

WHY TWIN CITIES *Minnesota*

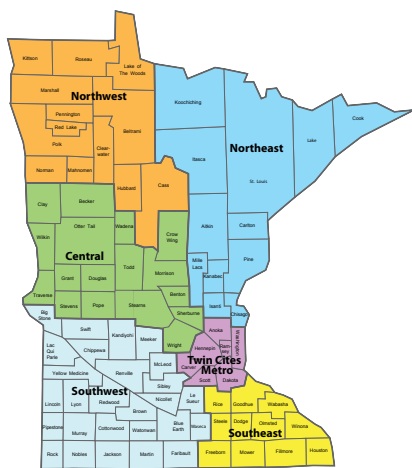
A GREAT PLACE TO LIVE, WORK AND DO BUSINESS



Why Twin Cities?

The Twin Cities Metropolitan Area is one of the fastest growing regions in the Midwestern United States. It's not surprising why. With low unemployment, a high-quality workforce, robust transportation infrastructure, excellent business culture, and high quality of life, Minneapolis-St. Paul is an incredible place to invest and do business.

- A skilled, driven workforce helps businesses thrive.
- The metropolitan economy has a diverse mix of industries and is a national leader in such industries as finance, advanced manufacturing, agriculture and retailing.
- The Twin Cities has a transportation system to meet modern business needs – including the highest-rated airport in the nation based on a 2012 study by Travel and Leisure Magazine, and an expanding light rail system that connects commuters across the metro.
- Minnesota has the second most Fortune 500 companies per capita in the country. Among these are Target, 3M, General Mills, U.S. Bancorp, and Medtronic, to name a few. Private companies are also a significant part of the economy, including agricultural titan Cargill, the largest privately-held company in the country.
- Minnesota is a national leader in education and innovation. We take top marks for high school and advanced degree attainment, patent filings and advanced research.
- The Twin Cities is an increasingly diverse place, with our newest residents expanding the metro's global presence and deepening our international business connections.
- Though Minnesota might be known for its winters, both Minneapolis and St. Paul are home to two of the largest enclosed skyway systems in the world. The skyways, enclosed shopping malls, and variety of indoor activities (Minneapolis has more theater seats per capita than any other city outside New York) are part of a culture that keeps residents warm year-round.



MINNESOTA BUSINESS COMMUNITY DEVELOPMENT REGIONS

Twin Cities Metro Area Profile

Minneapolis-St. Paul is home to a diverse and growing population.

- 2010 population: **3,259,654** (53.7% of Minnesota's total population)
- Population growth 2000-2010: **10.0 percent** (compared to 9.7 percent nationwide)
- Per capita personal income: **\$33,577** in 2011 (compared to \$27,915 nationwide)
- Per capita income growth 2000-2010: **23.4** (compared to 31.2 statewide)
- The unemployment rate in the Twin Cities has decreased steadily to 5.2 percent in December 2012, significantly lower than the national rate of 7.6 percent for that time. Since the beginning of the Great Recession, the Twin Cities has maintained one of the lowest unemployment rates among major metropolitan areas across the country.

Growth and Change

The 16th largest metro in the country, Minneapolis-St. Paul is the main economic center between Chicago and Seattle and continues to see positive population growth now and into the near future.

- According to Census data, the Twin Cities is growing at a rate of 1.18 percent annually, faster than the nationwide rate of .9 percent.
- The metro is expected to gain another **300,000 residents by 2020**.

- Much of this growth is spurred by the region's growing ethnic diversity, continuing to strengthen the metro's global business connections.
 - ▶ Around 19,000 new residents move to the Twin Cities from abroad each year. 10 percent of the metro's population is foreign born.
 - ▶ Minneapolis-St. Paul is home to the largest Somali community outside of Africa and the largest Hmong community outside of Laos. Other new ethnic groups make up an increasing share of the population, especially Hispanic and Asian immigrants.

Key Industries

The strength of the Twin Cities economy lies in a diversity of industries, with concentrations in health care, advanced manufacturing, finance, and service sectors.

