

2013 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, 2012

In Accordance With

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

(Appendices Available Under Separate Cover)

December 2014

Edwin Hodder

Economic Analyst

Economic Analysis Unit

Minnesota Department of Employment and Economic Development

Total cost of salaries, printing, and supplies in
developing/preparing this report is $18,564.70
(reported as required by Minn. Stat. 3.197)

1st National Bank Building 332 Minnesota Street, Suite E200 Saint Paul, MN 55101-1351 USA

 www.mn.gov/deed/

Toll Free: 800-657-3858 Phone: 651-259-7114 Fax: 651-215-3841 TTY: 651-296-3900

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**2013 JOBZ BUSINESS ASSISTANCE REPORT**

**Introduction**

This report summarizes Job Opportunity Building Zone (JOBZ) business subsidy agreements signed in 2012 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 six JOBZ business assistance agreements reported by local government agencies in 2013 for 2012 activity compared to 88 agreements reported for 2004 activity (see Table 1). There were 124 local government agencies that reported on 267 JOBZ business assistance agreements that were reached between January 1, 2004 and December 31, 2012 (see Appendix A).

TABLE 1

Activity Levels of JOBZ Business Assistance Reached

Between January 1, 2004 and December 31, 2012

|  |  |
| --- | --- |
| **Activity Period** | **Activity Levels** |
| January 1, 2012 – December 31, 2012 |  6 |
| January 1, 2011 – December 31, 2011 |  6 |
| January 1, 2010 – December 31, 2010 |  4 |
| January 1, 2009 – December 31, 2009 |  11 |
| January 1, 2008 – December 31, 2008 |  21 |
| January 1, 2007 – December 31, 2007 |  25 |
| January 1, 2006 – December 31, 2006 |  46 |
| January 1, 2005 – December 31, 2005 |  60 |
| January 1, 2004 – December 31, 2004 |  88 |
| **Totals** |  **267** |

**Overview of JOBZ Activities**

***2012 JOBZ Activity***

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2012, agencies reported a new full-time job creation goal of 91 jobs compared to actual job creation of 93 full-time employment (FTE) jobs.[[1]](#footnote-1) The average hourly wage goal including benefits was $12.94. The actual average hourly wage (excluding benefits) was $16.65 with an average hourly health benefit of $0.52 and non-health benefit of $2.01. The total average hourly wage was $19.16 including benefits.

The job retention goal was 12 jobs and no jobs were retained. The average hourly wage goal including benefits was $14.10. Agencies reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $1.4 million for real property – land

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and buildings - and $0.9 million for personal – equipment. Agencies reported that recipients had more time to meet their goals and obligations in the agreements (see Appendix B).

***2011 JOBZ Activity***

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2011, agencies reported a new full-time creation goal of 187 jobs compared to an actual job creation of 106 FTE jobs. The average hourly wage goal including benefits was $15.04. The actual average hourly wage (excluding benefits) was $25.68 with an average hourly health benefit of $1.86 and non-health benefit of $1.66. The total average hourly wage was $29.19 including benefits.

The job retention goal was 39 jobs compared to 56 jobs retained. The average hourly wage goal including benefits was $12.46. The actual average hourly wage (excluding benefits) was $29.35 with an average hourly health benefit of $1.30 and non-health benefit of $1.78. The total average hourly wage was $32.43 including benefits. Agencies reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $14.5 million for real property – land and buildings - and $41.5 million for personal – equipment. Agencies reported that recipients had more time to meet their goals and obligations in the agreements (see Appendix C).

***2010 JOBZ Activity***

Of the four JOBZ business assistance agreements reached between January 1 and December 31, 2010, agencies reported a new full-time job creation goal of 36 jobs compared to an actual job creation of 50 FTE jobs. The average hourly wage goal including benefits was $12.64. The actual average hourly wage (excluding benefits) was $19.39 with an average hourly health benefit of $2.27 and non-health benefit of $2.43. The total average hourly wage was $24.09 including benefits.

The job retention goal was 39 jobs compared to 39 jobs retained. The average hourly wage goal including benefits was $12.19. The actual average hourly wage (excluding benefits) was $21.40 with an average hourly health benefit of $2.38 and non-health benefit of $1.62. The total average hourly wage was $25.40 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $14,878 for real property – land and buildings - and $40,439 for personal – equipment (see Appendix D).

