

Creating Jobs in North Minneapolis



Final Presentation

December 10, 2013

CARLSON
SCHOOL OF MANAGEMENT
UNIVERSITY OF MINNESOTA

CARLSON CONSULTING ENTERPRISE

Agenda

- **Review project objectives and methodology**
- **Discuss key findings**
 - **Flash Freezing (IQF)**
 - **School Food In-sourcing**
 - **Indoor Farming and Living Greens Expansion**
 - **Employer Survey Results**
- **Discuss recommendations and proposed next steps**
- *Appendix*

CCE Team

- Dan Robinson, Team Lead

- 2nd year MBA, emphasis in Consulting
- Past experience in management consulting and bridge engineering
- Returning to McKinsey & Company



- Nyssa Shawstad, Team member

- 2nd year MBA, emphases in Operations and Information Systems
- Past experience in marketing, communications and freelance consulting
- Continuing freelance consulting in project management and marketing strategy



- Aitzaz Ahsan, Team member

- 2nd year MBA, emphases in Finance and Strategy
- Past experience as a telecommunications consultant
- Returning to Cummins Power Generation



- Dean Mixer, Team member

- 2nd year MBA, emphasis in Marketing
- Past experience in health insurance and government programs
- Summer internship at DISH Network
- Seeking opportunities in market research and product development



In Phase 2, we targeted 2 work streams focused on near and mid-term horizons

PROJECT SCOPE AND APPROACH

Identify & assess opportunities to drive creation of sustainable employment in NoMi

Near-Term (0-1 yr)

- Evaluate food-related opportunities
 - Flash-freezing
 - Aeroponics
 - Central commissary food prep for MPS
- Support Cut Fruit Express relocation as needed

Mid-Term (1-3 yrs)

- Conduct interviews and perform survey of current employers in North
- Assess current employer landscape
 - Identify drivers of and obstacles to success
 - Assets & expectations of North

Key Activities

Deliverables

- Evaluation of existing situations/current state of each opportunity
- “Go” “No-go” call on ideas
- Identification of steps to bring attractive businesses to North
- Estimation of job creation and market potential for each opportunity

- NoMi employer profiles
 - # employees
 - Age of business
 - Size of business
- Employment Practices
- Growth plans and aspirations
- Identification of obstacles/barriers to growth

UROC should proceed with School Food and Living Greens

Efforts can be made to connect Northside residents with up to 1,105 new Northside jobs from current employers

EXECUTIVE SUMMARY

No-go for Flash-Freezing (IQF)

Financial and strategic benefits for an IQF facility located in North Minneapolis would be limited. This venture would create, at most, five jobs. Based on our analysis, job creation resources would be better invested elsewhere.

Conduct feasibility analysis for school food

MPS currently has the desire, facilities, and a majority of the resources required to bring sandwich production in-house. Before MPS' Nutrition Services makes any further equipment investments, we recommend that a team conducts a project feasibility and core competency analysis.

Living Greens is a good fit for North

Aeroponics is an exciting urban agriculture technology, requires manual labor jobs that are a great fit for Northside residents. Living Greens would benefit from closer proximity to the growing market in the metro and is interested in adding a facility in North, as this location would enable them to increase profitability compared to its current Faribault location. We recommend that Living Greens move forward with site selection and work with CPED to identify city- and state-sponsored incentive programs.

Current employers plan to add up to 1,105 jobs in 2014 but w/o efforts they won't go to residents

Our survey of current employers in North revealed substantial job creation potential, with respondents indicating plans to hire 485 to 1,105 new employees in 2014. Northside residents will capture only a fraction of these, however, unless efforts are made. Our analysis suggests that there is an opportunity to better connect these employers with residents, as employers are often unaware of city, state, and non-profit programs that address hiring.

Agenda

- Review project objectives and methodology
- Discuss key findings
 - Flash Freezing (IQF)
 - School Food In-sourcing
 - Indoor Farming and Living Greens Expansion
 - Employer Survey Results
- Discuss recommendations and proposed next steps
- *Appendix*

An IQF facility in North Minneapolis would require a significant initial investment and would struggle to remain competitive in the face of steep inbound transportation costs

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

Benefits of relocation for Minneapolis

Evaluation

Rationale



Job creation in NoMi: At most, only 5 jobs would be created through this venture



Long term prospects: IQF is a mature industry and is growing at low rates. Stable market tie-in is essential as equipment maintenance costs are high. The number of jobs offered is not expected to grow



Responsible employment: Unknown. The benefits to NoMi cannot be assessed



Assistance needed: An IQF company interested in NoMi has not yet been identified, so assistance needs are unknown

Positive
 Neutral
 Negative
 Not Assessed

Benefits of setting up shop in NoMi

Evaluation

Rationale



Business case: There are limited financial and strategic benefits to an IQF business located in NoMi. Lower outbound costs due to proximity to customers (MPS) would be offset by higher inbound transportation costs bringing produce from suppliers



Labor pool: NoMi's labor pool should fit IQF well



Access to raw materials / inputs: IQF facility locations are carefully chosen to be as close as possible to sourcing areas. However procuring post dated produce from nearby processors is viable



Access to markets: An IQF facility in NoMi will be close to MPS and many other major retail and foodservice outlets

Agenda

- **Review project objectives and methodology**
- **Discuss key findings**
 - **Flash Freezing (IQF)**
 - **School Food In-sourcing**
 - **Indoor Farming and Living Greens Expansion**
 - **Employer Survey Results**
- **Discuss recommendations and proposed next steps**
- *Appendix*

MPS' current infrastructure could support bringing sandwich production in-house

OVERVIEW OF MPS NUTRITION CENTER

Current model

- **Demand** – MPS buys 2K-4K sandwiches per day, 5K-1M per year
- **Cost** - 80¢-90¢ per sandwich
- **Sourcing** – MPS buys sandwiches from SuperMom's. Sandwiches are produced in St. Paul Park, MN
- **Distribution** – Sandwiches are delivered to Nutrition Center, which MPS then distributes to schools

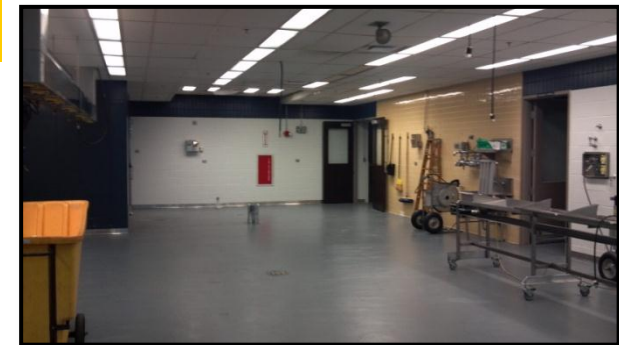


Current staff and space

- **Labor** – Current workforce is at capacity
- **Space** – MPS has excess floor space, which is available for additional sandwich-making equipment

Current equipment

- **Currently owned** - Nutrition Center already owns a Carrera 500 PC and an ULMA FLORIDA, which allows assembly line production of sandwiches
- **Still needed** – Meat and cheese slicers to pre-process sandwich ingredients







Preliminary analysis suggests in-house sandwich making could be attractive, but this will require more due diligence into financials and competencies

Strategic Evaluation of School Food Opportunity Evaluate fit for BOTH business and city

Benefits for North Minneapolis

Evaluation





Rationale

-  **Job creation in NoMi:** This effort could create anywhere from 7-15 new jobs in North Minneapolis. Job creation levels are dependent on whether MPS decides to buy pre-processed ingredients or does its processing in-house.
-  **Long term prospects:** MPS abandoned in-house sandwich production in the past, so long-term potential is still un-assessed
-  **Responsible employment:** MPS has a long history with North Minneapolis and is committed to the community
-  **Assistance needed:** Existing MPS infrastructure and resources imply this project could create jobs with relatively little assistance

Benefits for MPS

Evaluation

Rationale

-  **Business case:** MPS currently has the available floor space and some of the necessary equipment, but MPS core competencies, operational feasibility, and financials have yet to be assessed
-  **Labor pool:** Low skilled labor easily available. MPS has had experience locating and hiring talent within the regional labor market
-  **Access to raw materials/inputs:** Current sourcing can be used to acquire necessary ingredients. Feasibility of costs and on site versus off site pre-processing still not assessed
-  **Access to markets:** IMPS already uses its Nutrition Center to distribute the sandwiches it outsources. Would be able to easily substitute in-house sandwiches.

 Positive  Neutral  Negative  Not Assessed

MPS needs to evaluate the potential created by the opportunity and the operation's break even point

PRELIMINARY PROBLEM DEFINITION WORKSHEET

OVERARCHING QUESTION

Is it financially and strategically attractive for MPS to bring sandwich production in-house?

SITUATION

MPS currently buys 2000-4000 school lunch sandwiches from SuperMom's every day
MPS has some sandwich making equipment and excess floor space

COMPLICATION

It is unclear if it is financially viable to bring sandwich making in-house. Also need to understand other implications (nutrition, job creation potential) and market potential to supply different customers

STAKEHOLDERS

Minneapolis Public Schools, Saint Paul Public Schools (potential partner/buyer), UROC, North Minneapolis community, SuperMom's, students

SCOPE OF SOLUTION SPACE

Limit scope of recommendations to MPS' Nutrition Center. Use findings to generate target production metrics for MPS going forward.

KEY SOURCES OF INFORMATION

- Client interviews at MPS
- Primary research on assembly line sandwich
- Primary research on key cost drivers in expansion effort
- Production best practices

EARLY HYPOTHESES

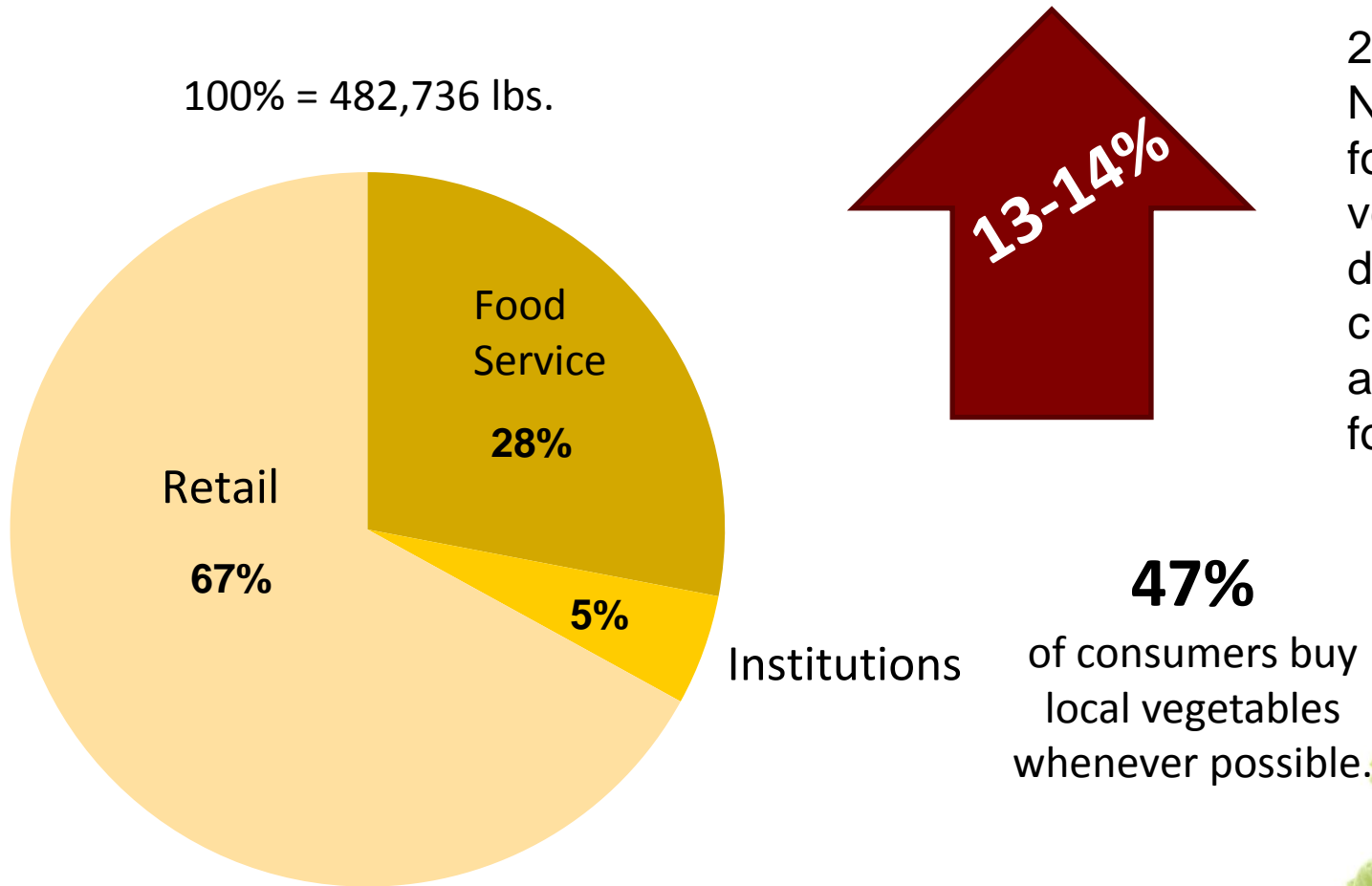
Without a core competency in sandwich making, MPS may struggle to match SuperMom's production capacity and costs. MPS may need to identify other internal skills or resources that could provide a competitive edge to their production process.

Agenda

- Review project objectives and methodology
- Discuss key findings
 - Flash Freezing (IQF)
 - School Food In-sourcing
 - **Indoor Farming and Living Greens Expansion**
 - Employer Survey Results
- Discuss recommendations and proposed next steps
- *Appendix*

There is a promising market in Minneapolis for urban farms

ANNUAL MARKET FOR SPRING MIX IN MINNEAPOLIS* BY CHANNEL



2008-2013
National demand
for fruit and
vegetables,
driven by fresh
cut salads, local
and convenient
foods.

47%
of consumers buy
local vegetables
whenever possible.

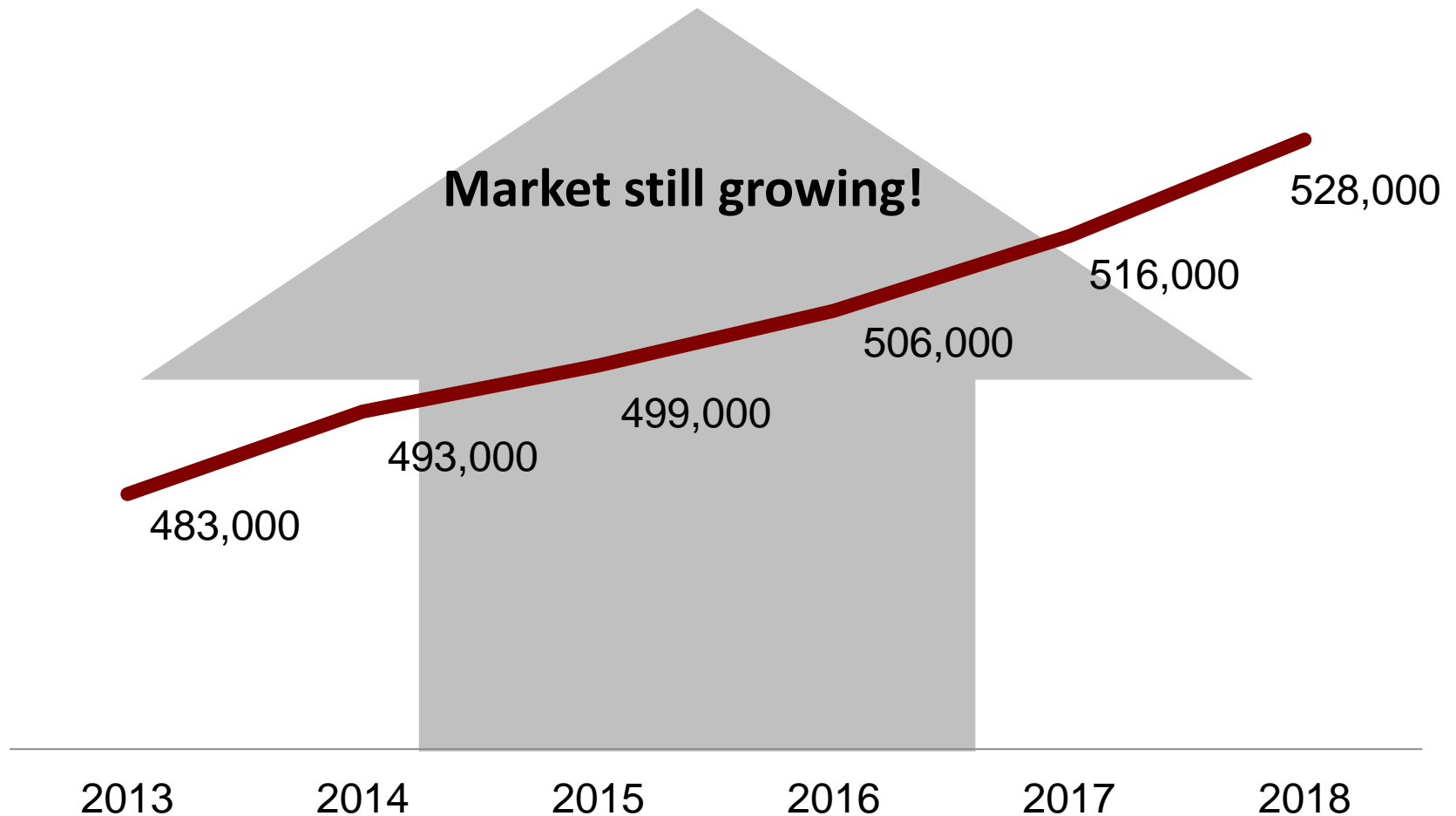


Source:
Passport GMID - Vegetables in the US - September 2013
Mintel - US Fruit & Vegetables October 2013
US Census Bureau, Minneapolis QuickFacts
Hardesty, S.D. "Spring Mix Case Studies in the Sacramento Area."