Prominent Twin Cities Industries Minneapolis/St. Paul Employment Q3, 2012

Industry	MPLS/STP Employment	Minneapolis-St. Paul Location Quotient ¹
Total, All Industries	1,563,725	
Management of Companies and Enterprises	64,425	2.78
Computer and Electronic Product Manufacturing	34,941	2.62
Miscellaneous Manufacturing (mainly medical device manufacturing)	17,723	2.56
Printing and Related Support Activities	14,337	2.50
Internet Service Providers, Web Search Portals, and Data Processing Services	7,180	2.37
Air Transportation	12,587	2.29
Insurance Carriers and Related Activities	50,261	2.03
Publishing Industries (except Internet)	16,649	1.85
Securities, Commodity Contracts, and Other Financial Investments and Related Activities	15,893	1.61
Fabricated Metal Product Manufacturing	22,269	1.37
Wholesale Electronic Markets and Agents and Brokers	13,417	1.32
Machinery Manufacturing	16,235	1.27

Source: U.S. Bureau of Labor Statistics

¹A location quotient greater than 1 indicates a concentration of employment greater than the national average employment for that industry.

- Minneapolis-St. Paul is a global leader in advanced manufacturing, particularly in the Electronics and Medical Device sectors, with significantly larger workforces in those industries than in most major metros.



- Several Twin Cities financial institutions emerged as major players following the fallout of the Great Recession. **U.S. Bancorp, Piper Jaffray, and Ameriprise** are among the largest.
- Several companies headquartered in the Twin Cities are global leaders in cutting-edge technologies, such as **Medtronic** in medical devices, **ReconRobotics** in robotic technology, **Stratasys** in additive manufacturing, and **3M** in chemicals and films.

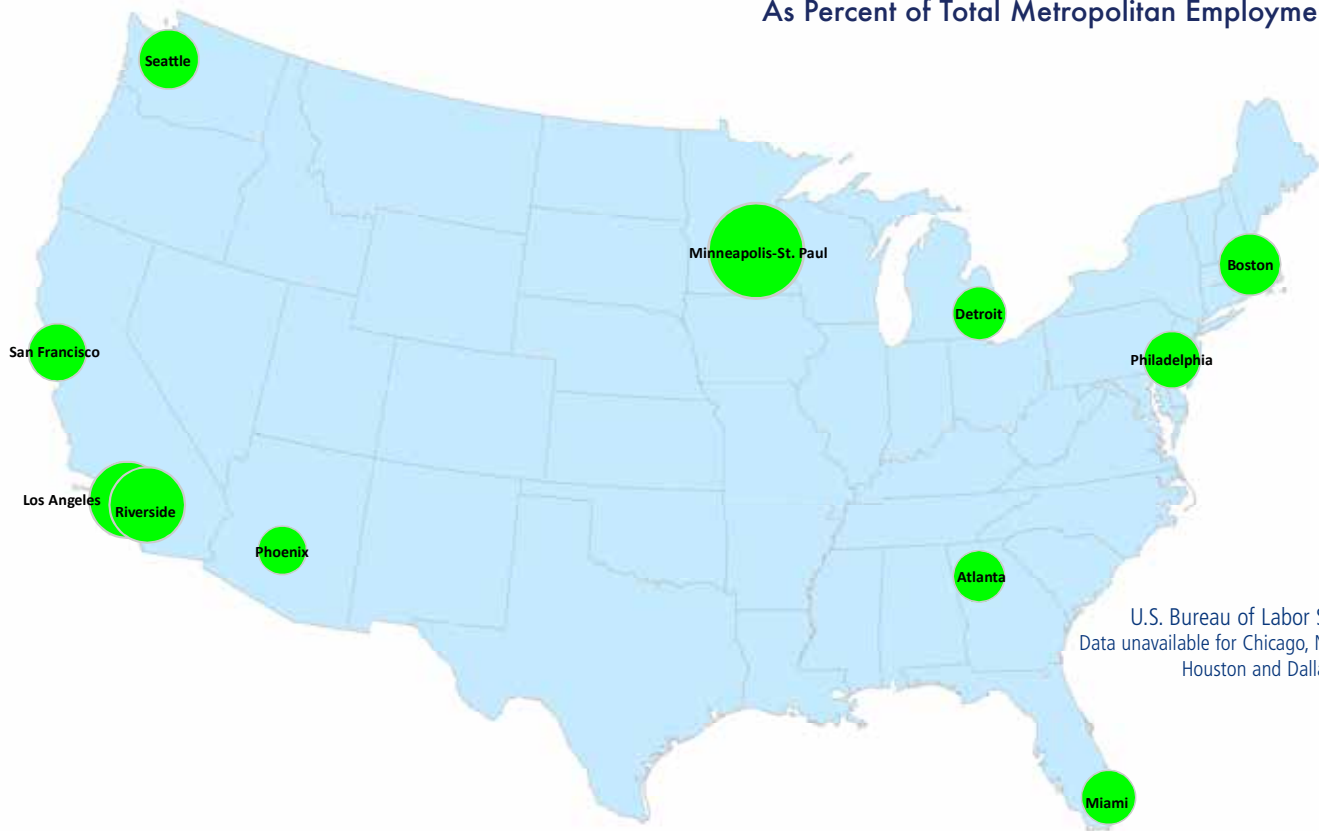
Top Manufacturing Industries in the Region, 2011