***2009 JOBZ Activity***

Of the 11 JOBZ business assistance agreements reached between January 1 and December 31, 2009, agencies reported a new full-time job creation goal of 164 jobs compared to an actual job creation of 245 FTE jobs. The average hourly wage goal including benefits was $12.76. The actual average hourly wage (excluding benefits) was $18.24 with an average hourly health benefit of $1.30 and non-health benefit of $1.03. The total average hourly wage was $20.58 including benefits.

The job retention goal was 499 jobs compared to 508 jobs retained. The average hourly wage goal including benefits was $12.51. The actual average hourly wage (excluding benefits) was $19.65 with an average hourly health benefit of $2.14 and non-health benefit of $0.80. The total

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average hourly wage was $22.59 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $0.3 million for real property – land and buildings - and $0.4 million for personal – equipment (see

Appendix E).

***2008 JOBZ Activity***

Of the 21 JOBZ business assistance agreements reached between January 1 and December 31, 2008, agencies reported a new full-time job creation goal of 313 jobs compared to an actual job creation of 795 FTE jobs. The average hourly wage goal including benefits was $12.44. The actual average hourly wage (excluding benefits) was $18.87 with an average hourly health benefit of $2.78 and non-health benefit of $1.50. The total average hourly wage was $23.14 including benefits.

The job retention goal was 315 jobs compared to 368 jobs retained. The average hourly wage goal including benefits was $12.19. The actual average hourly wage (excluding benefits) was $20.49 with an average hourly health benefit of $2.83 and non-health benefit of $1.85. The total average hourly wage was $25.17 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $2.5 million for real property – land and buildings - and $4.5 million for personal – equipment (see

Appendix F).

***2007 JOBZ Activity***

Of the 25 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 to an actual job creation of 383 FTE jobs. The average hourly wage goal including benefits was $12.62. The actual average hourly wage (excluding benefits) was $19.76 with an average hourly health benefit of $1.79 and non-health benefit of $2.07. The total average hourly wage was $23.62 including benefits.

The job retention goal was 338 jobs compared to 157 jobs retained. The average hourly wage goal including benefits was $12.35. The actual average hourly wage (excluding benefits) was $34.30 with an average hourly health benefit of $1.12 and non-health benefit of $2.60. The total average hourly wage was $38.02 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $0.6 million for real property – land and buildings – and $2.7 million for personal – equipment (see

Appendix G).

***2006 JOBZ Activity***

Of the 46 JOBZ business assistance agreements reached between January 1 and December 31, 2006, agencies reported a new full-time job creation goal of 481 jobs compared to an actual job creation of 1,138 FTE jobs. The average hourly wage goal including benefits was $12.25. The actual average hourly wage (excluding benefits) was $18.26 with an average hourly health benefit of $2.38 and non-health benefit of $1.20. The total average hourly wage was $21.83 including benefits.

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The job retention goal was 349 jobs compared to 317 jobs retained. The average hourly wage goal including benefits was $11.84. The actual average hourly wage (excluding benefits) was $22.78 with an average hourly health benefit of $2.37 and non-health benefit of $1.21. The total average hourly wage was $26.36 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $9.5 million for real property – land and buildings - and $180.3 million for personal – equipment (see Appendix H).

***2005 JOBZ Activity***

Of the 60 JOBZ business assistance agreements reached between January 1 and December 31, 2005, agencies reported a new full-time job creation goal of 785 jobs compared to an actual job creation of 1,676 FTE jobs. The average hourly wage goal including benefits was $12.69. The actual average hourly wage (excluding benefits) was $18.84 with an average hourly health benefit of $2.30 and non-health benefit of $1.95. The total average hourly wage was $23.09 including benefits.

The job retention goal was 861 jobs compared to 926 jobs retained. The average hourly wage goal including benefits was $12.66. The actual average hourly wage (excluding benefits) was $23.84 with an average hourly health benefit of $2.58 and non-health benefit of $2.29. The total average hourly wage was $28.70 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $7.9 million for real property – land and buildings - and $19.0 million for personal – equipment (see Appendix I).