*For a conservative estimate we considered the local market to be within Minneapolis. Distribution outside this region is not included in this market estimate.

The market is slowing but still growing with increasing consumption of spring mix

PROJECTED ANNUAL DEMAND FOR SPRING MIX IN MINNEAPOLIS

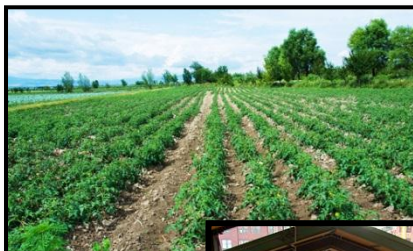


There is demand for a consistent year-round supply of locally grown vegetables in Minneapolis but many businesses are trying to fill this space

INTERVIEWS WITH LOCAL BUSINESSES

Unique Indoor Crop Benefits

- **Year-round production** – Many businesses have 90% local sourcing during harvest season hard to find local vegetables November – April
- **Quality** – Outdoor production is heavily dependent on the weather, if there is a big storm ALL local farms suffer crop damage



Market is Getting Crowded

- **Many established players** - 3 or 4 large "local" organic farms
- **Many new entrants** – fastest growing sector in Minnesota agriculture for the past three years has been in indoor farming, including aquaponics. Small niche local organic farms have also proliferated.

Advantages of LG Model

- **Volume** – Retail and institutions need 800+ lbs. weekly, small local farmers aren't able to meet that consistently
- **Price** – Other farms are dependent on premium pricing, LG can compete with the commodity market price

“People say they are in to local but at the end of the day they are unwilling to pay a premium” – local retail owner

There are several urban agricultural technologies that can be commercialized

OVERVIEW OF URBAN AGRICULTURAL TECHNOLOGIES

← Indoor, soilless food production year round →

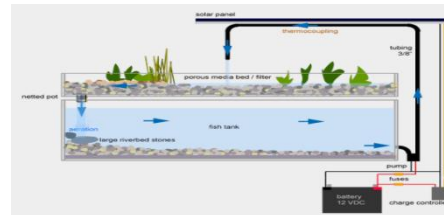
Hydroponics

- Method of growing vegetables using mineral nutrient solutions, in water, without soil
- Needs fertilizers



Aquaponics

- Hybrid food production system that combines an aquaculture (aquatic animals) with hydroponics in a symbiotic environment



Aeroponics

- Process of growing plants in an air or mist environment without the use of soil
- Needs fertilizers



What is it?

Pros & Cons

- The simplest and the most fool proof of all the systems
- Uses only 10% of the water requirements of traditional farming
- However it is the least efficient of all the systems due to relatively low yields per square foot

- Also allows fish farming for consumption or as ornamental pets
- The need for fertilizers, nutrients and clean water is eliminated due to synergistic environment
- Crop yields similar to hydroponic systems

- New high-tech method that is well suited to indoor gardening
- Crop yields exceed all other systems by as much as 40%
- However it is complicated and less forgiving
- Needs more power and special equipment

Garden Fresh Farms is looking to expand in the metro area

OVERVIEW OF GARDEN FRESH FARMS

Who are they?

- GFF is an indoor aquaponic farm in Maplewood
- They produce green lettuce, herbs, micro greens and sprouts
- A standard farm is 4,000-5,000 sq. ft
- Currently employ 10 people at their facility
- Selling produce to Whole Foods, Mississippi Co-op and Bon Appetite corporate cafeterias
- About to open a new facility in Frogtown and looking to further expand in the metro area to tap Farmer's Markets and institutional buyers

How much would it cost to setup a new farm?

- The Maplewood farm took an investment of almost \$400K
- GFF is looking to acquire a building and setup three more farms with seed money of almost \$1.9M
- The City of St. Paul provided GFF with a grant to fund the investments

What is their business model?

Garden Fresh Farms offers two potential business models for new investors

Licensee Programs

- Investors would purchase land, building, equipment, and labor
- Use of brand name and ability to locally supply national contracts
 - Technical services
 - Marketing services

Managed Farms

- An investor purchases the equipment, funds start up expenses and signs management agreement
- GFF manages farm for investor
 - Profits are paid to investor

Living Greens Farm is also looking to move closer to the metro area

OVERVIEW OF LIVING GREENS FARMS

Who are they?

- LG is an indoor aeroponic farm in Faribault
 - They produce leafy greens
 - A standard farm is 20,000 sq. ft
 - Currently employ 14 people at their facility
 - Selling produce through food service distributors
 - Looking to expand production by setting up a greenhouse in Faribault
-

How much would it cost to setup a new farm?

- The Faribault farm took an investment of almost \$1M
 - LG is looking to expand and estimates investment needs between \$1-1.5M
 - The City of Faribault helped LG to setup their facility by providing assistance with building acquisition, city taxes and licenses
-

What is their business model?

Living Greens Farm offers two potential business models for new investors

Partner Programs

- Franchise model
- Investors will only need to supply capital for building and land
- Services and knowledge provided by LG

Independent Ownership

- Investor pays for all startup costs and LG licenses the technology and expertise

As farm size increases, job creation is expected to grow stepwise

BREAKDOWN OF ANTICIPATED CROP YIELD AND JOB CREATION BY FARM SIZE

	5K sq. ft. farm	20K sq. ft. farm	60K sq. ft. farm
Annual LG yield	175K lbs.	700K lbs.	2.1M lbs.
Investment Required	\$276K	\$1.1M	\$3M
Production jobs	1 skilled 2 unskilled	1 skilled 11 unskilled	3 skilled 34 unskilled
Processing jobs	0 skilled 1 unskilled	0 skilled 2 unskilled	0 skilled 5 unskilled

Incremental savings from locating in North Minneapolis are likely to come from 4 drivers

ESTIMATED ANNUAL SAVINGS FROM INTERVIEWS WITH LG, UTILITIES AND DISTRIBUTORS

	Key drivers	Advantages to Locating in NoMi
Cost of Shipping & Supplies	<ul style="list-style-type: none"> The cost of transporting raw materials is driven by driver's salary, gasoline, vehicle maintenance and insurance Shipping is handled by food distributor H Brooks Freight charges vary by distance of collection 	<ul style="list-style-type: none"> Locating to NoMi will reduce the vehicle usage for supplies. This will reduce the cost of transportation which is factored into the materials expense by ~2% There will be no additional shipping charges as collection point will be within 30 miles of the distributor warehouse. Storage costs will be reduced as pick ups will be more frequent
Cost of Labor & Turnover	<ul style="list-style-type: none"> 2 unskilled employees are needed per A-frame Each unskilled employee is paid a \$20/hr salary The employee turnover rate, although not a concern right now, can be an issue as transportation to and from Faribault is difficult Turnover increases costs due to retraining and HR procedures 	<ul style="list-style-type: none"> Availability of public transportation options is likely to reduce turnover LG will hire most employees from NoMi and will not need to incur relocation expenses for employees from Faribault
Cost of Utilities and Water	<ul style="list-style-type: none"> Electricity is the biggest cost contributor for LG Approximately 1MW is needed annually Water usage is highly sophisticated and controlled. Needs proper filtration and sewage SAC fees are significant 	<ul style="list-style-type: none"> Water charge per unit : \$3.29 Sewer charge per unit: \$3.14 Energy Charge per kWh : \$0.02981 Demand Charge per kW : \$12.86 (J-S) \$8.98 (O-M) Utility rates are similar for Faribault
Revenue Streams	<ul style="list-style-type: none"> Distance between LG and customers limits its ability to procure new customers and distributors Access to completely new channels – such as Farmers Markets, on-site neighborhood selling etc. 	<ul style="list-style-type: none"> MPS has leafy green requirement of approximately 1,000 lbs per day Proximity to large retailers, restaurants and institutions Focus on TC and circumvent the need for a distributor

Incremental expenses from locating in North Minneapolis are likely to come from taxes, permits and insurance

ESTIMATED ANNUAL EXPENSES FROM INTERVIEWS WITH LG

Taxes, Permits and Insurance

Key drivers

- \$1500/month in insurance premiums
- \$1000/month in property taxes
- Need extensive local city help in gaining permits and zoning rights

Disadvantages to Locating in NoMi

- Property taxes in Faribault and North Minneapolis may differ
- Loading/unloading tariffs for shipping and handling may also differ
- There may be different zoning and permit restrictions between the two locations

LG needs a positive balance between incremental gains/losses to expand to NoMi

AGGREGATE FINANCIAL FUNDAMENTALS

Incremental Savings



Incremental Expenses

- +** Additions to LG's bottom line resulting from:
 - Reduction of operating costs (e.g., shipping, labor turnover, utilities)
 - Increase in revenue (e.g., due to new channels in the Twin Cities)

- Subtractions to LG's bottom line resulting from:
 - Higher building rent and mortgage payments
 - Permits and zoning expenditures
 - Higher taxes on property in NoMi
 - Renovation costs

Yearly Expenses (000s)



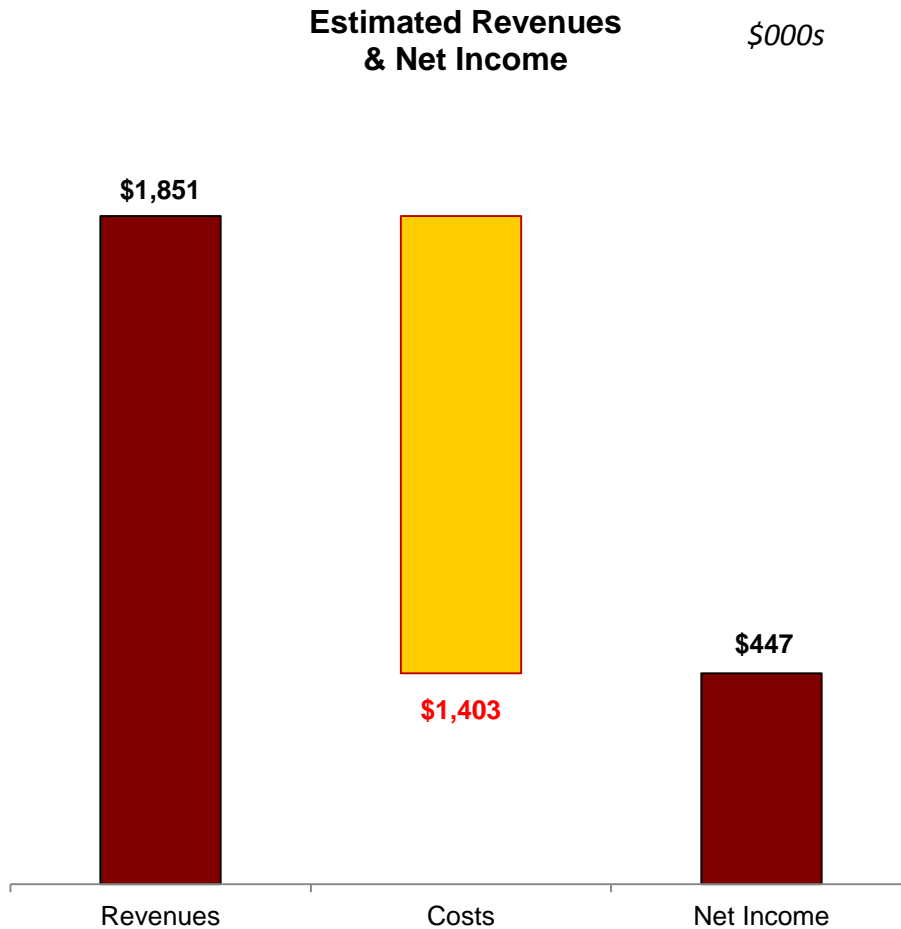
**Gross Margin (Estimated)
% Sales**

Faribault	➔	18%
North Minneapolis	➔	22%

At most there will be savings of approximately 2% if a farm is set up in the area

Locating in NoMi can potentially increase LG's bottom line by 50%

ALL ESTIMATES BASED ON INTERVIEWS WITH DANA ANDERSON (CEO LG)



Assumptions

Sales Revenues:

- Revenues are based on selling price of \$5 per lbs
- Currently LG sells produce at \$2-3 per lbs to distributors who then sell it to outlets at \$5 per lbs
- Locating in NoMi will allow LG to bypass food service distributors and sell directly to various channels at the higher prices using their own delivery trucks and sales accounts

Costs:

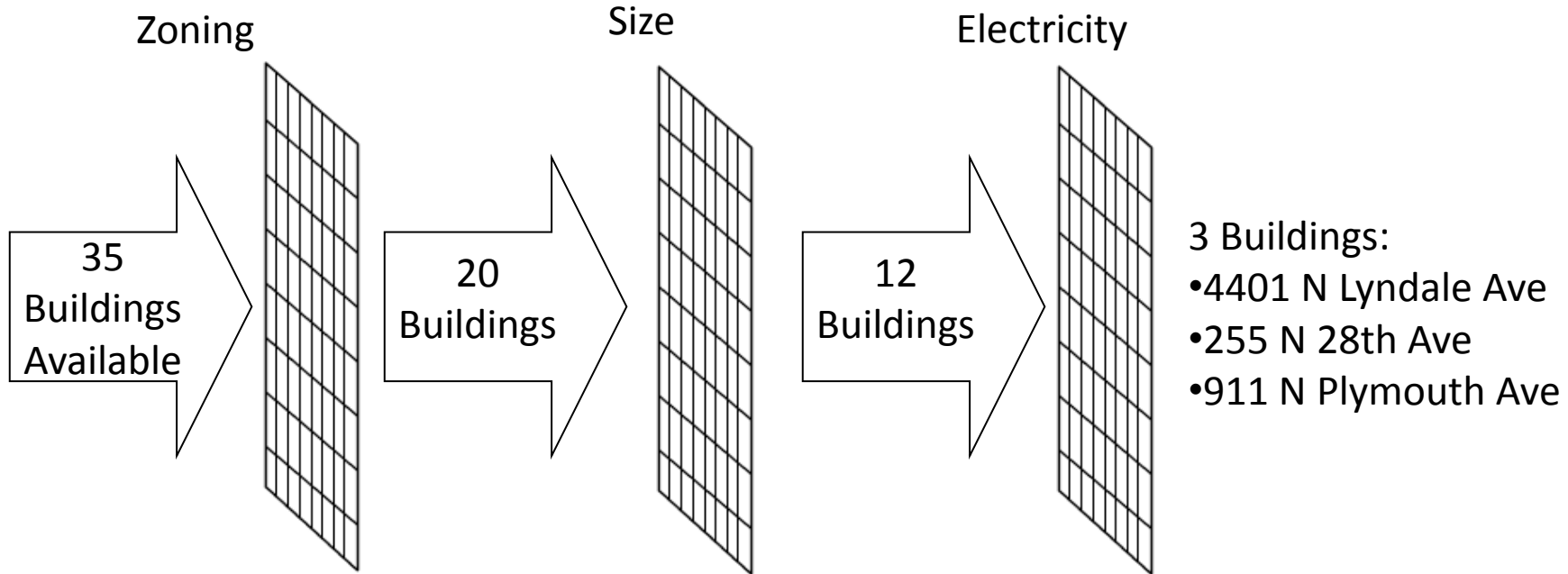
- 2% decrease in operating costs due to North Minneapolis . This factors in one time and recurring supply chain expenses