Industry	Establishments	Employed
Computer and Electronic Product Manufacturing	329	34,941
Fabricated Metal Product Manufacturing	882	22,265
Machinery Manufacturing	414	16,257
Printing and Related Support Activities	498	14,332
Food Manufacturing	250	10,310
Total All Manufacturing	4,258	160,606

Source: Minnesota Department of Employment and Economic Development

Employment in Medical Manufacturing Industry in Largest U.S. Metros

As Percent of Total Metropolitan Employment, 2011



Employment

A highly-trained labor force with a strong work ethic provides the talent that Twin Cities businesses need to thrive in a global marketplace.

- Minneapolis-St. Paul has the highest labor force participation rate (72.6 percent) among the top 30 largest U.S. metropolitan areas.

- Overall, the Twin Cities is projected to gain nearly 144,100 jobs—an 8.5 percent increase by 2019.
- The Twin Cities is ranked first in the nation and third in the world for human capital, according to the most recent World Knowledge Competitiveness Index. Rankings in this index reflect the level of knowledge and skills within the workforce as well as the extent to which human capital is equally distributed within the population.

Education & Innovation

The Twin Cities has one of the most educated and innovative populations in the U.S. – making it a major player in the global knowledge economy.

- Among metropolitan areas, the Twin Cities had the highest percentage of population with a high-school degree (93 percent in 2011).

Top 10 Degree Attainment Among Large U.S. Cities, 2012

Metropolitan Area	Population with College Degree or Higher
Washington, DC	46.8%
San Francisco	43.4%
Boston	43.0%
Denver	38.2%
Minneapolis-St. Paul	37.9%
Seattle	37.0%
New York	36.0%
Baltimore	35.1%
Atlanta	34.1%
Chicago	34.0%

Source: New York Times, Brookings Institution

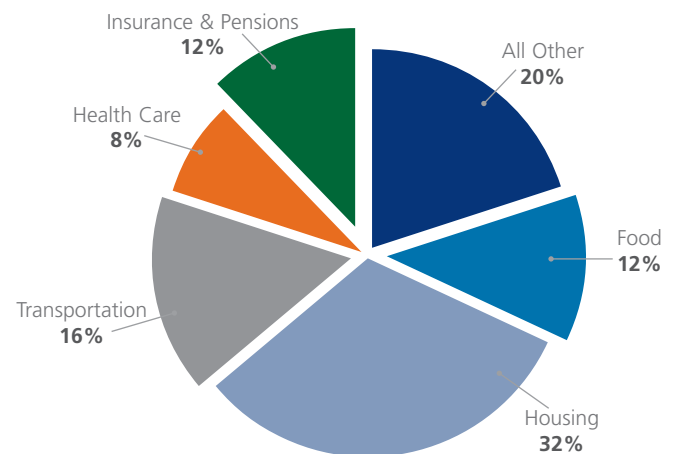
- Minneapolis-St. Paul has the fifth highest percentage of population with a bachelor's degree or higher (37.9 percent) among the 30 largest U.S. metropolitan areas.
- A total of 61,440 degrees were awarded from the Twin Cities' 157 post-secondary institutions in 2010 with similar numbers awarded in the years since then.
- According to the Minnesota Office of Higher Education, the Twin Cities ranked fourth with 50 percent of the population having attained some sort of degree (Minnesota ranked 5th among all states with a 45.8 percent attainment rate).
- The Twin Cities ranks eighth in the country for new utility patent awards – a testament to our culture of innovation.
- Many of the world's best-known products and innovations were developed here, including Post-It Notes and Scotch Tape (3M), Wheaties and Cheerios cereals (General Mills), and the Pacemaker (Medtronic), to name a few.
- The University of Minnesota – among the top five public research universities in the country – has spun out 38 startups since 2006, thanks to an innovative new effort through its Office for Technology Commercialization.