***2004 JOBZ Activity***

Of the 88 JOBZ business assistance agreements reached between January 1 and December 31, 2004, agencies reported a new full-time job creation goal of 1,572 compared to an actual job creation of 3,680 FTE jobs. The average hourly wage goal including benefits was $11.72. The actual average hourly wage (excluding benefits) was $18.15 with an average hourly health benefit of $2.12 and non-health benefit of $1.89. The total average hourly wage was $22.16 including benefits.

The job retention goal was 1,231 compared to 1,584 jobs retained. The average hourly wage goal including benefits was $11.05. The actual average hourly wage (excluding benefits) was $23.27 with an average hourly health benefit of $2.06 and non-health benefit of $2.28. The total average hourly wage was $27.61 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $8.5 million for real property – land and buildings - and $29.8 million for personal – equipment (see Appendix J).

**2004 – 2012 Statewide JOBZ Activity**

Of the 267 JOBZ business assistance agreements reached between January 1, 2004 and December 31, 2012, agencies reported a full-time job creation goal of 3,762 jobs compared to actual job creation of 8,166 FTE jobs. The average hourly wage goal including benefits was $12.35. The actual average hourly wage (excluding benefits) was $18.72 with an average hourly

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health benefit of $2.16 and non-health benefit of $1.73. The total average hourly wage was $22.61 including benefits.

The job retention goal was 3,683 compared to 3,955 jobs retained. The average hourly wage goal including benefits was $11.90. The actual average hourly wage (excluding benefits) was $24.12 with an average hourly health benefit of $2.18 and non-health benefit of $2.06. The total actual salary was $28.37 including benefits. Agencies also reported capital investment made by businesses in the JOBZ area between January 1 and December 31, 2012 of $45.1 million for real property – land and buildings - and $279.3 million for personal – equipment (see Appendix K).

***Recipients that Fulfill All Goals and Obligations through 2013***

As of December 2012, there were five 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, 2012 (see Appendix L).

***Recipients that Failed to Fulfill All Goals and Obligations through 2013***

As of December 2012, there were 11 reported JOBZ business agreements where the recipient had ceased operations or was terminated for non-compliance reasons and removed from the program by DEED (see Appendix M). Of the 11 agreements that were terminated, there was one agreement that was removed by DEED because the recipient failed to report to the Minnesota Department of Revenue in 2013.

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

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2012, agencies reported in 2013 that two recipients (33.3 percent) had 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.

Of the six JOBZ business assistance agreements reached between January 1 and December 31, 2011, agencies reported in 2013 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 four JOBZ business assistance agreements reached between January 1 and December 31, 2010, agencies reported in 2013 that three recipients (75.0 percent) relocated as a result of signing the JOBZ agreement and one (25.0 percent) did not. Of the three relocations that resulted from signing the JOBZ agreement, no employees lost their job.

Of the 11 JOBZ business assistance agreements reached between January 1 and December 31, 2009, agencies reported in 2013 that five recipients (45.5 percent) relocated as a result of signing the JOBZ agreement and six (54.5 percent) did not. Of the five relocations that resulted from signing the JOBZ agreement, eight employees lost their jobs.

Of the 21 JOBZ business assistance agreements reached between January 1 and December 31, 2008, agencies reported in 2013 that six recipients (28.6 percent) relocated as a result of signing

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the JOBZ agreement and 13 (71.4 percent) did not. Of the six relocations that resulted from signing the JOBZ agreement, one employee lost their job.

Of the 25 JOBZ business assistance agreements reached between January 1 and December 31, 2007, agencies reported in 2013 that three recipients (12.0 percent) relocated as a result of signing the JOBZ agreement and 22 (88.0 percent) did not. Of the three relocations that resulted from signing the JOBZ agreement, no employees lost their job.

Of the 46 JOBZ business assistance agreements reached between January 1 and December 31, 2006, agencies reported in 2013 that nine recipients (19.6 percent) relocated as a result of signing the JOBZ agreement and 37 (80.4 percent) did not. Of the nine relocations that resulted from signing the JOBZ agreement, no employees lost their job.

Of the 60 JOBZ business assistance agreements reached between January 1 and December 31, 2005, agencies reported in 2013 that 19 recipients (31.7 percent) relocated as a result of signing the JOBZ agreement and 41 (68.3 percent) did not. Of the 19 relocations that resulted from signing the JOBZ agreement, 91 employees lost their jobs.