Customers:

- Locating in NoMi will allow LG to play on the local produce angle as food grown within a 15 mile radius of the Twin Cities is strictly considered local
- Downtown restaurants and farmers markets will help drive top line sales. Estimated market is ~350K lbs per annum and LG will capture 15%

There are 3 buildings in North Minneapolis that would fit Living Greens' criteria

PROCESS FOR SELECTING RECOMMENDED BUILDINGS



Living Green Requirements

Needs to be zoned I1, I2, or C4

Needs >5,000 SF and 14' ceilings

Needs 3 phase 480V electrical service

Results in North

- 15 are not

- 4 < 14 FT Ceilings
- 4 < 5,000 SF

- 9 are not

These 3 buildings vary in available space, cost, and electrical infrastructure

POTENTIAL BUILDINGS



4401 N Lyndale Ave



55 N 28th Ave

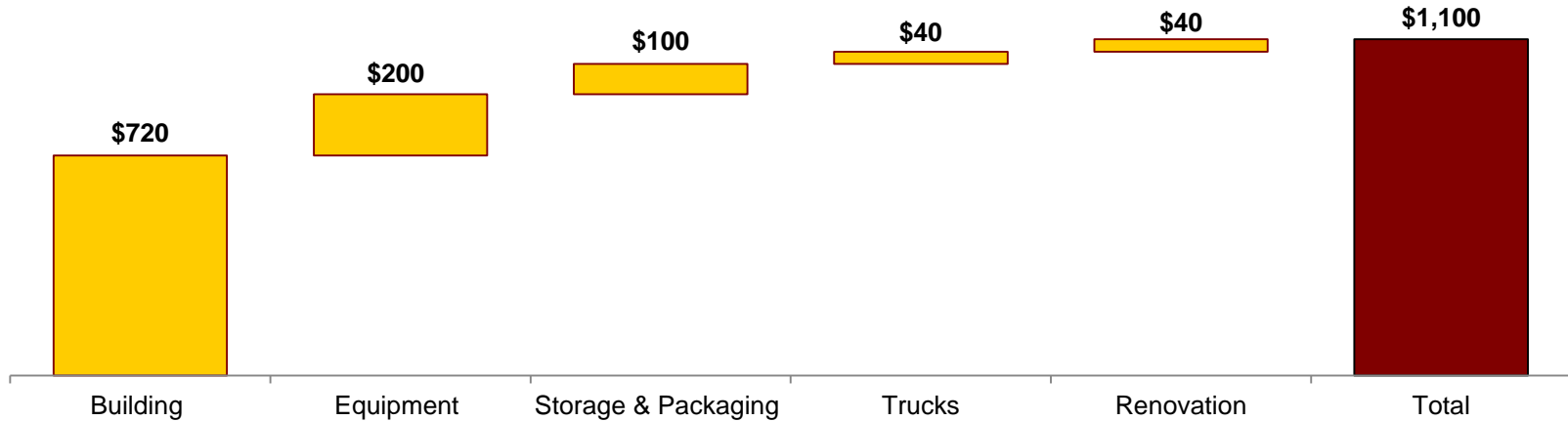


911 N Plymouth Ave

Warehouse Size (SF) >5,000 SF	76,128	27,153	9,764
Ceiling Height >14'	14'	20'	19'
Price Per SF	Buy \$15	Buy \$36	Lease \$6
Electricity 480V 3-phase	Heavy Power	600 Amps/480 Volts /3-Phase	800 Amps/480 Volts/3-Phase
Loading Docks	2 drive-in doors 2 dock doors	8 docks 4 levelers	2 docks

Expanding to North Minneapolis will give Living Greens a higher ROI as compared to another facility in Faribault

ESTIMATED STARTUP COSTS AND YEAR 1 INCOME (\$000's) FOR BASE SCENARIO



Assumptions

- We assume the purchase and renovation of a 20k sq. ft. building at \$35 /sq. ft. *plus* \$2 /sq. ft. for renovation (HVAC systems at \$3K per ton and 10K for installation)
- Equipment costs include 6 A frames (\$20K per frame) and artificial lighting/control systems
- Storage and packaging account for freezers, washers and plastic rollers
- We estimated a need for 4 used delivery trucks at \$10K per truck
- Net Income estimates are based on selling 60K lbs of produce annually at \$5 per lbs while almost ~630K lbs will be shipped through food service distributors at \$2.50 per lbs
- Shipping expenses are expected to double as % of sales due to delivery truck maintenance and insurance

Year 1	% of Sales	
	In FB	In NoMi
Net Income	18%	24%
Investment	52%	59%
.....		
ROI	34%	40%

LG’s market share in the metro area will determine its profitability, they are looking to expand as they see new demand conditions not currently met by their business model

SENSITIVITY ANALYSIS FOR DIFFERENT SCENARIOS

	<i>\$000</i>	Low Case	Base Case	High Case
Sales Revenue		\$1,764	\$1,851	\$1,938
Total Expenses		\$1,389	\$1,403	\$1,418
Net Income		\$375	\$447	\$520
Investment		\$1,450	\$1,100	\$1,000
Return on Investment		26%	40%	52%

Key Assumptions (Interviews with LG, secondary research)

- LG will produce and sell a total of 688,000 lbs of leafy greens in a 20,000 sq. ft farm
- LG will be selling to two different segments – Twin Cities and Midwest region customer accounts
- Investment and startup costs range between \$1-1.5M

Low Case:

- LG captures only 5% of the Twin Cities leafy green market at the high price point of \$5 per lbs
- Building, renovation and equipment costs are 32% higher
- Operating expenses are down 2% due to low delivery truck and shipping expenses

High Case:

- LG captures 25% of the Twin Cities leafy green market at the high price point of \$5 per lbs
- Building, renovation and equipment costs are 10% lower
- Operating expenses are up 1% due to higher delivery truck expenses

“There is ample room to play and increase revenues as we continue to refine our technology. It is important that we are in the Twin Cities area to capture that value” – CEO LG

There are a variety of incentive programs that can help Living Greens open a new facility in North Minneapolis

OVERVIEW OF CITY AND STATE INCENTIVE PROGRAMS

	2% Loans	Bus Dev Fund Loans	Grow North!	Common Bond Program Fund	Brownfield Grants	Redevelopment Grants
Description	<ul style="list-style-type: none"> • Loan: up to \$75K • 2% interest rate • 10 year term • 1% origination fee to city 	<ul style="list-style-type: none"> • Loan: up to \$75K • Match lender rate • 10 year term • Credits earned for ea. resident hired: \$37.5k max 	<ul style="list-style-type: none"> • Loan: up to \$200K • Loan is forgivable 	<ul style="list-style-type: none"> • Bond: up to \$10M • Fixed-rate • Below mkt rate • 20-30 year term • Borrow provides 10% equity 	<ul style="list-style-type: none"> • Grants to assist contaminated property cleanup 	<ul style="list-style-type: none"> • Grant: up to ½ of redevelopment costs • \$750 app. fee • 7% admin. fee
Requirements	<ul style="list-style-type: none"> • For equipment or building improvement 	<ul style="list-style-type: none"> • Pay \$14.71/hr • Provide benefits • Fill vacancies with Mpls residents 	<ul style="list-style-type: none"> • Bring 75 jobs to North in 5 years • Offer jobs to residents 	<ul style="list-style-type: none"> • Owner-operated manufacturing business in Hennepin Co 	<ul style="list-style-type: none"> • For investigation and/or cleanup • Fill vacancies with Mpls residents 	<ul style="list-style-type: none"> • Redeveloping blighted sites • Do not require new public infrastructure
Key Contact	<ul style="list-style-type: none"> • Genral CPED • (612) 673-3000 	<ul style="list-style-type: none"> • General CPED • (612) 673-3000 	<ul style="list-style-type: none"> • Casey Dziejewcynski at CPED • (612) 673-5070 	<ul style="list-style-type: none"> • Charlie Curtis at CPED • Charles.curtis@minneapolismn.gov • (612) 673-5069 	<ul style="list-style-type: none"> • General CPED • (612) 673-3000 	<ul style="list-style-type: none"> • Kevin Carroll at CPED • (612) 673-6181
Website	<ul style="list-style-type: none"> • http://www.ci.minneapolis.mn.us/cped/ba/cped_two_percent 	<ul style="list-style-type: none"> • http://www.ci.minneapolis.mn.us/cped/ba/cped_bdf 	<ul style="list-style-type: none"> • http://www.minneapolismn.gov/cped/GrowNorth 	<ul style="list-style-type: none"> • http://www.minneapolismn.gov/cped/ba/cped_common_bond 	<ul style="list-style-type: none"> • http://www.ci.minneapolis.mn.us/cped/ba/cped_brownfields 	<ul style="list-style-type: none"> • http://www.ci.minneapolis.mn.us/cped/ba/DEEDRedevelopmentGrantProgram

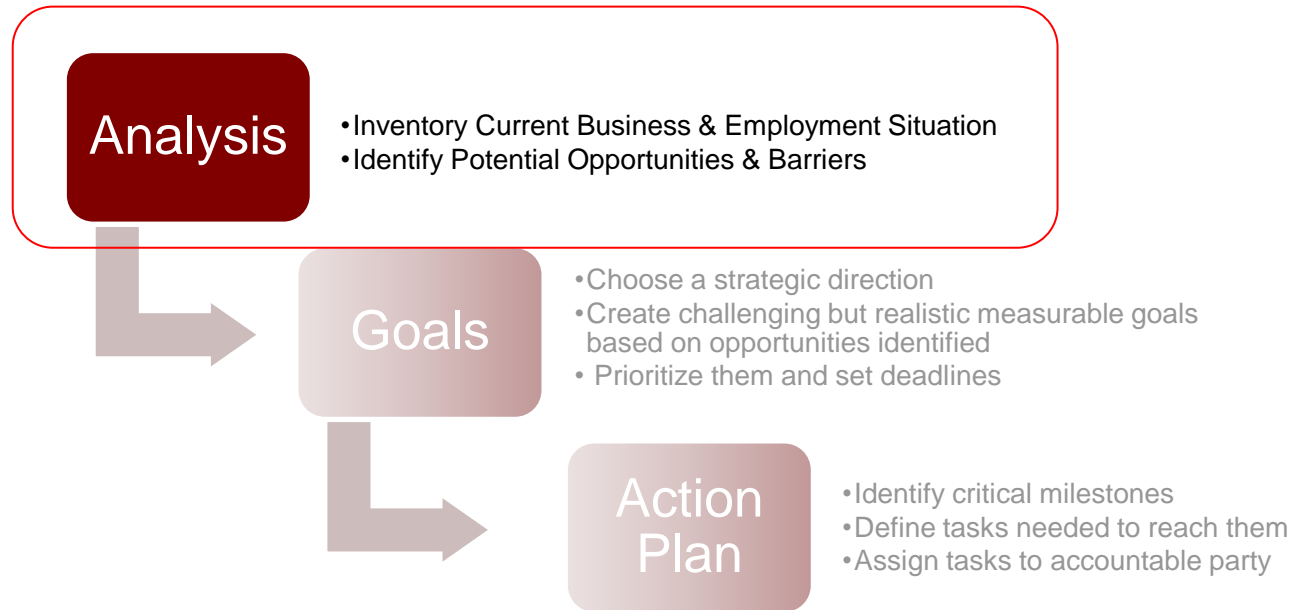
Agenda

- Review project objectives and methodology
- Discuss key findings
 - Flash Freezing (IQF)
 - School Food In-sourcing
 - Indoor Farming and Living Greens Expansion
 - Employer Survey Results
- Discuss recommendations and proposed next steps
- *Appendix*

The team performed a quantitative survey of North Minneapolis employers as a first step to help the JCT develop a strategic plan

GOALS AND PURPOSE OF EMPLOYER SURVEY

Steps in developing a neighborhood-level strategic plan



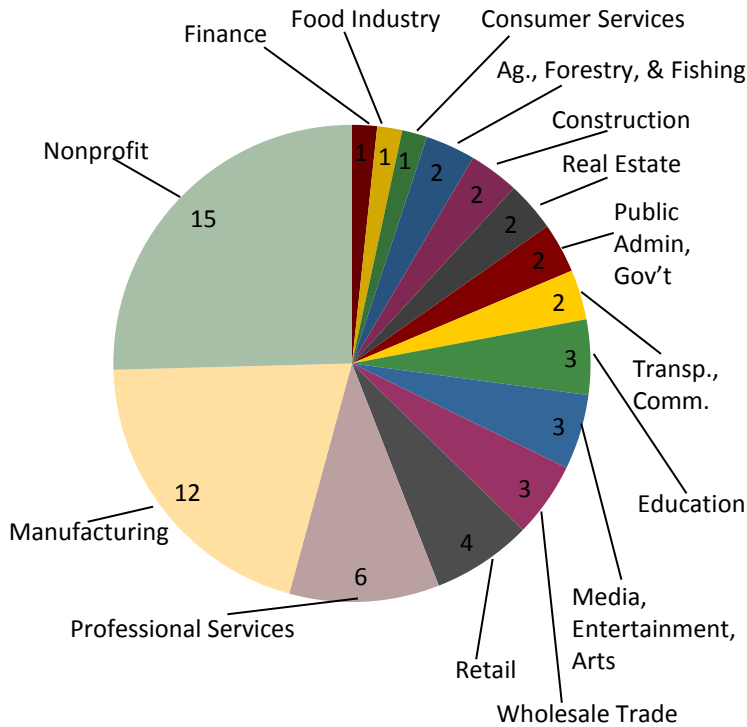
Survey Goals

- Estimate the job creation potential among current employers
- Identify and prioritize issues and obstacles to employment growth
- Identify issues and obstacles related to connecting Northside residents with these employment opportunities

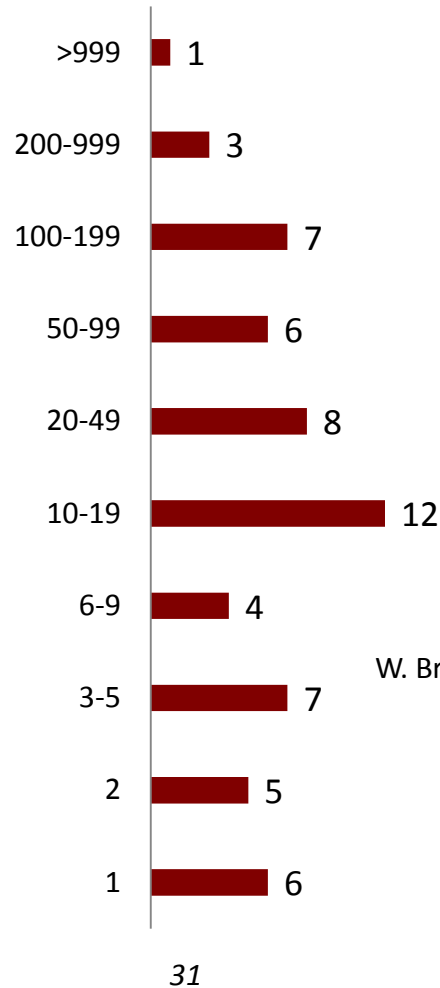
55 businesses completed the survey with good representation across industries, sizes, and locations in North Minneapolis

