | 66.7% |
| Region 7E | 1 | 33.3% |
| **Total** | **3** | **100.0%** |

***JOBZ Goals and Actual Performance***

Of the three JOBZ business assistance agreements entered into by agencies between January 1 and December 31, 2013, all three agreements (100 percent) established specific job and wages goals. Of these three JOBZ business assistance agreements, one agreement (33.3 percent) had attained specific job and wage goals; and two agreements (66.7 percent) reported that the recipient had not attained specific job and wage goals. All agencies reported that recipients had more time to meet its goals.

An agency reported that there was one JOBZ business assistance agreement that established other (i.e., not specific) job creation and/or retention goals. Under the JOBZ program, qualified businesses are required to retain jobs for the duration of the program until December 31, 2015. Of the one agreement reported by the agency that established other job creation and/or retention goals, the recipient had not attained its goals (100.0 percent). The agency reported that the recipient had more time to meet their goals.

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There were two JOBZ business assistance agreements that were reported by agencies that established goals other than wage and job goals (e.g., capital investment). Of the two agreements reported by agencies that established goals other than wage and job goals, recipients had not attained their goals (100.0 percent). All agencies reported that recipients had more time to meet their goals.

*New Full-time JOBZ Creation Goals and Actual Performance*

Under the law, JOBZ business assistance agreements must also include goals for the number of new jobs created, which may include separate goals for the number of full-time jobs, retained jobs and wage goals for jobs created.

Of the three JOBZ business assistance agreements, agencies reported a new full-time employed job creation goal of 215 jobs compared to actual job creation of 130 jobs. The average hourly wage goal including benefits was $14.55. The actual average hourly wage (excluding benefits) was $28.96 with an average hourly health benefit of $2.00 and non-health benefit of $5.12. The total average hourly wage was $36.07 including benefits (see Table 3).

TABLE 3

New Full-time Employed Job Creation and Wage Goals and Actual Performance for JOBZ Agreements Reached Between January 1 and December 31, 2013

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Goals** | | **Actual** | | | | |
| **Number of**  **Jobs** | **Average Hourly Wage (including benefits)** | **Number of**  **Jobs** | **Average Hourly Wage** | **Average Hourly Health Benefit** | **Average Hourly**  **Non-**  **Health Benefit** | **Average Hourly Wage** |
| **215** | **$14.55** | **130** | **$28.96** | **$2.00** | **$5.12** | **$36.07** |

*Full-time Retention Goals and Actual Performance*

Of the three JOBZ assistance agreements, agencies did not report any full-time job retention goals or actual performance.

1. Full-time employment or FTE is defined as one job or a combination of jobs that will produce annualized cumulative expected hours of work, not including overtime, equal to 2,080 hours. [↑](#footnote-ref-1)