Consumer Spending

Strong personal incomes and affordable housing, together with a sales tax exclusion on apparel, gives residents the spending power to support a thriving retail industry.

- Per capita personal income—\$48,657 as of 2011—is the highest in the Midwest and among the highest for large metropolitan areas in the country.
- Minneapolis-St. Paul has an extremely affordable housing environment, with the 11th lowest median sale price for existing homes among the 30 largest metropolitan areas—\$147,300 in 2012.
- According to the National Association of Home Builders' Housing Opportunity Index, 85.9 percent of homes in the Twin Cities are affordable for persons at the median Twin Cities area income.
- Minnesota's tax-free apparel shopping attracts shoppers from around the world to the metro's retail districts and malls, including the Mall of America, the country's largest.

Average Annual Expenditures Minneapolis-St. Paul 2010-2011



Source: Bureau of Labor Statistics

Transportation Logistics

An efficient transportation system links the Twin Cities to markets around the world and gives workers one of the quickest commutes among major metropolitan areas.

- The average Twin Cities commute is only 24.5 minutes, according to 2011 Census data – the shortest commute times for the largest U.S. metropolitan areas.
- Minneapolis-St. Paul is in the midst of a transit boom, with two new rail lines recently completed, one under construction, and two more anticipated by 2020 – keeping the metro at the cutting edge of urban transportation options.