RESPONDENT BUSINESS INDUSTRY, SIZE, AND LOCATION

Industry

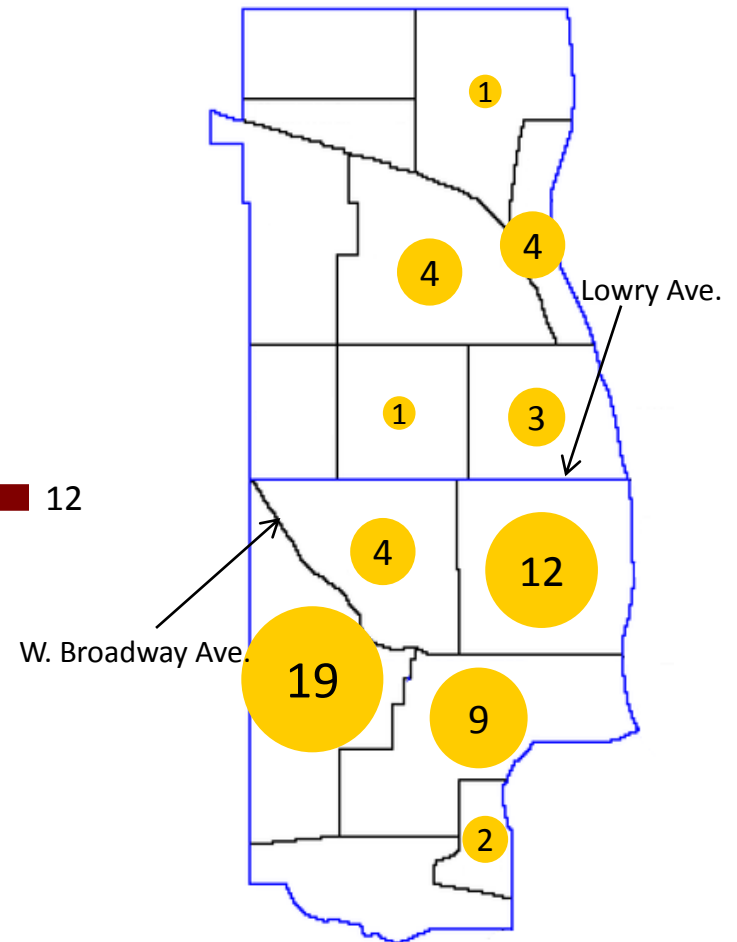


Business size (# of employees)



Business location

= number of respondents



Current North Minneapolis employers will add between 485 and 1,105 jobs in 2014, but, unless efforts are made, most of these new jobs will not go to Northside residents

ESTIMATED NEW JOBS IN NORTH MINNEAPOLIS

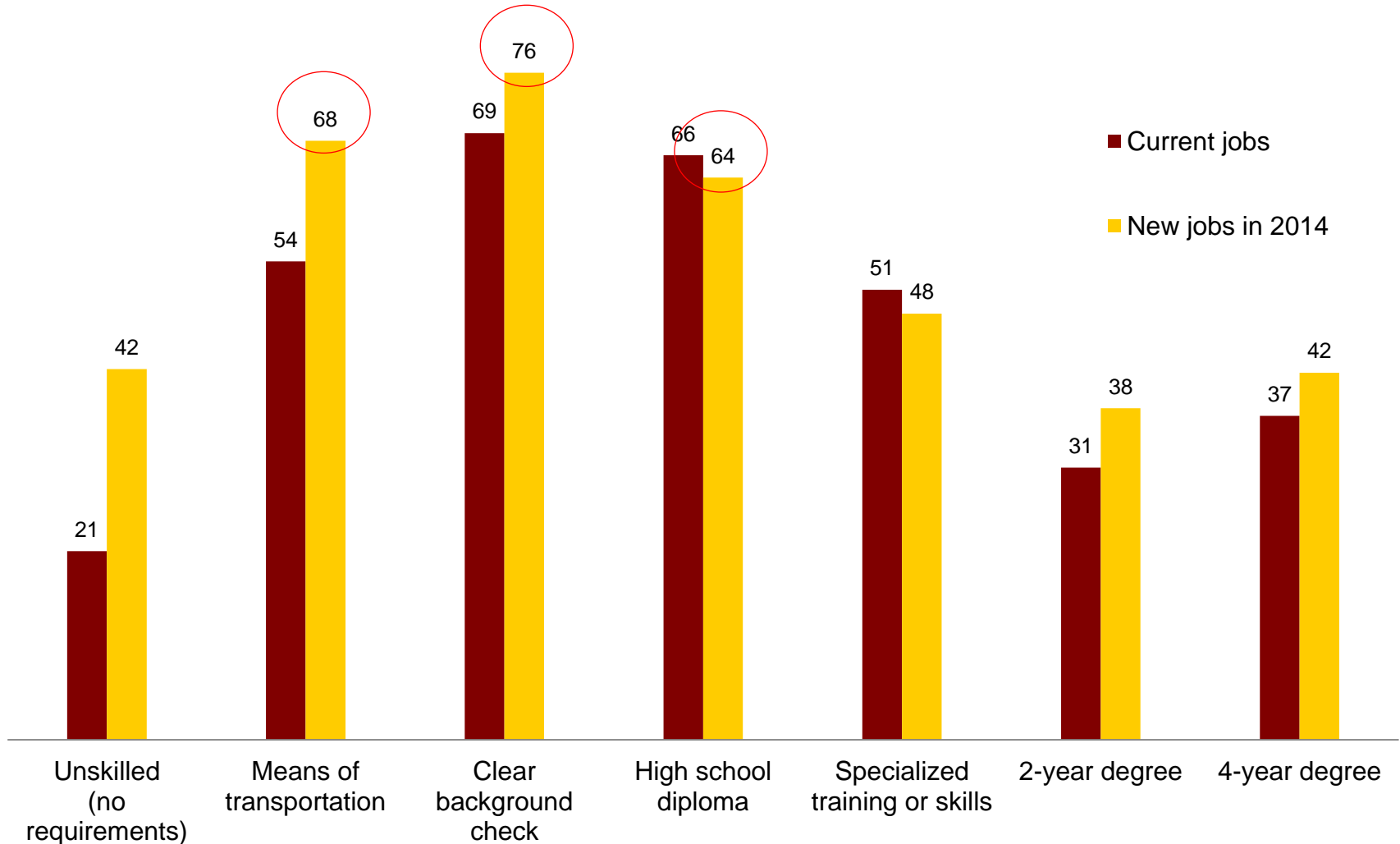
2,895 to 6,603	Number of people survey respondents currently employ
294	Survey respondents' expected increase in employment in 2014 (+320, -26)
4.45% to 10.16%	Estimated employment growth in 2014
485 to 1,105	Estimated new jobs from current employers in 2014
132 to 302	New jobs that residents will gain in 2014 if North continues to get 27.3% share
353 to 803	Jobs in North going to non-Northside residents
85%	New jobs due to hiring by just the top 10 survey respondents



The JCT can capture more of the new jobs by targeting a small number of employers

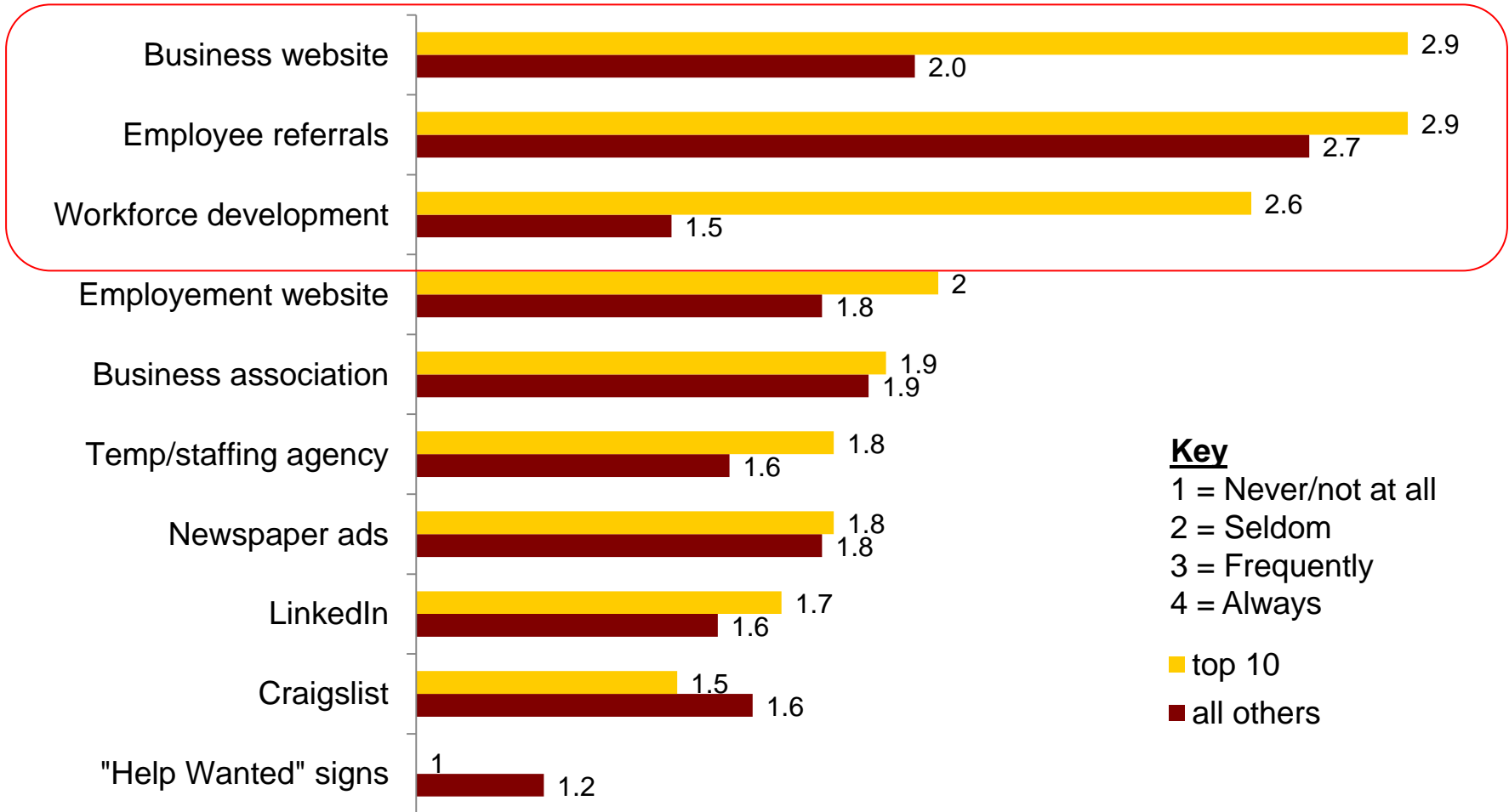
A large percentage of the new jobs in North require an independent means of transportation, a clear background, and/or a HS diploma

EMPLOYEE JOB REQUIREMENTS (% OF EMPLOYEES)



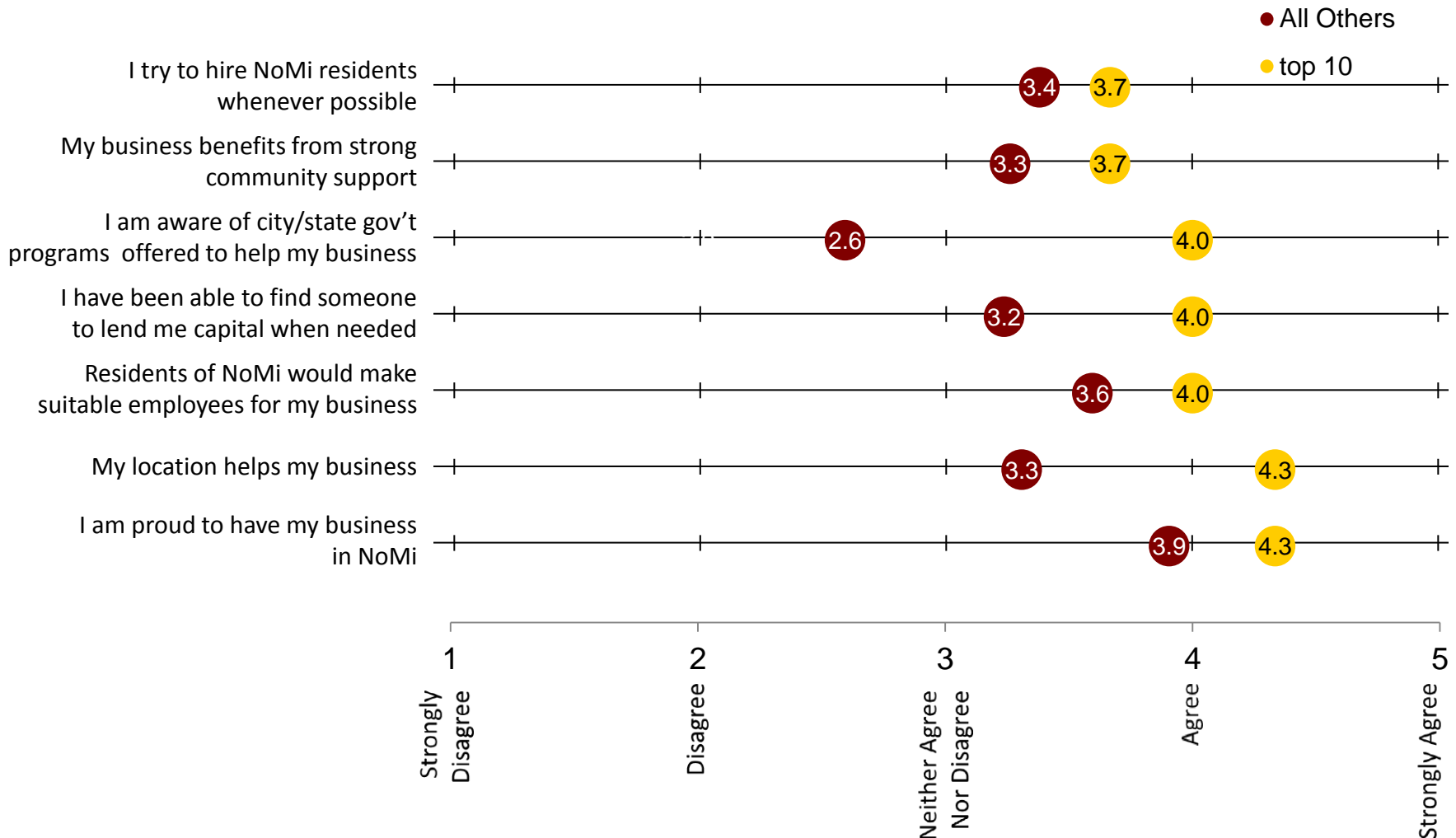
Northside residents should focus on using business websites and workforce development programs to connect with the businesses who are hiring

SERVICES USED TO FIND NEW EMPLOYEES



Businesses that are hiring believe that Northside residents will make suitable employees and are supportive of North Minneapolis

RESPONSES TO BELIEF STATEMENTS



Businesses say that marketing and sales, internal processes, finding qualified employees, and funding are the greatest challenges facing them

MOST IMPORTANT CHALLENGES FACING THE BUSINESS



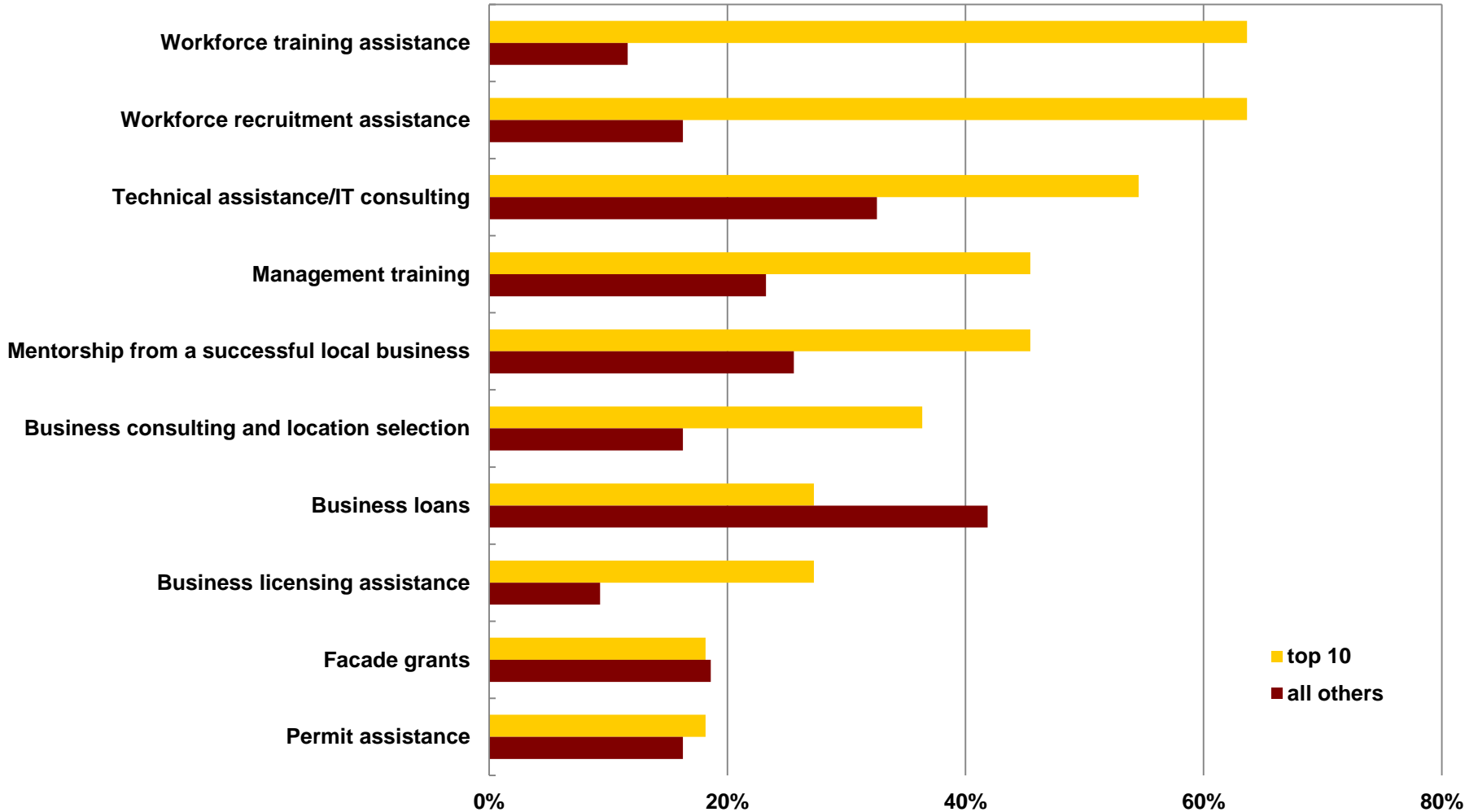
Businesses strongly feel that Marketing and Sales and Operations Management assistance would help them grow

