



The
Minneapolis – Saint Paul
Business Plan



Executive Summary
April 2011



“We form America’s natural pragmatic caucus, close to the ground, hungry for results, prizing place over party, solution over dogma and collaboration over conflict.” – Bruce Katz, Brookings Institution

The regional economy of Minneapolis Saint Paul (MSP), like a large airport, has to remodel its structure and add capacity even while it’s operating flat-out to keep up with today’s demands.

Regional leaders are now engaged in an unprecedented push, strategically rooted in the realities of the “next economy,” in which a premium is set on high-value exports. Where rewards are mostly reserved for innovation – inventing next things or better ways to use existing things, rather than only imitating what others have done.

An announcement mid-March 2011 offered the public the first glimpse into a new attitude for the region. A new and conspicuously *regional* organization, the Regional Economic Development Partnership (REDP) is open for business, has hired an experienced, energetic executive, and is set to activate regional strategies for economic development.

This new economic mindset requires re-engineering policies to capture the growing advantages of urban concentrations of talent and to be fully prepared for an energy-uncertain future. And this mindset must acknowledge that, despite the region’s considerable assets and advantages, its standing has been slip-sliding away for some time.

Ironically, steady success over recent decades renders the region less prepared to deal with data suggesting a pattern of decline. Like a stock that doesn’t soar stratospherically but also doesn’t deeply disappoint, MSP never took a dive like Detroit. But it also never jumped off the charts, surging like Austin or Charlotte, or showed the audacity for building capacity for the future like Denver.

So while this strategy is a major good-news story, it is also just in time. MSP’s growth rates over recent years for productivity, incomes, and employment have all trailed national averages. A high patent rate is not translating into impact on regional jobs. New ventures stall out for lack of financing and critical assistance. Venture capital levels have dropped to a 15-year low, with the number of VC firms in Minnesota slipping from 38 to 15.

New business start-ups – and failures – are typical measures of a robust entrepreneurial economic climate. MSP numbers have slipped from a level

25 percent higher to a level at just the national average. Over just the last few years, the proportion of entrepreneurs in the regional economy has slipped from 22nd in the nation to 48th – not a good sign.

The majority of growth in the labor force is coming from the segment of the population that's historically done least well with education, just as it seems certain that three-fourths of all the available work will require some relevant post-secondary preparation.

These signs are ominous but not predictive. MSP does not start from nothing.