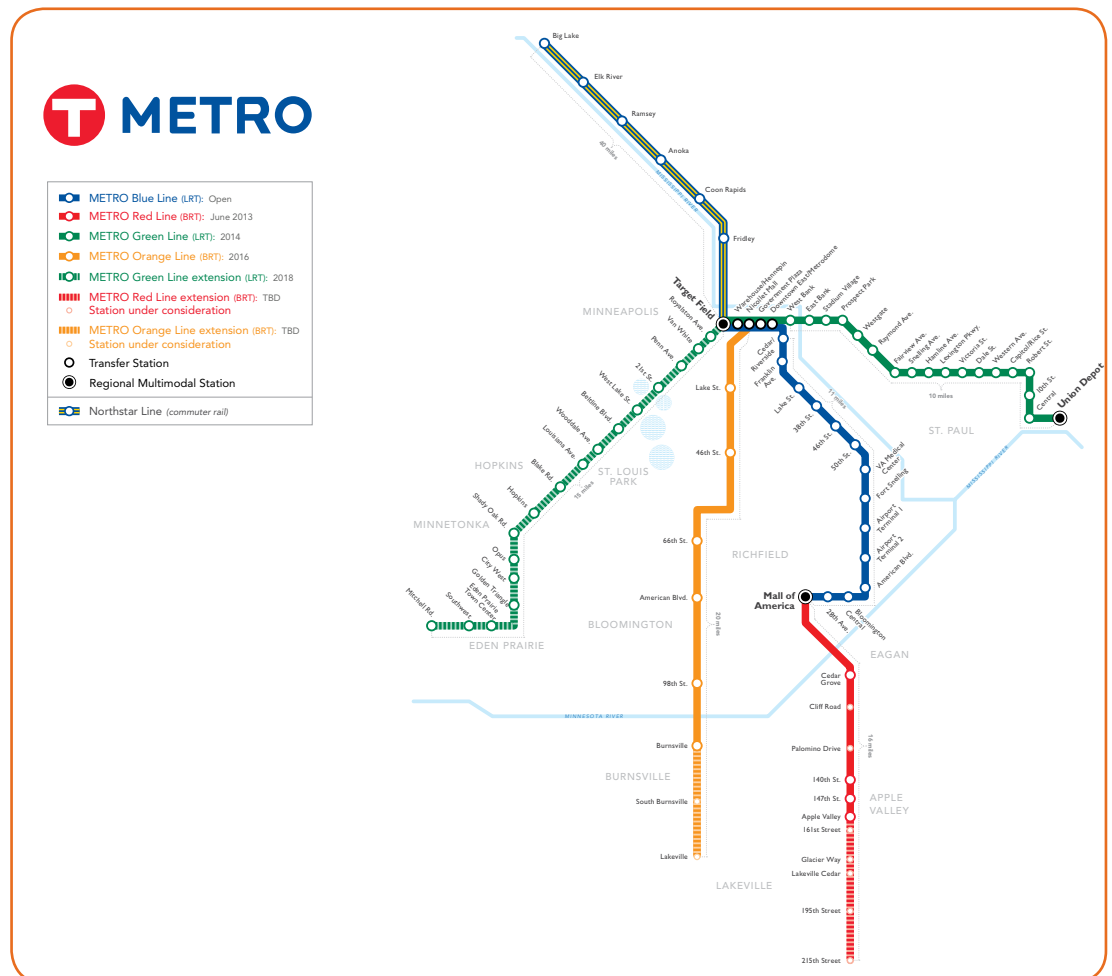
Passenger Rail

- The Blue Line and soon-to-be-completed Green Line light rail corridors connect Minneapolis and St. Paul and the MSP Airport with a total 23 miles of track.
- The proposed Southwest and Bottineau corridors will connect with the existing lines in downtown Minneapolis. The new lines will provide service to the Southwest and Northwest sectors of the metro.
- The NorthStar commuter rail provides express commuter service to downtown Minneapolis from several north metro communities. The line, which currently terminates at Ramsey, is planned to eventually expand to St. Cloud.

Airline Transportation

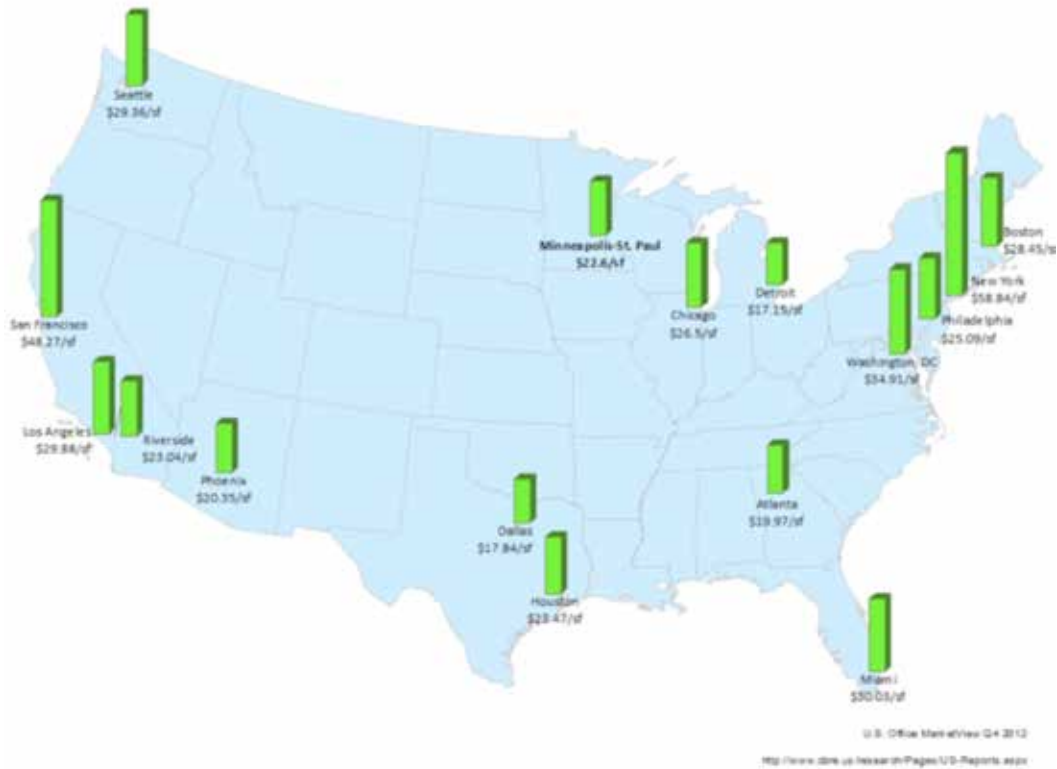
Given its location in the center of the country, most destinations across North America are within a two- to three-hour flight of the Twin Cities, providing unparalleled access to domestic and international markets.