RANKING OF AREAS THAT WOULD MOST HELP THE BUSINESS

	Ranked #1	Ranked #2	Ranked #3	Total
Marketing and Sales	25	2	5	32
Operations Management	6	11	4	21
Access to Capital	4	6	4	14
Mentorship/Consulting	2	9	3	14
Tech Assistance	2	4	7	13
Identifying Qualified Workers	4	4	4	12
Workforce Training	6	2	4	12
Management Education	0	5	7	12
Access to Public Transportation	2	1	1	4
Accounting	0	1	3	4

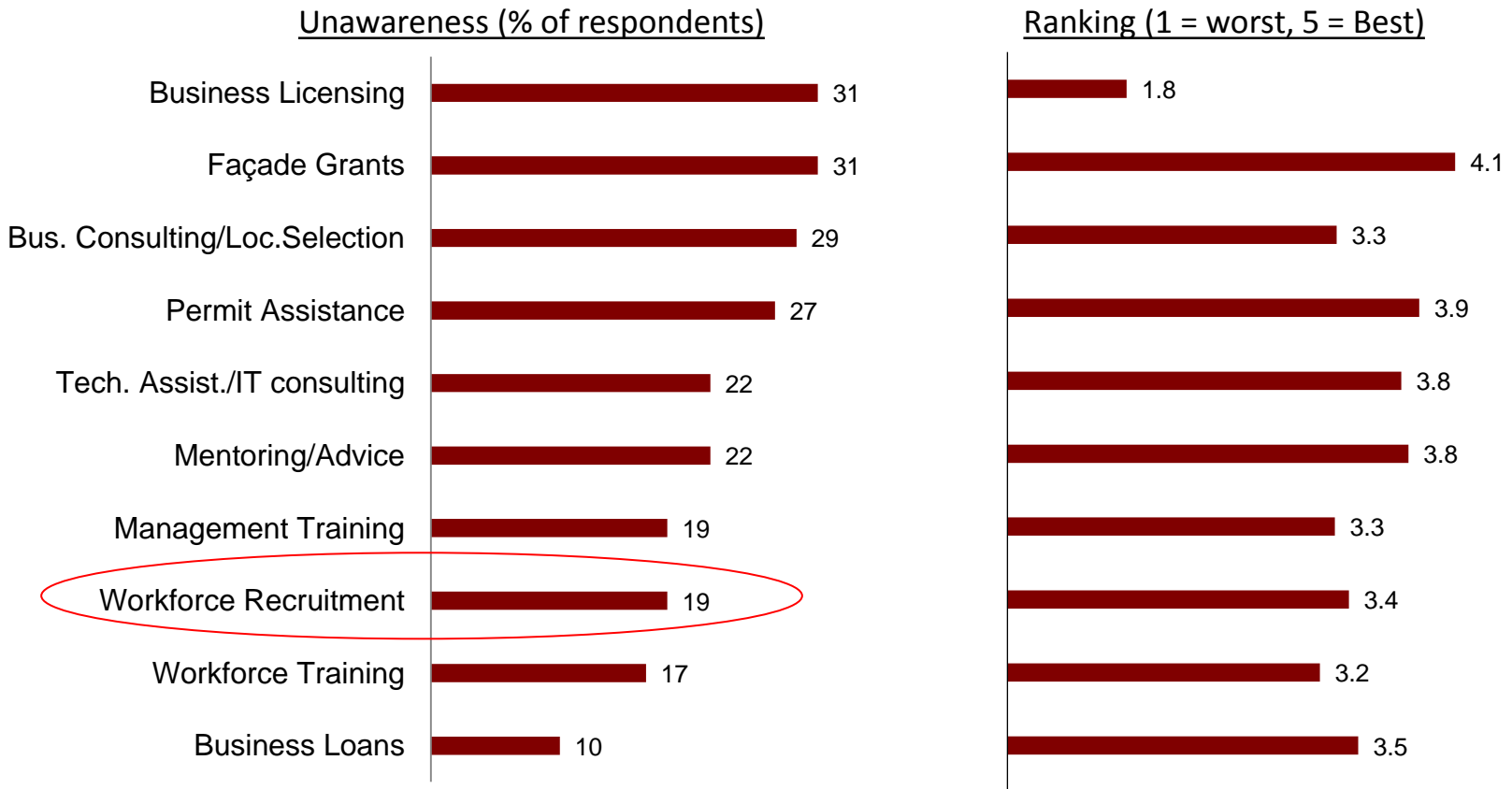
Growing companies use state and local programs at significantly higher rates than other North Minneapolis companies

PERCENTAGE OF RESPONDENTS THAT HAVE USED STATE AND LOCAL PROGRAMS, BY PROGRAM



Most businesses responded that they are unaware of programs that could help their business, including workforce recruitment which could help residents find employment

UNAWARENESS AND RANKING OF CITY/STATE/NON-PROFIT PROGRAMS



The JCT can help Northside businesses grow by connecting them with available services

Agenda

- Review project objectives and methodology
- Discuss key findings
 - Flash Freezing (IQF)
 - School Food In-sourcing
 - Indoor Farming and Living Greens Expansion
 - Employer Survey Results
- Discuss recommendations and proposed next steps
- *Appendix*

Recommendation of next steps explore these opportunities

Project	Next Step	Who
School Food	<ul style="list-style-type: none"> Perform a feasibility and core competency analysis 	<ul style="list-style-type: none"> CCE or CVE B-Term Team
Indoor Farming	<ul style="list-style-type: none"> Connect with LG to promote the 3 buildings and incentives package and begin to develop a relocation package 	<ul style="list-style-type: none"> JCT & CPED
	<ul style="list-style-type: none"> Reach out to Garden Fresh about potential locations 	<ul style="list-style-type: none"> JCT & CPED
Current Local Businesses	<ul style="list-style-type: none"> Reach out to large businesses to collaborate on hiring residents <ul style="list-style-type: none"> Determine what type of transportation residents will need to qualify 	<ul style="list-style-type: none"> JCT
	<ul style="list-style-type: none"> Collaborate with workforce recruitment programs to connect residents with those businesses that are hiring 	
	<ul style="list-style-type: none"> Make efforts to advertise available services to more Northside employers 	
	<ul style="list-style-type: none"> Develop background check educational system for businesses 	<ul style="list-style-type: none"> ???

Agenda

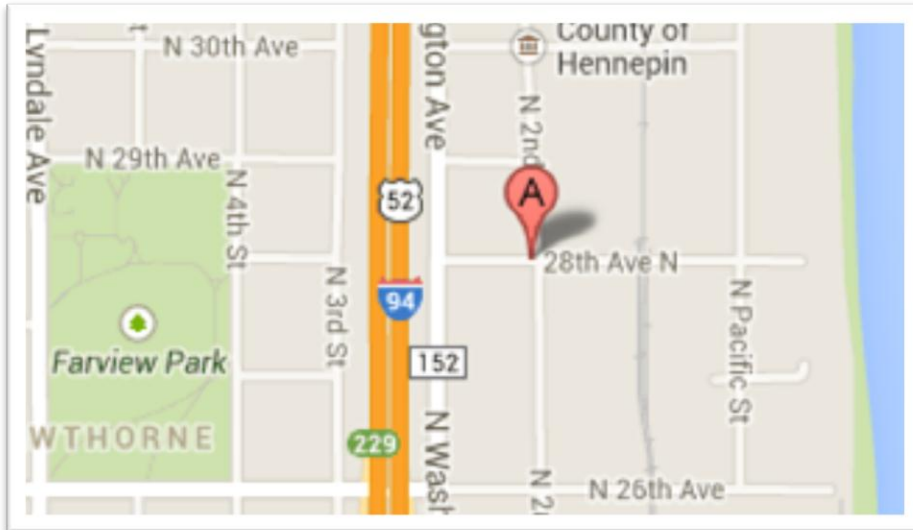
- **Review project objectives and methodology**
- **Discuss key findings**
 - **Flash Freezing (IQF)**
 - **School Food In-sourcing**
 - **Indoor Farming and Living Greens Expansion**
 - **Employer Survey Results**
- **Discuss recommendations and proposed next steps**
- *Appendix*

List of Appendices

Appendix A	Top 3 building profiles
Appendix B	Market
Appendix C	Survey

Available commercial properties in North Minneapolis

SMALL POTENTIAL BUILDING FOR LEASE



Key Features

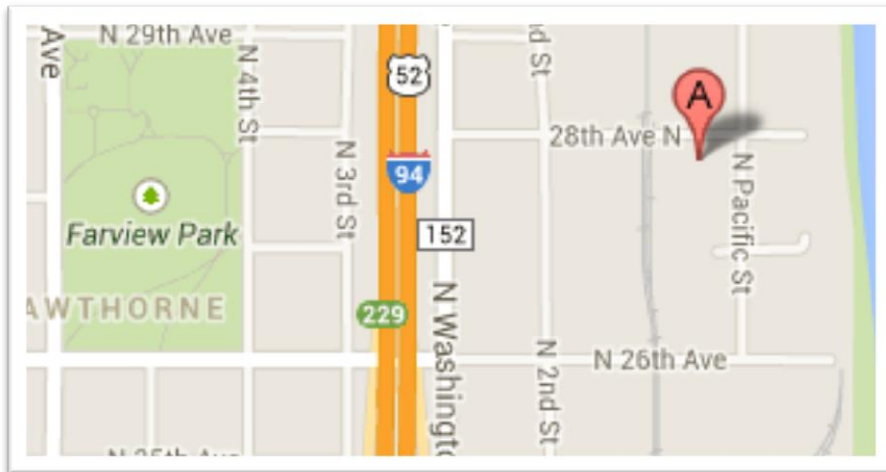
- Price = \$6/SF
- Total SF = 12,000, mostly warehouse
- Ceiling Height = 14'
- 800 Amps/480 volts / 3-Phase
- Docks: 2 loading docks
- Great access to I-94

Contact information

- Upper Midwest Management Corp, Jeff Houg, jhoug@ummccorp.com, (612) 889-2242

Available commercial properties in North Minneapolis

POTENTIAL BUILDING > 25K SQ. FT. FOR SALE



Key Features

- Price = \$980,000; \$36/SF
- Total SF = 27,153; warehouse = 25,117
- Ceiling Height = 20' & 62'
- 600 Amps/480 volts / 3-Phase
- Docks: 8 total with 4 levelers
- Great access to I-94

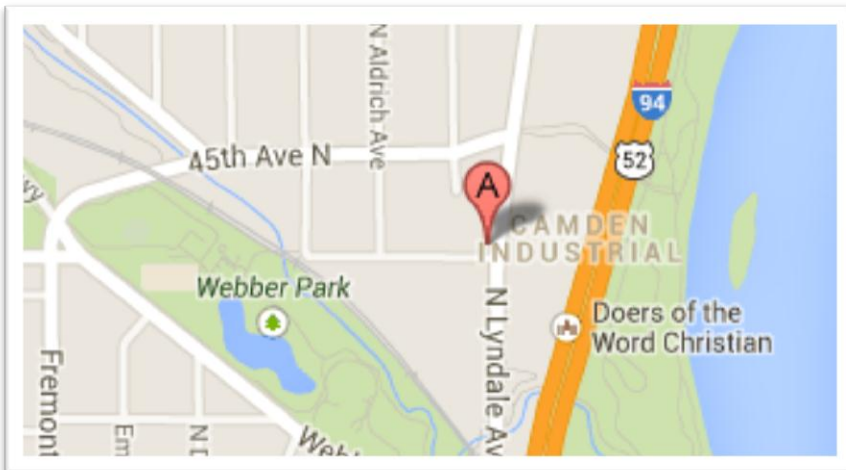
Contact information

- CBRE Realtor, Kathy Frandrup,
kathy.frandrup@cbre.com, 952.924.4619

Approximately 7,000 square foot section features 62' clear height to accommodate multi-level storage for small parts and metal commodities. This unique system includes conveyors, cranes and a remote tracking system to retrieve stored commodities

Available commercial properties in North Minneapolis

POTENTIAL BUILDING > 50K SQ. FT. FOR SALE



Key Features

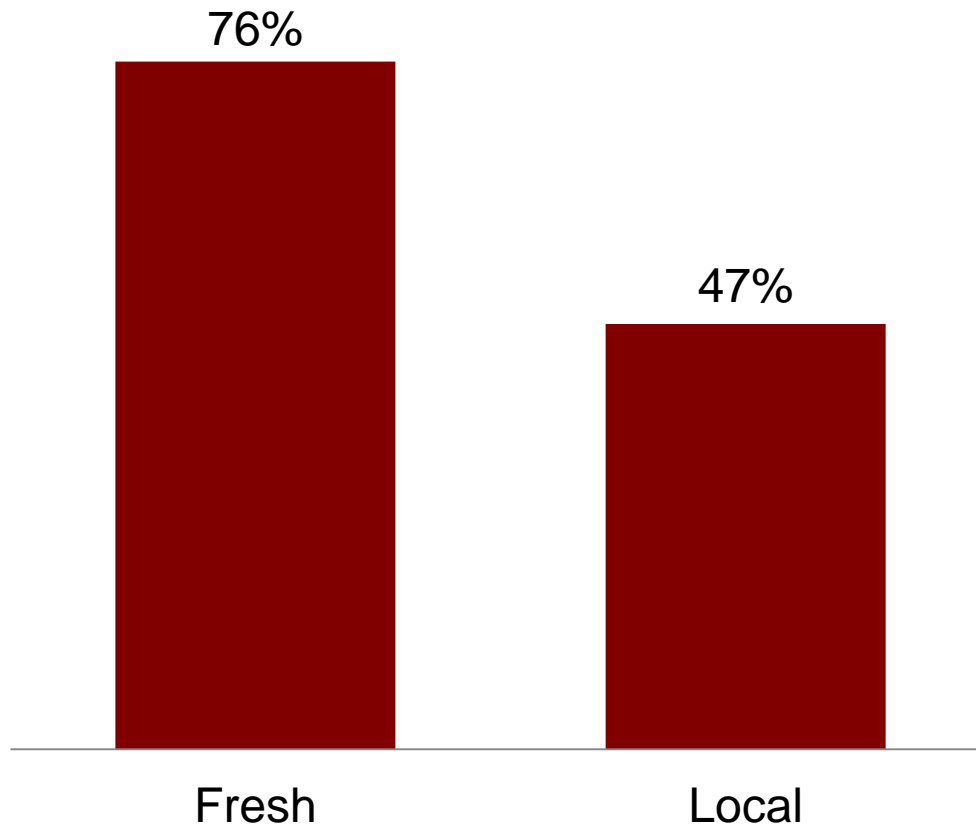
- Asking price of \$1,150,000
- 76,128 sq. ft. total; 71,128 warehouse
- 14' clear height
- Heavy power
- 2 drive-in doors, 2 dock doors
- Great access to I-94

Contact information

- Cushman & Wakefield/NorthMarq Realtors,
Todd Hanson, todd.hanson@cushwakenm.com
952-820-8737
or Jason Sell, jason.sell@cushwakenm.com
952.924.4619

The national market for produce is growing

CONSUMER DEMAND FOR “FRESH/LOCAL” DRIVING INCREASED SALES



Consumers that agree they purchase produce with these attributes whenever possible