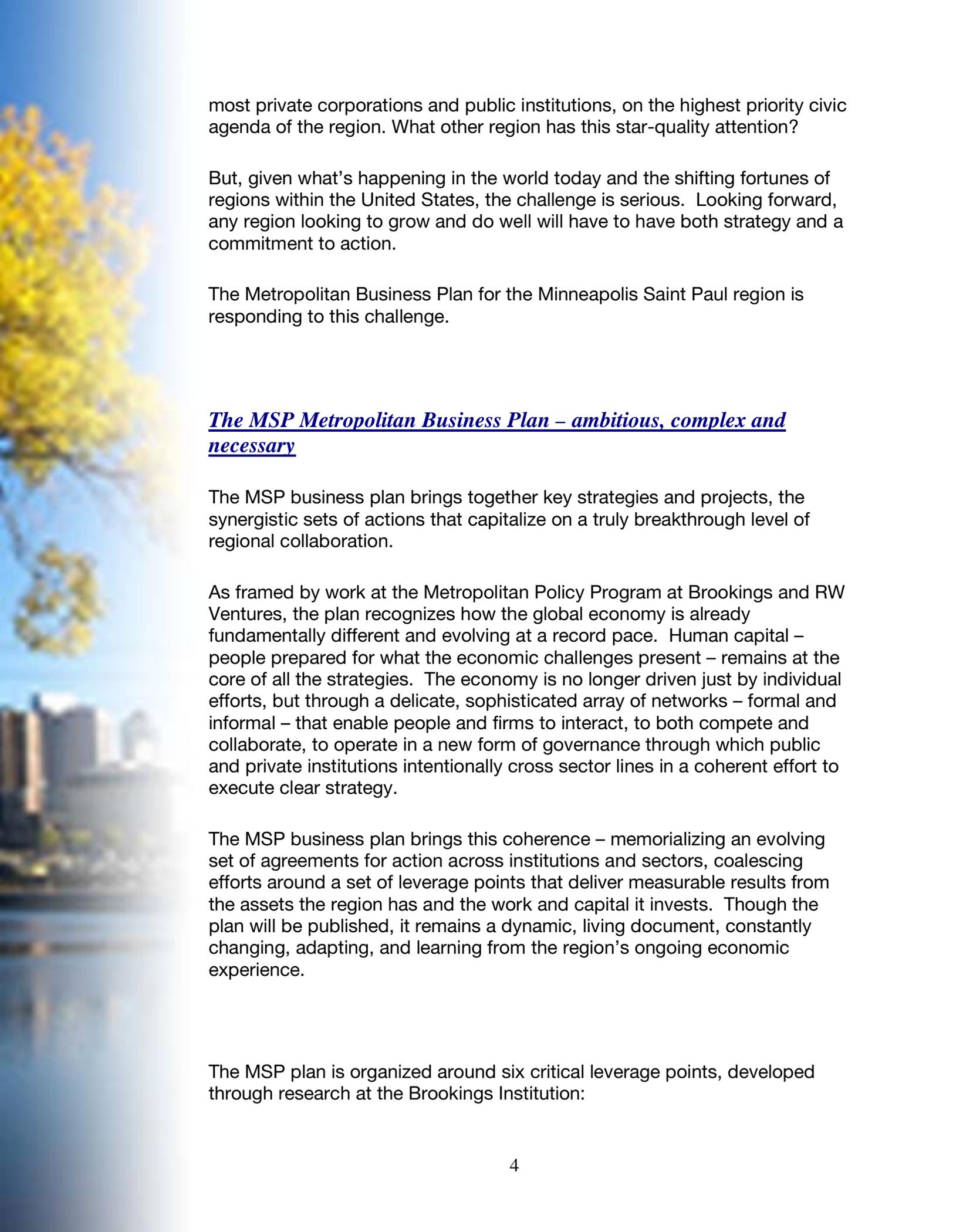
What other region in the United States has as many large business corporations per capital? None. With 20 Fortune 500 headquarters, most of them homegrown over many decades, MSP ranks at the top.

Few other regions can boast better-educated people active in the work force. With nearly 38 percent of adult residents holding a college degree, MSP consistently outpaces most American regions. Combining its educated population with the base of large sophisticated, mostly internationally operating companies, MSP made an early migration from the 'resources' economy of the mid-20th century to the rapidly expanding 'knowledge' economy. Despite the effects of the recent recession, MSP's wage levels, unemployment rates, and productivity increases have fared better than the U.S. average.

The proportion of immigrants in the regional population has almost tripled in the past 20 years. And while the number of these newcomers with too little education is a challenge, the percentage that is college-educated is actually higher than those born in the U.S. Overall, newcomers match up well on the percentage working in the economy, suggesting an emerging capacity for the level of diversity to be globally competitive.

There are also structural advantages. MSP is one of the few regions in the U.S. with one large metropolitan region that is the state's capital and home to its major research university, and can claim a concentration of the state's largest business operations. Other than Portland, Oregon, MSP is the only region in America with any formal public-sector capacity for thinking, planning, and acting as a metropolitan region. MSP's Metropolitan Council dates back to the late 1960s, and while it continues to be controversial for its role and powers, it's a continuing asset in the face of 21st century challenges.

And this asset is now enhanced by the emergence of the Regional Council of Mayors – one of the few voluntary informal governance arrangements among elected city leaders in the United States, preferring collaboration to the usual territorial politics; and the Itasca Project, an arrangement focusing the CEOs of



most private corporations and public institutions, on the highest priority civic agenda of the region. What other region has this star-quality attention?

But, given what's happening in the world today and the shifting fortunes of regions within the United States, the challenge is serious. Looking forward, any region looking to grow and do well will have to have both strategy and a commitment to action.

The Metropolitan Business Plan for the Minneapolis Saint Paul region is responding to this challenge.