- Minneapolis-St. Paul is the 14th busiest airport in the United States.
- Only one other metropolitan area in the country has more nonstop flights per capita.
- MSP was recently ranked the #1 airport in the United States by Travel and Leisure Magazine (2012) for its excellent dining and retail options, quick check-in and quality design and cleanliness.



Office Gross Lease Rates in Largest Metropolitan Areas

Metropolitan Averages - Q4, 2012



Doing Business in the Twin Cities

From small businesses to Fortune 500 firms, companies of all sizes and industries find an ideal business environment in the Twin Cities.

- A hub of global business, Minnesota is home to 19 Fortune 500 companies (10th most in the nation). Of these, 18 are located in the Twin Cities, placing it in the top spot for Fortune 500 companies per capita.
- The metro is also home to thriving private companies, including Carlson Companies, M.A. Mortenson, Anderson Windows, Holiday Cos., and Cargill – the nation’s largest.
- Minneapolis-St. Paul has the nation’s 10th highest level of merchandise exports among the 50 largest metropolitan regions. 2011 exports totaled \$26.2 billion, with the bulk going to Canada, China and Mexico.

Fortune 500 Companies-2012

Fortune 500 Rank	Company
22	UnitedHealth Group
38	Target
53	Best Buy
75	Supervalu
78	CHS
102	3M
132	U.S. Bancorp
164	Medtronic
181	General Mills
210	Land O’Lakes
246	Xcel
248	Ameriprise
259	Robinson
268	Mosaic
327	Hormel Foods (located in Austin, MN)
332	Thrivent Financial for Lutherans
365	Ecolab
437	St. Jude Medical
498	Nash-Finch

The Twin Cities provides an ideal business environment, evidenced by the large number of Fortune 500 headquarters located here.

Cost of Doing Business

With a competitive business tax environment, affordable energy, and low prices on most consumer goods, the Twin Cities is an extremely affordable place to do business.

- Minnesota electricity prices are among the lowest in the country – averaging \$.0838 per kilowatthour for commercial customers and \$.0629 per kilowatthour for industrial users.
- The Twin Cities' Consumer Price Index is 14th lowest among major metropolitan areas—in line with the rest of the Midwest and significantly lower than coastal cities.
- Office rents in Minneapolis-St. Paul typically fall between \$14-\$16 net for Class A space and \$10-\$12 net for the remainder of spaces. Industrial rates are typically \$4-\$5 net.

Minneapolis-St. Paul Office Market, Q4 2012	
Total Square Feet	Average Quoted Net Rent/SF
43,067,627	\$14.19
52,956,797	\$11.25
30,994,912	\$9.72
127,019,336	\$12.01

Source: Colliers International

Minnesota's business taxes are very competitive and give companies a distinct advantage when it comes to the cost of doing business. Considering business taxes as a share of private sector gross state product, Minnesota ranked as the 14th-lowest taxing state in the nation in fiscal year 2011, according to a report by Ernst & Young and the Council on State Taxation.

Corporate Income Tax

Corporate Income Taxes	
Corporate Income Tax Rate	9.80 percent
Apportionment Formula (sales/property/payroll)	96/2/2 (Tax Year 2013) 100/0/0 (After 2013)
R & D Credit	Refundable; 10 percent of first \$2 million of qualified expenses and 2.5 percent thereafter.
Foreign Royalties Deduction	Yes (80 percent deductible)
Throwback Rule	No
Sales to U.S. Government Throwback	No
Carry forward	Yes (zero back, 15 forward)

Sales and Use Tax

- Minnesota refunds sales tax paid on capital equipment used in the manufacturing process.
- There are several other major exemptions for businesses, including fees for equipment and installation repair, and most services. Utilities, chemicals and gases used in industrial production are also exempt.

Industrial Property Taxes

- Minnesota exempts personal property like machinery and inventory from the property tax, producing a lower effective tax rate for real and personal property. As a result, businesses whose equipment and inventory values are high relative to their real estate value pay a lower effective tax rate than in states that impose such taxes.
- Personal property used for control of air, water or land pollution is exempt, including heavy machinery and equipment that would be considered real property otherwise.
- According to the Minnesota Taxpayers Association, urban industrial property tax on a \$2.5 million-valued urban industrial property (\$38,608) is lower than those in other Midwest states, such as Michigan (\$69,272) and Missouri (\$53,104).