- Demand for fruit and vegetables grew 13-14% from 2008-13
- Increased consumer awareness of attributes such as local and organic helps grow interest in the category as a whole
- Fresh vegetables and fresh cut salads drove category growth

Local market for urban farm

“LOCAL” MARKET CONSIDERED FOR NOMI PRODUCE DISTRIBUTION



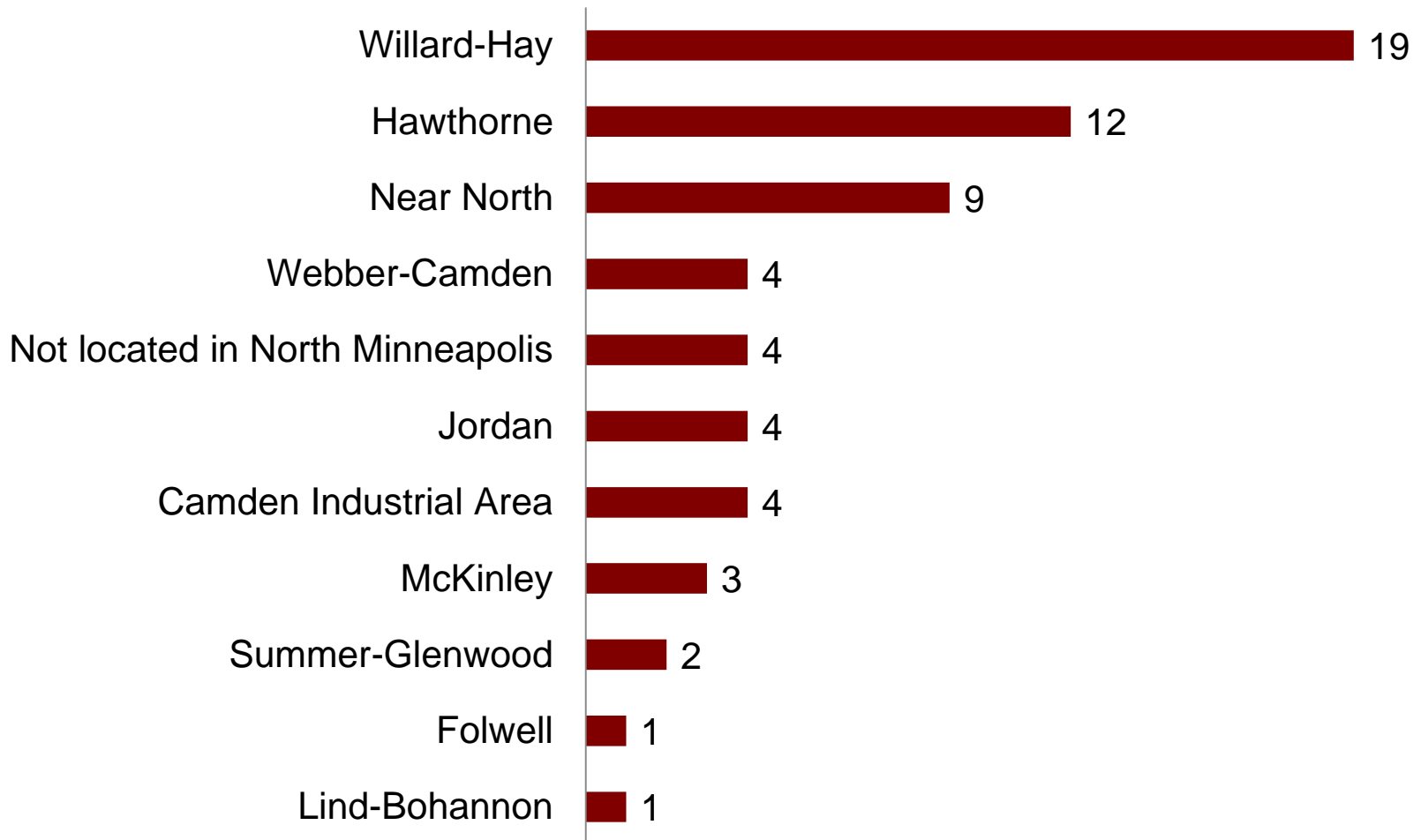
Locally grown can range from onsite to less than 200 miles to the five state region.

For a conservative estimated benefit of locating an urban farm in North Minneapolis we considered the local market to be within Minneapolis.

Distribution outside this region is not included in market estimates.

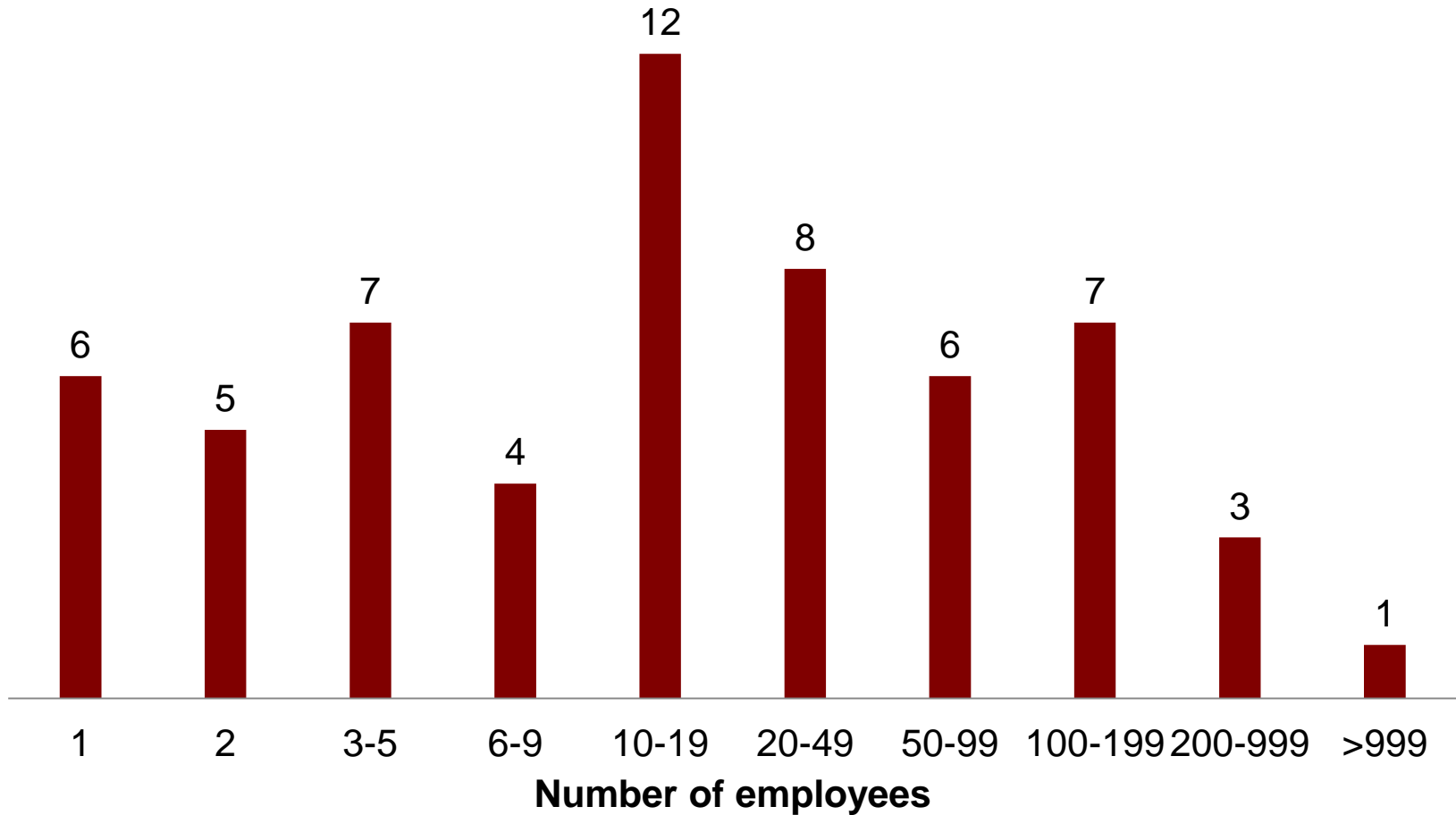
Survey respondents were well-distributed among North Minneapolis neighborhoods

SURVEY RESPONSES BY NEIGHBORHOOD



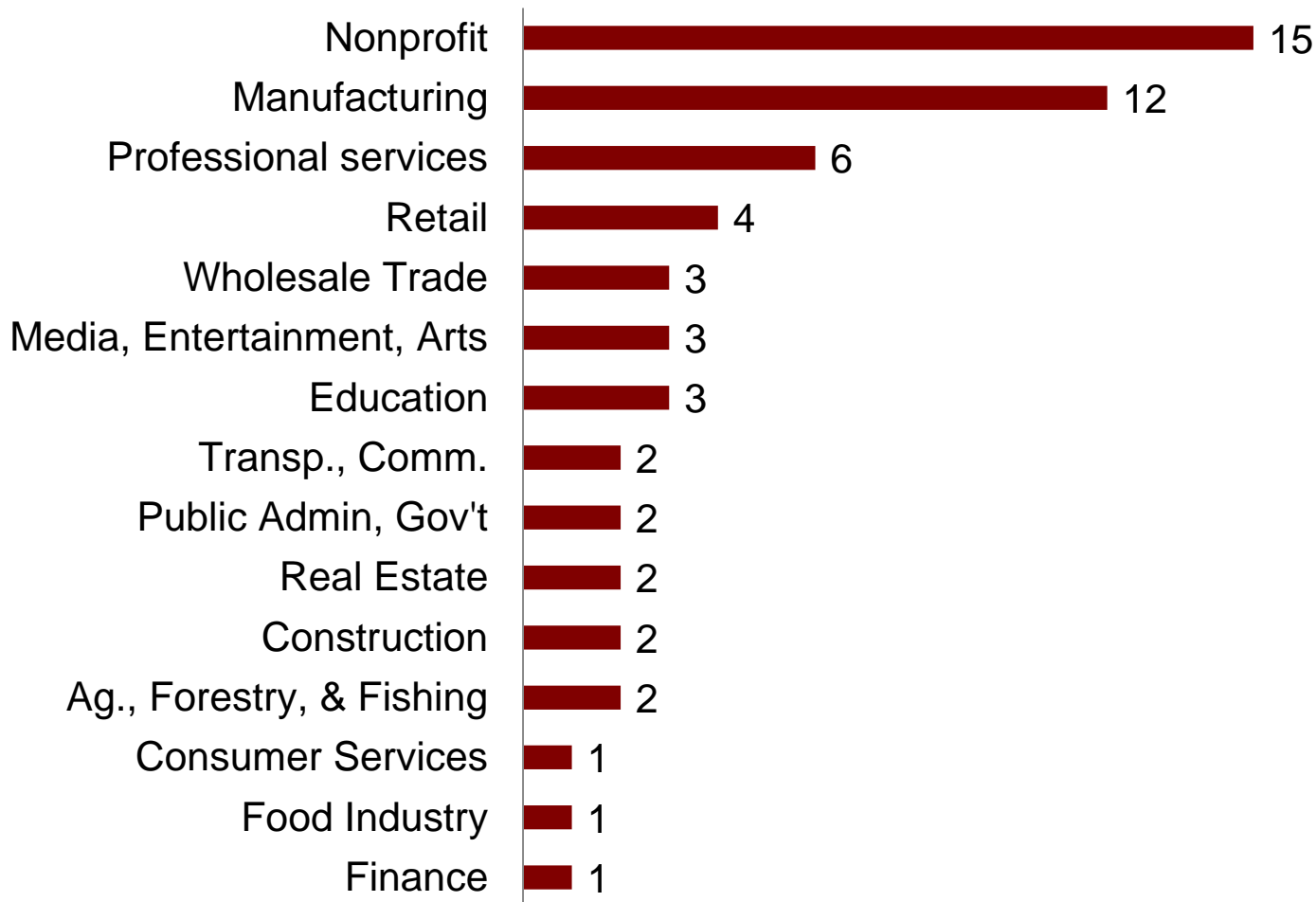
Survey respondents included a wide range of business sizes

SIZE OF RESPONDENTS' BUSINESSES (# of responses)



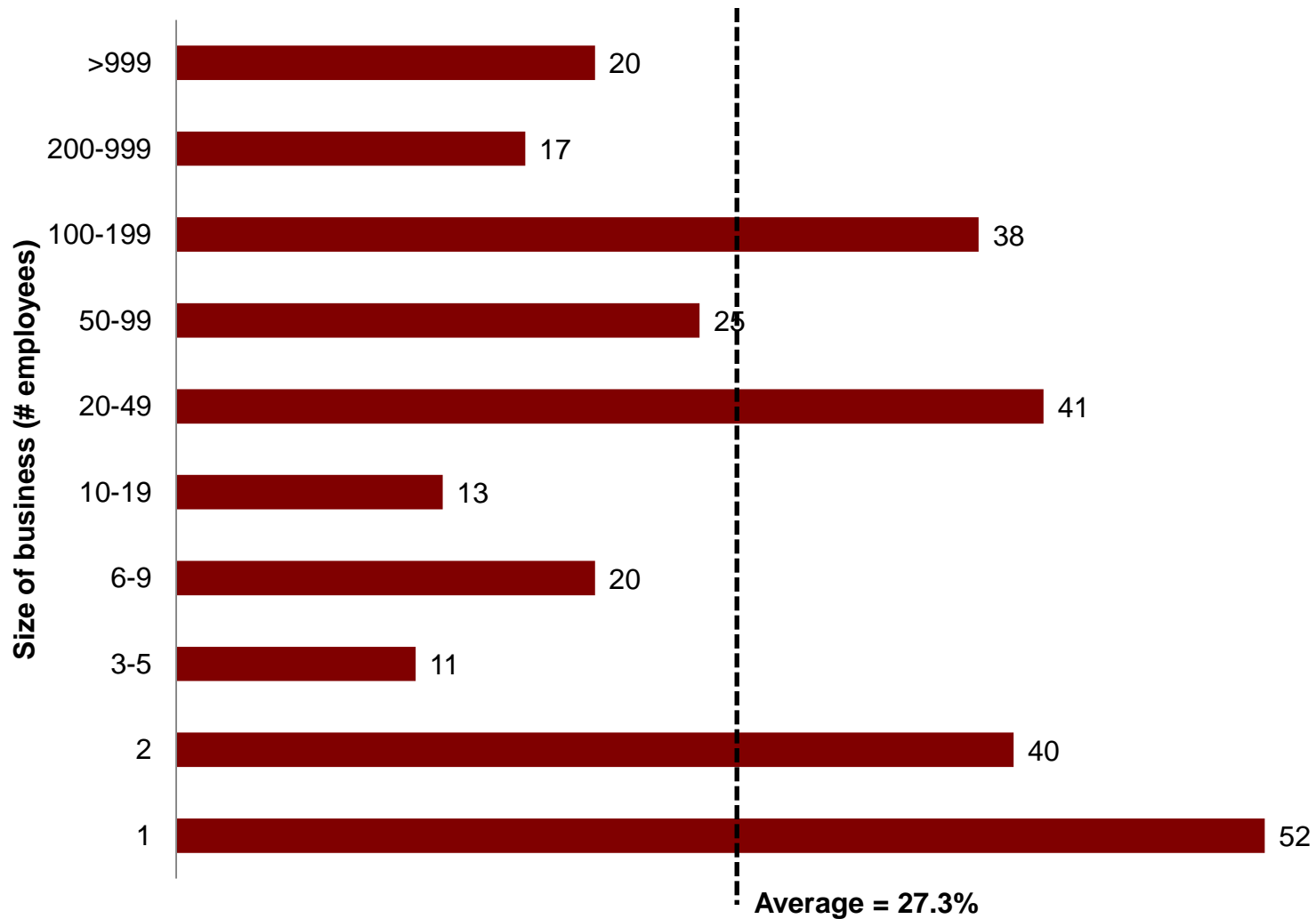
Survey respondents included a cross-section of industries, with the strongest response from manufacturing and non-profits

RESPONDENTS BY INDUSTRY (# of respondents)