The MSP Metropolitan Business Plan – ambitious, complex and necessary

The MSP business plan brings together key strategies and projects, the synergistic sets of actions that capitalize on a truly breakthrough level of regional collaboration.

As framed by work at the Metropolitan Policy Program at Brookings and RW Ventures, the plan recognizes how the global economy is already fundamentally different and evolving at a record pace. Human capital – people prepared for what the economic challenges present – remains at the core of all the strategies. The economy is no longer driven just by individual efforts, but through a delicate, sophisticated array of networks – formal and informal – that enable people and firms to interact, to both compete and collaborate, to operate in a new form of governance through which public and private institutions intentionally cross sector lines in a coherent effort to execute clear strategy.

The MSP business plan brings this coherence – memorializing an evolving set of agreements for action across institutions and sectors, coalescing efforts around a set of leverage points that deliver measurable results from the assets the region has and the work and capital it invests. Though the plan will be published, it remains a dynamic, living document, constantly changing, adapting, and learning from the region's ongoing economic experience.

The MSP plan is organized around six critical leverage points, developed through research at the Brookings Institution:

Concentration of industries, functions, and occupations

Often labeled as ‘cluster analysis,’ this logical starting point essentially asks how the region makes its living today? Clusters encourage greater productivity within firms and attract similar firms; they add up to a large, shared pool of human talent and set the stage for more idea-generation, more intense interactions, and greater likelihood of innovative breakthroughs. The MSP cluster analysis quantifies the region’s multiple clusters in the regional economy and confirms three stand-outs in the top ten – Medical Devices, Distribution Services and Financial Services – a powerful group when combined with the unusual concentration of headquarters firms (see Figure 1).