Unemployment Insurance Tax

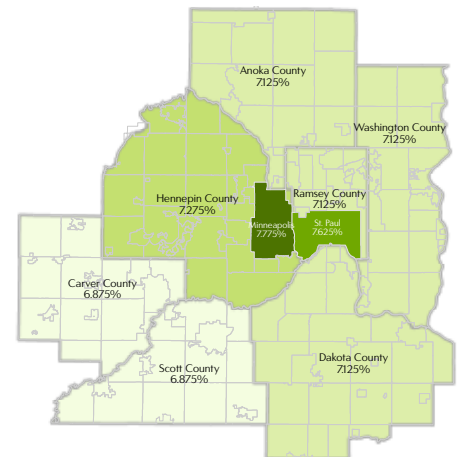
Minnesota companies with the most favorable employment histories received an unemployment insurance base tax rate of 0.5 percent in 2012.

Average Unemployment Insurance Taxes in 2012	
Taxable Wage Base:	\$28,000
Minimum-Maximum Experience Rates	0.5 to 9.4 percent
New Employer Rate	3.03 percent
Minimum Time To Experience Rate	18 months ending June 30

Source: Minnesota Department of Employment and Economic Development.

Twin Cities Local Sales Tax Rates

Current as of March 2013



Breakdown of Sales and Use Taxes	
State Sales and Use Tax Rate	6.875 percent
Local Sales Tax Rate Range	0.00 percent to 0.90 percent (see table)
Tax on Capital Equipment	No (refunded)
Tax on Utilities	No
Tax on Materials Consumed on Production	No
Tax on Fuels in Production	No

Quality of Life

Perhaps the Twin Cities' best known attribute is its unrivaled quality of life – rich cultural opportunities; beautiful natural landscape; and a healthy, low-stress lifestyle make the metro a fantastic place to attract and retain new employees.

- Minneapolis-St. Paul has an abundance of recreational activities - more than 150 golf courses, 63,160 acres of recreation areas, 192,000 acres of lakes and rivers, nearly 150 professional sporting events annually, more than 530 movie theater screens, and a large number of live music venues.
- The Twin Cities is home to thriving music and performing arts scenes. Minneapolis has more theater seats per capita than any U.S. city outside New York and its famous First Avenue is the sixth most popular music club in the world, based on ticket sales.
- Travel + Leisure named Minneapolis to its exclusive list of Hottest Travel Destinations of 2013, in large part for its outstanding dining scene. It is the only American city to make the cut and is joined on the list by such destinations as Amsterdam, Marseilles and the Phillipines.
- The Mall of America features more than 400 stores and more than 2.5 million square feet of shopping.
- The Twin Cities area offers a wide variety of family entertainment, including the Minnesota Zoological Gardens, Como Zoo and Conservatory, Children's Museum, and Science Museum of Minnesota.



- Forbes ranks the Twin Cities as the nation's healthiest city, thanks in part to our extensive parks system and residents' healthy lifestyles.
- Minneapolis-St. Paul is one of the few cities in the country to have professional franchises in all major sports leagues – baseball (Twins), football (Vikings), basketball (Timberwolves and Lynx), hockey (Wild), and soccer (Minnesota United), as well as Big10 sports at the University of Minnesota.

The Weather

Despite its reputation for cold winters, Minneapolis-St. Paul enjoys excellent weather throughout much of the year and the changing seasons present a variety of outdoor opportunities that few other cities enjoy.

- On average, the Twin Cities enjoys more clear days each year than Chicago, Miami, Portland, Houston and Seattle.
- The Twin Cities averages 32 inches of rain and 52 inches of snowfall each year.
- And all that cold and snow might not be such a bad thing. A recent study from the Harvard Business School found that **worker productivity increases on bad weather days.**

Twin Cities Average Monthly Temperature (degrees F)												
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
Avg. High	22	28	39	56	69	79	83	81	71	59	41	27
Avg. Low	4	10	22	36	48	58	63	61	51	40	25	12

Source: Minnesota Climatology Working Group



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For site location assistance and information on the benefits of doing business in Minnesota, contact the Office of Business Development:
651-259-7432

Economic.development@state.mn.us • www.PositivelyMinnesota.com/Locating