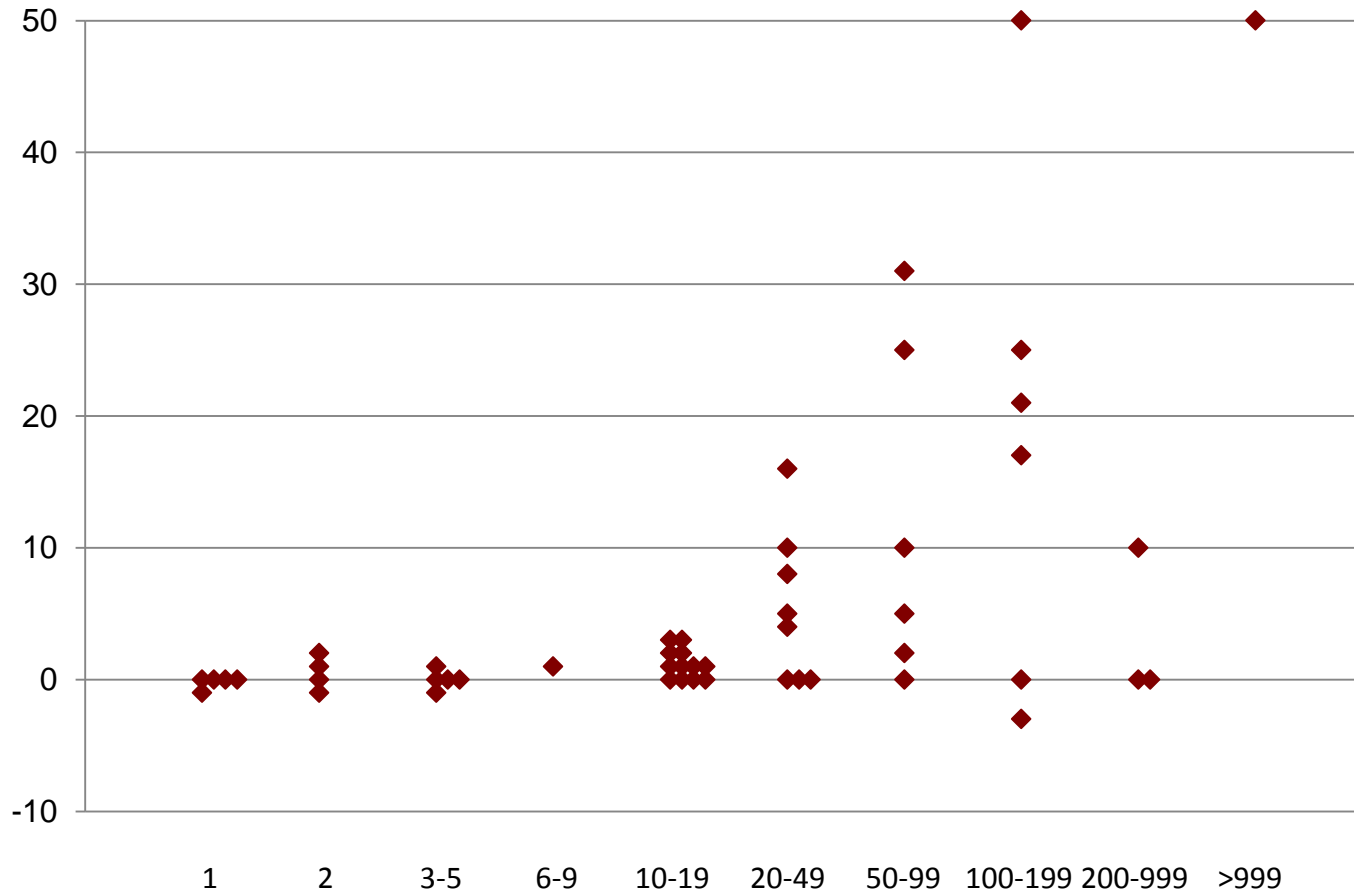
The data does not indicate that targeting businesses by size is warranted

ESTIMATED PERCENT OF EMPLOYEES THAT ARE NORTHSIDE RESIDENTS BY BUSINESS SIZE



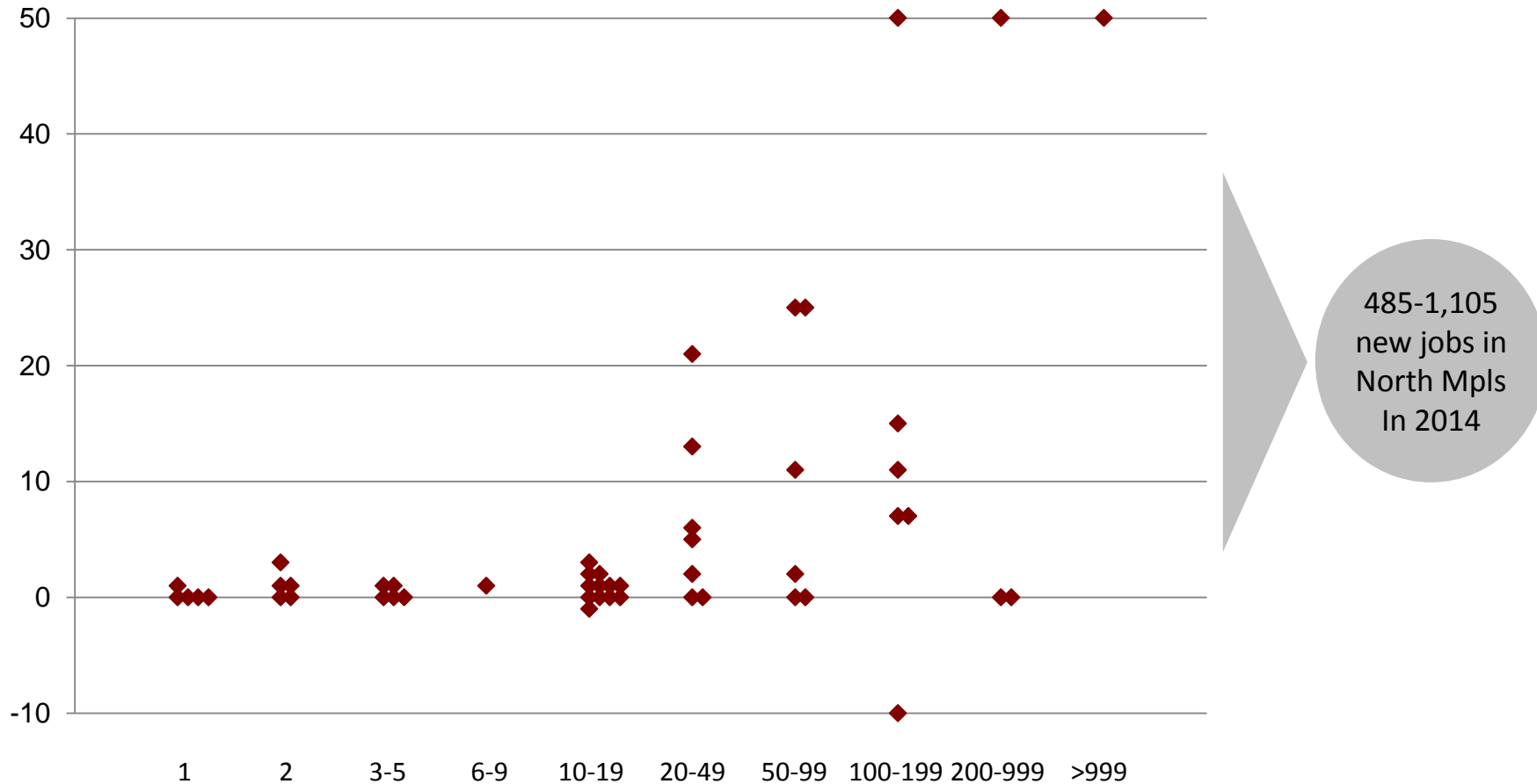
Most businesses increased total employment in 2013

CHANGE IN EMPLOYMENT IN YEAR 2013 (# EMPLOYEES)



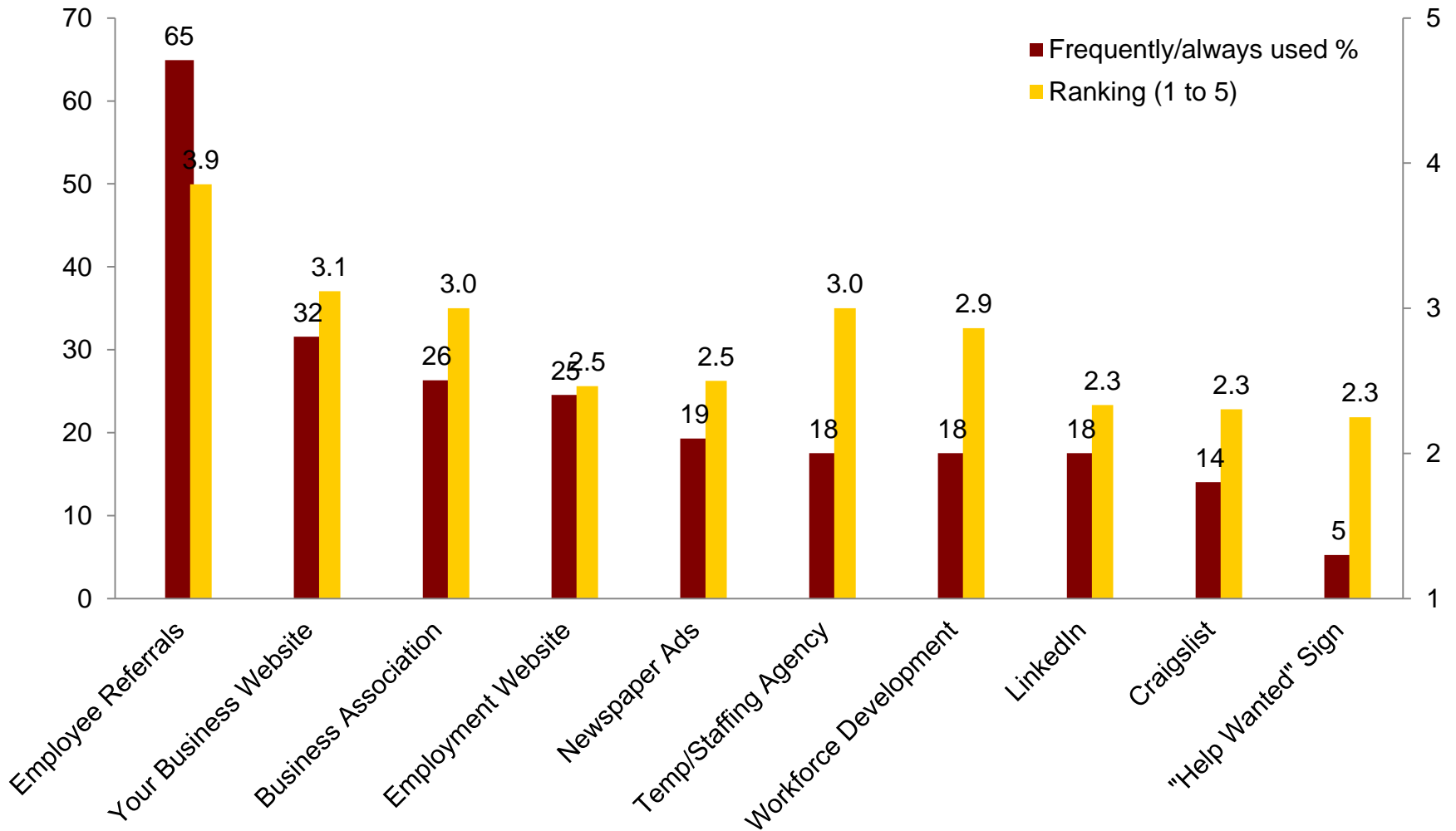
Most businesses plan to increase total employment in 2014

EXPECTED CHANGE IN EMPLOYMENT IN YEAR 2014 (# EMPLOYEES)



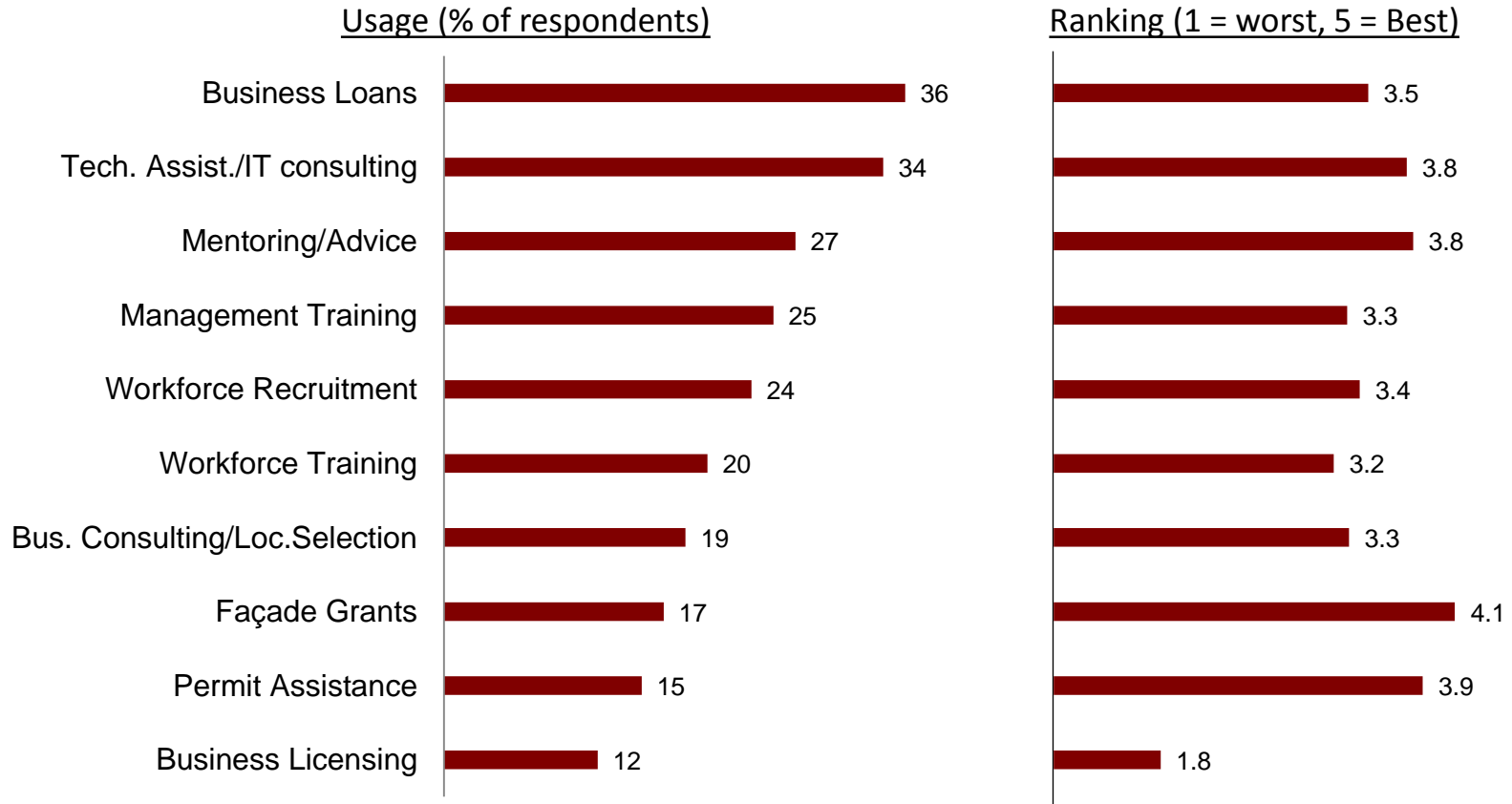
Targeting certain employment services can help fill these jobs with Northside residents