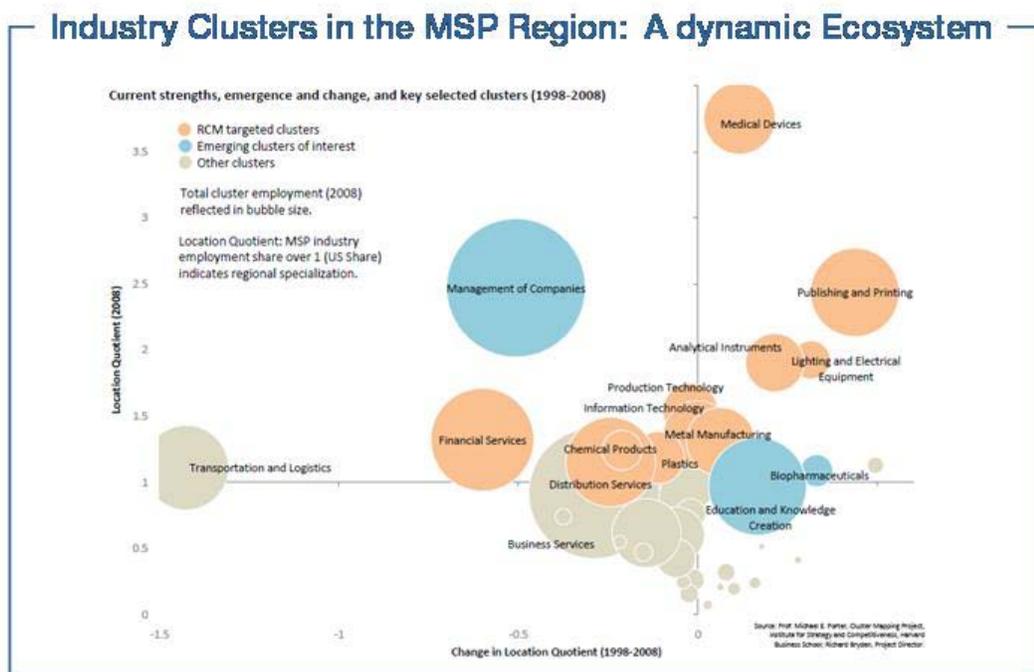
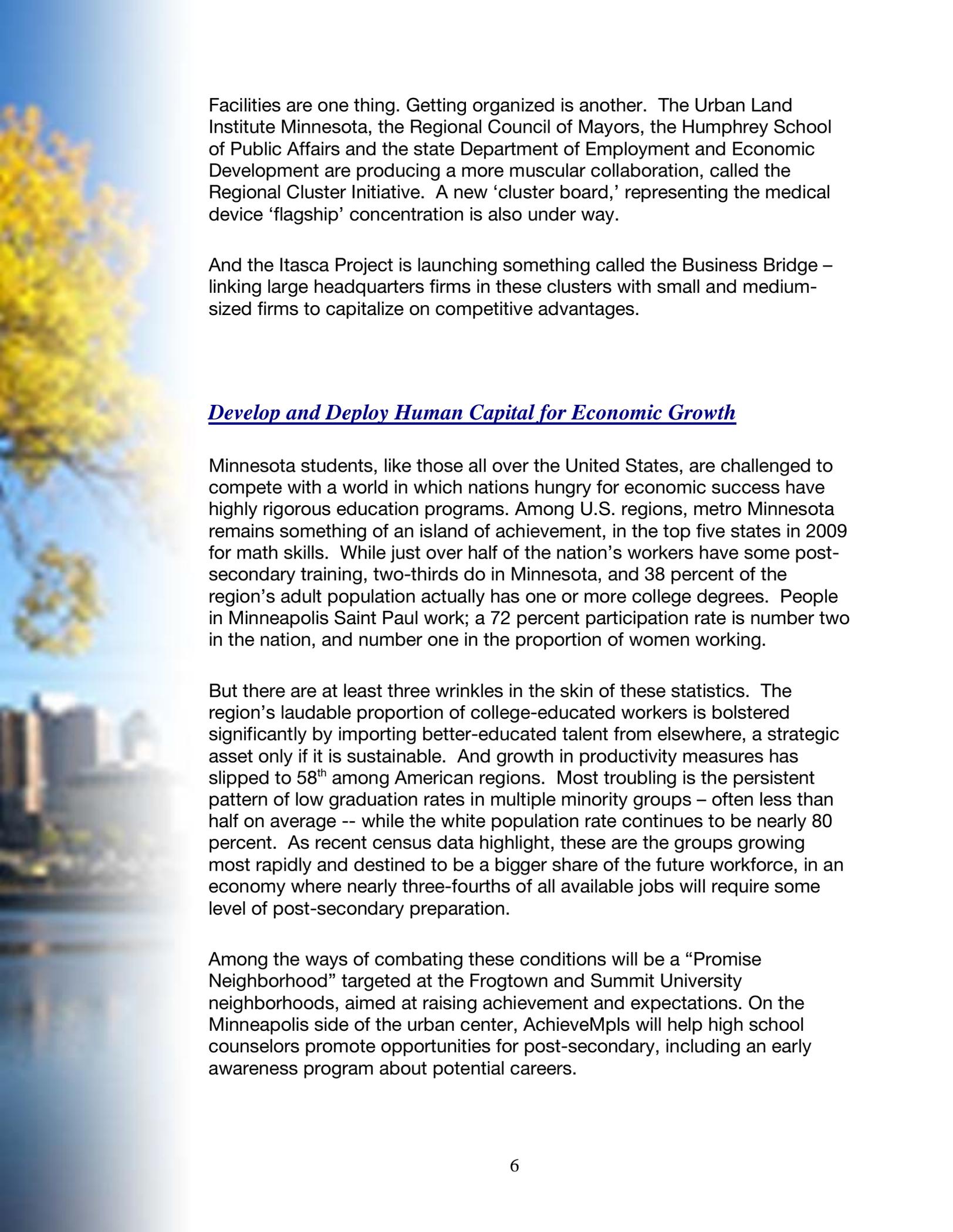


Figure 1: **Minneapolis-Saint Paul industry clusters**

What is happening on the medical devices front shows the potential response pattern. Already in motion is the Biomedical Discovery District at the University of Minnesota;

and the University Enterprise Laboratories, a Saint Paul incubator attracting firms that sees advantages being close to the action at the university, and plans for a larger area dubbed the Minnesota Science Park.



Facilities are one thing. Getting organized is another. The Urban Land Institute Minnesota, the Regional Council of Mayors, the Humphrey School of Public Affairs and the state Department of Employment and Economic Development are producing a more muscular collaboration, called the Regional Cluster Initiative. A new ‘cluster board,’ representing the medical device ‘flagship’ concentration is also under way.