Of the 88 JOBZ business assistance agreements reached between January 1 and December 31, 2004, agencies reported in 2013 that 25 recipients (28.4 percent) relocated as a result of signing the JOBZ agreement and 63 (71.6 percent) did not. Of the 25 relocations that resulted from signing the JOBZ agreement, no employees lost their job.

**Overview of 2012 JOBZ Findings**

The forms summarized in this section of the report encompass JOBZ business assistance agreements reached between January 1 and December 31, 2012. There were six JOBZ business assistance agreements reported by government agencies in 2013 for 2012 activities. More information about the JOBZ program including annual reports can be found at http://mn.gov/deed/.

***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 six JOBZ agreements entered into in 2012, there were 25 public purposes identified in those agreements because agencies reported more than one public purpose for each project. Enhancing economic diversity and creating high-quality job growth were the type of public purposes for six agreements (24.0 percent). Government agencies reported that these types of public purposes accounted for the highest share of total public purpose. Other types of public purposes included increasing the tax base and stabilizing the community, five agreements (20.0 percent); job retention, two agreements (0.08 percent); and other, supporting a business that makes a long-term commitment to the community, one agreement (0.04 percent).

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

Of the six JOBZ business assistance agreements reported by government agencies in 2013, the manufacturing sector accounted for four agreements (66.6 percent); followed by the service sector, one agreement (16.7 percent); and other, aircraft maintenance and repair, one agreement (16.7 percent).

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

The Northeast zone accounted for the most JOBZ business assistance reported in 2013. As Table 2 illustrates, Northeast region accounted for three agreements (50.0 percent) followed by West Central, 7E and Positively Southern MN for one agreement (16.7 percent) each. 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** |
| Northeast | 3 |  50.0% |
| West Central | 1 |  16.7% |
| 7E | 1 |  16.7% |
| Positively Southern MN | 1 |  16.7% |
| **Total** | **6** | **100.0%** |

***JOBZ Goals and Actual Performance***

Of the six JOBZ business assistance agreements entered into by agencies between January 1 and December 31, 2012, all six agreements (100 percent) established specific job and wages goals. Of these six JOBZ business assistance agreements, two agreements (33.3 percent) had attained specific job and wage goals; and four 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 their goals.

There were four JOBZ business assistance agreements reported by agencies 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 four agreements reported by agencies that established other job creation and/or retention goals, no recipient had attained their goals (100.0 percent). Agencies reported that the recipients had more time to meet their goals.

There was one JOBZ business assistance agreement reported by an agency that established other wage goals. Of the one agreement reported that established other wage goals, the recipient had not attained their goals (100.0 percent). The agency reported that the recipient had more time to meet their goals.

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There were three JOBZ business assistance agreements that were reported by agencies that established goals other than wage and job goals (e.g., capital investment). Of the three 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 in addition to other goals must include goals for the number of new jobs created, which may include separate goals for the number of full-time employment and retained jobs and wage goals for jobs created.

Of the six JOBZ business assistance agreements, agencies reported a new full-time employed job creation goal of 91 jobs compared to actual job creation of 93 jobs. The average hourly wage goal including benefits was $12.94. The actual average hourly wage (excluding benefits) was $16.65 with an average hourly health benefit of $0.52 and non-health benefit of $2.01. The average hourly wage was $19.16 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, 2012

|  |  |
| --- | --- |
| **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** |
| **91** | **$12.94** | **93** | **$16.65** | **$0.52** | **$2.01** | **$19.16** |

*Full-time Retention Goals and Actual Performance*

Of the six JOBZ assistance agreements, agencies reported a full-time job retention goal of 12 jobs compared to no actual jobs retained. The average hourly wage including benefits was $14.10. Of the six JOBZ assistance agreements, agencies did not report any actual full-time job retention performance (see Table 4). All agencies reported that recipients had more time to meet their goals.

TABLE 4

Full-time Job Retention Wage Goals and Actual Performance for

JOBZ Agreements Reached Between January 1 and December 31, 2012

|  |  |
| --- | --- |
| **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** |
| **12** | **$14.10** | **0** | **$0.00** | **$0.00** | **$0.00** | **$0.00** |

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)