SERVICES USED FREQUENTLY/ALWAYS TO FIND NEW EMPLOYEES



Business loans and technical assistance were the most popular programs

USAGE AND RANKING OF CITY/STATE/NON-PROFIT PROGRAMS

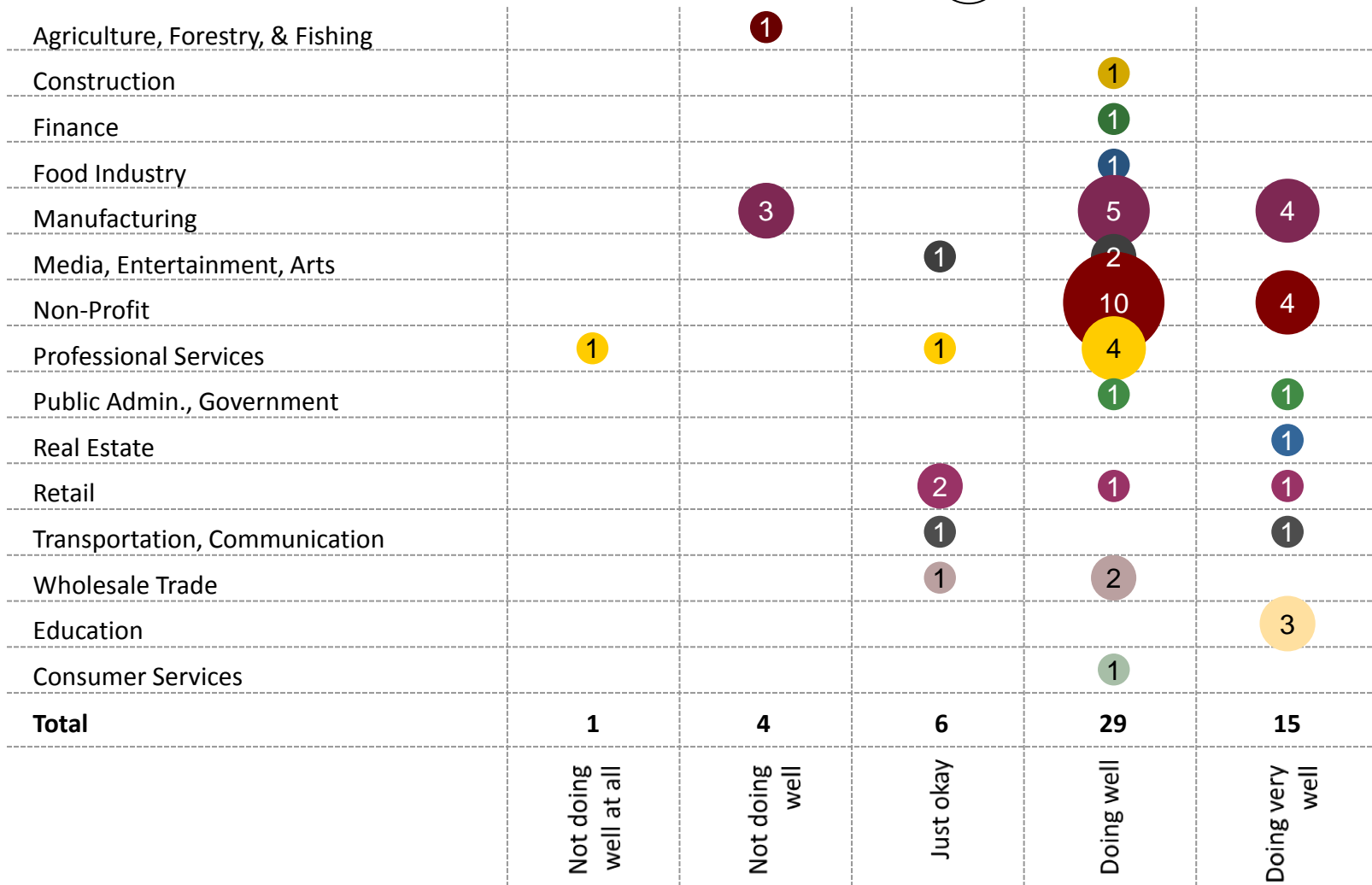


Most businesses say they are currently “doing well” or “doing very well”

HOW BUSINESSES ARE CURRENTLY DOING BY INDUSTRY



Size of circle = # of respondents

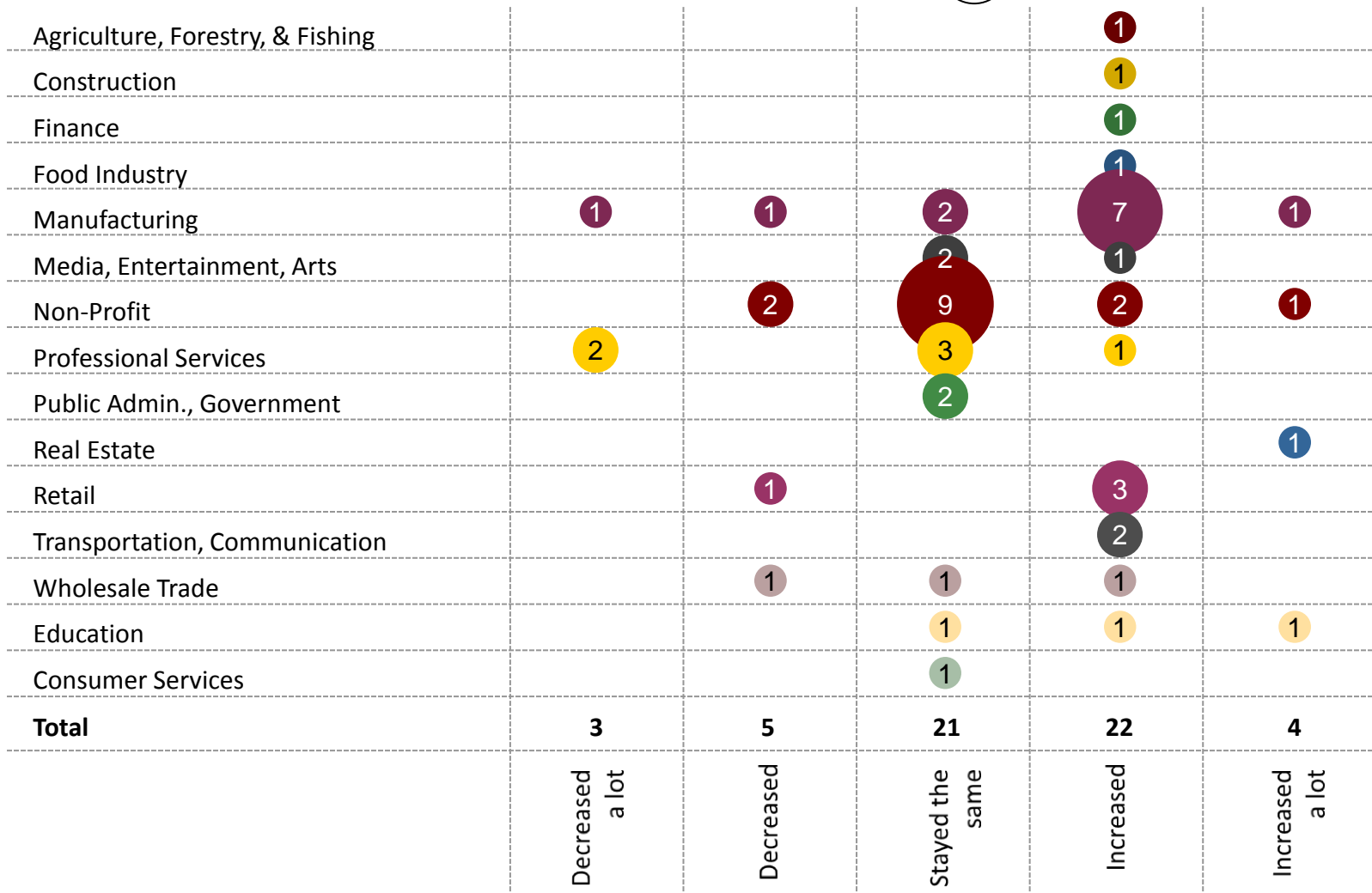


Most businesses had increasing profitability

PROFITABILITY CHANGE IN 2013 BY INDUSTRY



Size of circle = # of respondents

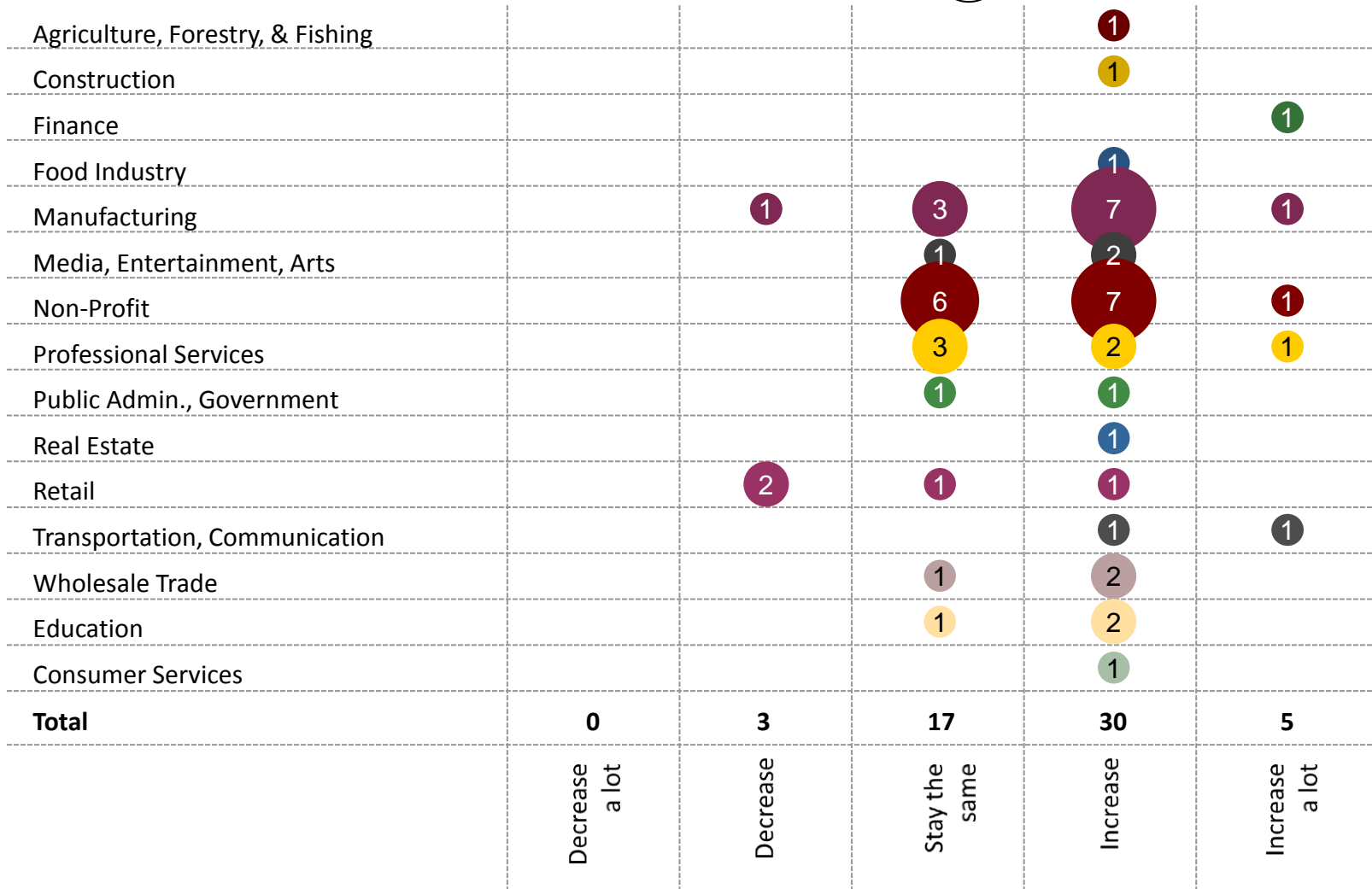


Businesses are generally optimistic about their future profitability

EXPECTED PROFITABILITY CHANGE IN 2014 BY INDUSTRY



Size of circle = # of respondents



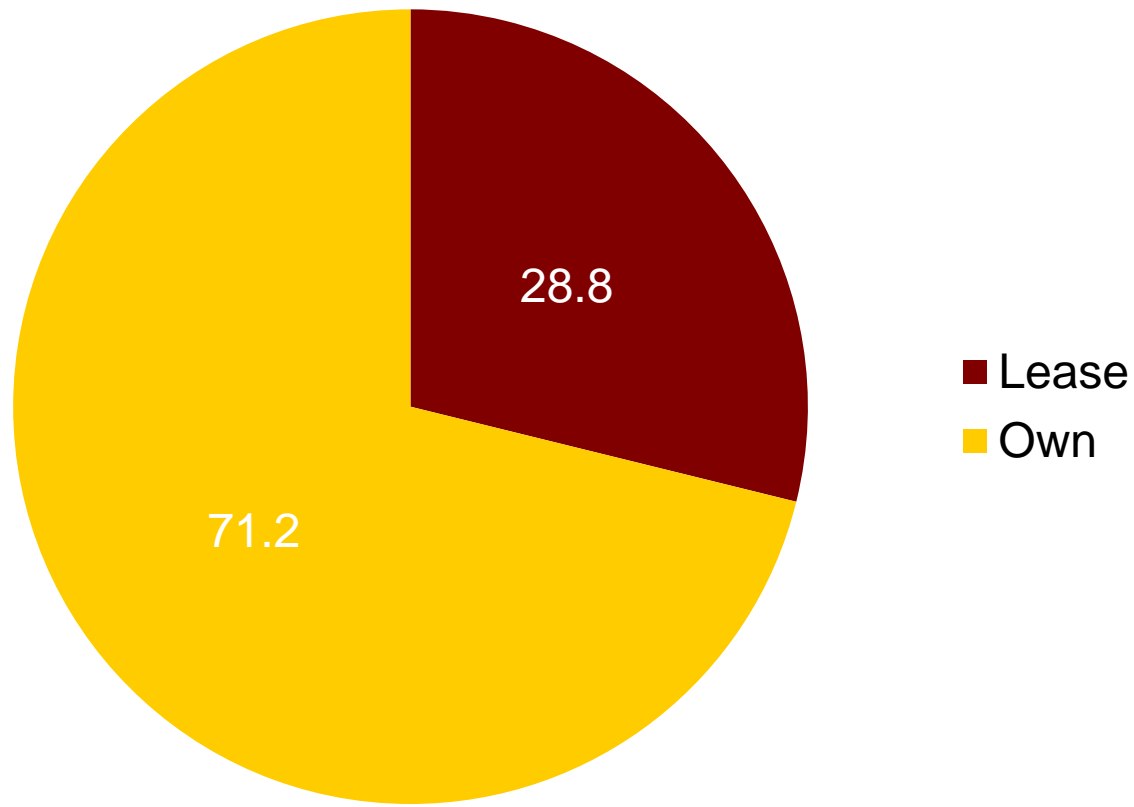
Belief statements

PERCENT OF RESPONDENTS THAT AGREE/DISAGREE WITH STATEMENTS

	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree
I am proud to have my business in North Minneapolis	42.0	26.0	22.0	8.0	2.0
My location helps my business	26.0	20.0	32.0	12.0	10.0
Residents of North Minneapolis would make suitable employees of my business	16.0	48.0	26.0	4.0	6.0
I try to hire North Minneapolis residents whenever possible	12.0	32.0	48.0	2.0	6.0
My business benefits from strong community support	20.0	34.0	18.0	16.0	12.0
I am aware of the city/state/non-profit programs that are offered to help my businesses	8.0	26.0	20.0	28.0	18.0
I have been able to find someone to lend me capital for my business when needed	14.0	34.0	36.0	6.0	10.0

Most businesses own their space

PERCENTAGE OF BUSINESSES THAT OWN OR LEASE THEIR SPACE



Source: survey results (Businesses in North only), n = 52

Most important challenges

MOST IMPORTANT CHALLENGE FACING BUSINESSES (WORD-FOR-WORD RESPONSES)

- Getting the word out about our services.
- Public Image, Community Engagement
- finding qualified and dependable employees and managers
- Not enough sales
- hard to deal Minneapolis officials
- security
- Growth
- We are a non-profit so funding is our biggest challenge.
- computer illiteracy
- visibility - we have been in business over 50 years, and people still don't know we exist!!!
- Competition
- revenue
- the reduction in domestic manufacturing
- Find properly skilled Heavy Equipment operators that want to take leadership responsibilities
- Rapid Growth
- Time management
- New city regulations and high property taxes
- Competition
- Getting business
- the crappy economy
- operations management
- growth
- funding our response to changing community need
- ME! I need to promote my business more! When I try to put my name out there, I get stopped due to the rules and regulations for example, when I tried to participate in the Pop Up Boutique that is coming up. I couldn't participate because I distribute someone else's product.
- Managing growth. Putting internal processes in place to keep pace with program growth.
- Growth
- finding employees with trade skills
- Government (taxation, regulation & wealth redistribution)
- More foot traffic
- We are forming a business which is extremely complicated and we are doing this with spit and band-aids when our work would so fundamentally help North Minneapolis businesses and which should be given public and even corporate support
- continuous improvement help
- Meeting demand of customers.
- Raising Funds to support programs and innovation
- Increasing State and Regional Sales.
- Sales & Marketing, Accounting
- Sustainable funding for nonprofit general operations.
- Currently, creating organizational and systems practices
- Money
- Funding
- parking and building improvements with a budget
- clients
- production/ fabrication space
- Space is becoming too small for all the services offered