And the Itasca Project is launching something called the Business Bridge – linking large headquarters firms in these clusters with small and medium-sized firms to capitalize on competitive advantages.

Develop and Deploy Human Capital for Economic Growth

Minnesota students, like those all over the United States, are challenged to compete with a world in which nations hungry for economic success have highly rigorous education programs. Among U.S. regions, metro Minnesota remains something of an island of achievement, in the top five states in 2009 for math skills. While just over half of the nation’s workers have some post-secondary training, two-thirds do in Minnesota, and 38 percent of the region’s adult population actually has one or more college degrees. People in Minneapolis Saint Paul work; a 72 percent participation rate is number two in the nation, and number one in the proportion of women working.

But there are at least three wrinkles in the skin of these statistics. The region’s laudable proportion of college-educated workers is bolstered significantly by importing better-educated talent from elsewhere, a strategic asset only if it is sustainable. And growth in productivity measures has slipped to 58th among American regions. Most troubling is the persistent pattern of low graduation rates in multiple minority groups – often less than half on average -- while the white population rate continues to be nearly 80 percent. As recent census data highlight, these are the groups growing most rapidly and destined to be a bigger share of the future workforce, in an economy where nearly three-fourths of all available jobs will require some level of post-secondary preparation.

Among the ways of combating these conditions will be a “Promise Neighborhood” targeted at the Frogtown and Summit University neighborhoods, aimed at raising achievement and expectations. On the Minneapolis side of the urban center, AchieveMpls will help high school counselors promote opportunities for post-secondary, including an early awareness program about potential careers.

Thinc.GreenMSP is already at work creating more capacity for an industry committed to a low-carbon future. A collaboration between Ramsey County and Minneapolis will use a federal grant to train more workers for green-collar jobs, with a special focus on workers from low-income backgrounds. Similar training will come from the GreenPOWER program of the Minnesota BlueGreen Alliance. Another initiative, FastTRAC, will focus on displaced and lower-skilled workers, helping to build “stackable” credentials to bring them back into the productive workforce. RENEW targets a set of urban neighborhoods where poverty is 15 percent or higher. Yet another initiative, SHiFT, will focus on workers older than 50 who are open to new work in a new environment.

Develop an Infrastructure of Innovation and Entrepreneurship

Here lies a blunt truth begging for a response: despite all the advantages of headquarters firms and a major research university, the region’s performance in the formation of new firms that employ 20-500 workers falls into the bottom half of U.S. metro areas. Entrepreneurs are not finding sufficient risk capital. Business ‘churn’ – the rate of new starts and closing of businesses, widely regarded as a measure of an innovative economy -- shows MSP ranking 44th.

Targeted response: an Entrepreneurship Accelerator

This initiative boldly promises to transform vulnerability into advantage. As an idea led by the city of Saint Paul, with guidance from by Jumpstart Inc. and supported by a collaboration of MSP organizations, an entrepreneurship accelerator (EA) will take dead-aim at the gap in the region’s entrepreneurial infrastructure – the lack of expert services and risk capital to help prepare the large number of high-potential technology-based opportunities that can become new high-growth companies, ready and able to attract angel or venture capital. With the help of JumpStart and a group of regional leaders, a large number of these high potential opportunities has been identified. These opportunities are based on protectable intellectual property developed by creative, motivated entrepreneurs.

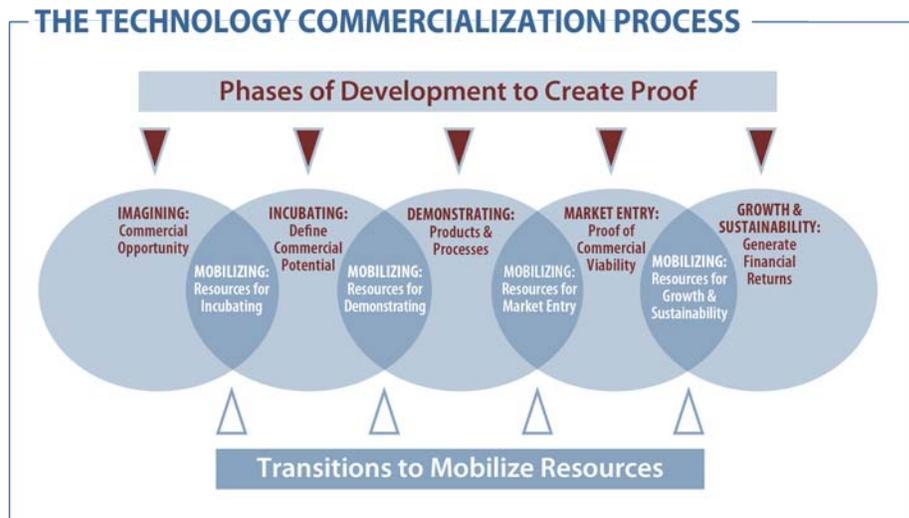


Figure 2: The EA will focus on filling the gap between available resources and new opportunities primarily in the Incubating and early Demonstrating phases of commercialization.

The EA will provide intensive entrepreneurial assistance to 30 or more of these entrepreneurs per year and will invest between \$350,000 and \$700,00 in four to six of these opportunities. The EA will help many of these companies attract the capital and talent they require to enter the market, generate revenues and profits, and create sustainable high-paying jobs.

In addition, the EA will help accelerate the growth of the Region’s entrepreneurial sector and help to advance federal policy supporting innovation and entrepreneurship.

Again, this effort does not start from a zero point. The region is already rich in organizations with shared aspirations to help the region make the leap to an innovation-based, entrepreneurial regional economy.

But this accelerator takes a crucial step toward demonstrating the region’s capacity to build policy and organizational infrastructure oriented to incentives and opportunities. Multiple organizations are working together both for advocacy and to make the connections that result in commercialization of the best entrepreneurial ideas. Among organizations at work on this agenda are the Collaborative, LifeScience Alley, the BioBusiness Alliance, the Metropolitan Economic Development Association, the Minnesota High Technology Association, Minne*, MOJO Minnesota, CleanTech Open and the Minnesota Cup competitions.

Increase Spatial Efficiency

Essentially, this is the bet a region makes about the future place-based rules of economic competition. Over the past half century, the MSP region has allowed itself abundant space for living, working and moving from place to place. Never a very dense metropolitan region, it became more spread out over recent decades. Major employment centers, once fairly concentrated, are now spread to at least 20 different places. Even with a good bus system and the beginnings of a fixed rail transit network, the region remains vulnerable as an auto-dependent place. When carbon scores are tallied, MSP does not score well.

The good news though comes from research showing that even as congestion has become a chronic problem on the region's roads, actual access to destinations has shown modest improvement. The explanation: people are, on their own, moving to denser locations, closer to recurring destinations. Cities in the region are changing land use policies to allow denser, mixed-used redevelopment.

The MSP business plan responds by:

- Pushing for a complete transit system, connecting major employment and service destinations (see Figure 3).
- Concentrating on the challenges and opportunities in transit corridors, through the Corridors of Opportunity program, collaboratively sponsored by Living Cities and the U.S. Department of Housing and Urban Development's Sustainable Communities Regional Grant Program. The work includes planning and engaging citizens to create distinctive places, strengthen local assets, increase transit ridership, and expand access to jobs, affordable housing, and essential services for residents of all incomes and backgrounds. It will build on lessons learned in the Central and Hiawatha Corridors to produce an integrated planning and investment regional model.
- Continuing support for the Livable Communities Program, with its ongoing investment in affordable housing, economic revitalization of communities and vital links between land use policy and transportation.
- Cultivating further connections with ongoing work on transportation and housing, especially as they relate to jobs and the environment, through the collaborative efforts of ULI Minnesota and the Regional Council of Mayors.

Existing Employment Clusters

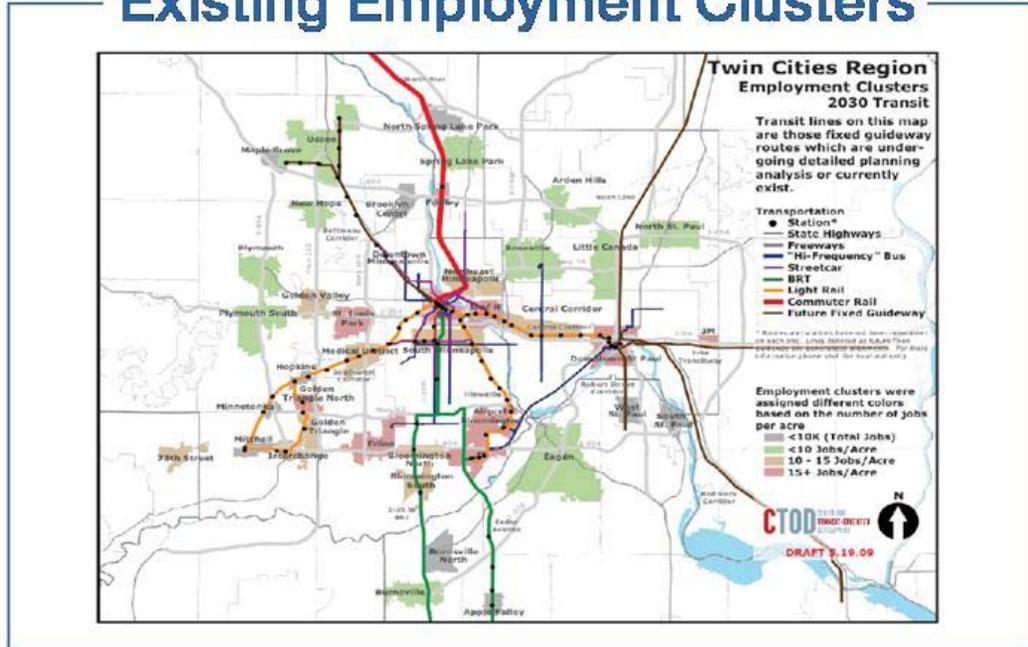


Figure 3: Transit system links to employment centers

Create Effective Public and Civic Culture and Institutions

MSP has a stellar collection of nation-leading institutions. But when it comes to a strategic approach to economic development, the region is not today anything-leading. More than 40 organizations stake some claim to producing better economic development results. The Metropolitan Council, with all its earned plaudits for taking an orderly approach to development and producing important efficiencies in the cost of regional services, does not really pull any of the economic development levers. Chambers are many and loosely coordinated.

The MSP Business Plan is a bold response; it features a fast-tracked commitment to a private sector-led Regional Economic Development Partnership, charged with recruiting and retaining large and small business firms. Confronting a long-standing decentralized approach to economic development, and a cultural aversion to formalizing strategy, this initiative looms as the earliest serious test, the most visible first action step and potentially the first productive dividend.

Develop and Deploy Information Resources

No one questions the value these days of dynamic data to guide decisions. In most regions, however, the rhapsodic rhetoric outruns reality. The MSP business plan sets as a major goal to have and use databases relevant to goals.

Supported by both the Regional Benchmarks at the Metropolitan Council and the Wilder Foundation's Minnesota Compass data tracking, the Regional Economic Development Partnership's work will set and change course by the evidence of what pays off to make the Metropolitan Business Plan a continuing success story.

Who Will Make This Happen?

This is always the question about ambitious goals. How will it happen? Who will make sure that it does? The short answer: the team of allies that has come together and committed itself to an action agenda along with newly focused leadership support from the white house office of President Obama, the office of Governor Mark Dayton, the office of Senator Amy Klobuchar, the University of Minnesota and the Metropolitan Council.



This is the first moment in the history of the Minneapolis Saint Paul region in which there exists such a potent collection of organizations and individuals coalescing around the goals of this plan. Consider the number of organizations coming together, forming this team of *regional allies*:



The MSP Metro Business Plan is a headline, a breakthrough move, an unprecedented commitment by this group of regional allies, a nation-leading collaboration of organizations and individuals, a powerful fusion of strategy and action. From this day forward, knowing how challenging the world is becoming, MSP is now a no-excuses zone. This work will get done.

Please see the full business plan and Accelerate MSP prospectus at <http://minnesota.uli.org/Jobseconomicdevelopment.aspx>

Acknowledgements

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