

Growing Owatonna

PUBLISHED IN PARTNERSHIP WITH THE OWATONNA ECONOMIC DEVELOPMENT AUTHORITY, THE OWATONNA BUSINESS INCUBATOR & THE OWATONNA AREA CHAMBER OF COMMERCE & TOURISM

International Manufacturer expands in Owatonna

Cybox International's Arc Trainer has been awarded Fitness Management's best product award two years in a row. Their products can be found in the best fitness centers across the world and their equipment is preferred by world cup soccer teams from 17 nations. Their products are desired by the biggest names and best athletes, while their manufacturing facilities were being aggressively pursued by other cities.



needs and be ahead of the curve in providing options for growth right here.

Recently announced by Cybox are their plans to build a new \$14 million, 340,000 square foot, state-of-the-art manufacturing facility in Owatonna. The plans keep Cybox in Owatonna for the future while opening new manufacturing space at the existing Cybox facility.

The project moved swiftly after the City and Chamber met with Cybox leaders to discuss expanding in Owatonna. One of the main goals of the local economic development team is to have existing businesses grow and evolve in this area. By keeping working relationships with the leaders of these companies, the Partners for Progress (City, Chamber, Incubator, Utilities, & County) are able to understand the

Once the word was out that Cybox was entertaining the idea of expansion, the City as the primary land owner in the industrial park offered a 36 acre piece of land available immediately and ready to build. In the Cybox project, 36 acres of land along I-35 with City services, provided an ideal location for this expansion giving Cybox enough

CYBOX
Continued on page 2

WHAT IS THE ROLE OF THE CITY IN INDUSTRIAL LAND DEVELOPMENT?

Having a good supply of affordable and readily available land is essential in promoting industrial development in a community. Almost 40 years ago Owatonna local government officials and business leaders came together to create the first Owatonna industrial park west of I-35. Since that time both the City and its economic development arm, the Owatonna Economic Development Authority (EDA) have played a key role in developing industrial properties thus insuring that existing companies have a place to expand their operations and that new businesses in Owatonna, whether business start-ups or companies relocating to Owatonna, have opportunities for sites that meet their requirements. The City and EDA currently have over 100 acres of land earmarked for industrial development with about 25 acres platted and ready for development. The EDA will be developing additional industrial lots in the near future.

While the City and EDA do use their land as incentives for industrial development most of the lots are sold at a market rate and even when incentive packages are involved a reimbursement of the land cost is usually built into the package. The proceeds of land sales are then used to purchase and develop new industrial properties.

Economic development has become a very competitive marketplace with many cities vying for industrial development. Having attractive and affordable industrial properties available, and when necessary tied to incentive programs, gives Owatonna an edge in retaining and attracting industry.

Allina announces plans for new hospital in Owatonna

The Owatonna Peoples Press has comprehensively covered the meetings and decision-making process that led to the June 13 announcement by Allina Hospitals and Clinics of the release of \$46 million to construct a new hospital in Owatonna. The purpose of this column is to summarize the events, issues, and processes of the past year and a half that led to that announcement.

To first understand where we as a community are in terms of hospital care, we at least have to go back to 1983 when the city made the decision to lease the city-owned hospital to Health Central, Incorporated, Allina's predecessor. The agreement included provisions that Health Central would construct an addition and maintain the facility and equipment.

Approximately seven years ago, the local hospital board began discussions on the future of building needs and alternatives. Upon a comprehensive review of options, construction of a new facility was determined to best meet the needs of a growing community and to deliver medical services in a manner consistent with patient needs and preferences.

In January 2005, Allina initiated discussions with representatives of the city for the potential construction of a new hospital. The key points from the initial meetings were: Allina would construct a 38-bed facility adjacent to the new clinic at a cost of \$46 million. Mayo Clinic would donate 20 acres to the hospital. Allina desired a partnering relationship with the city to minimize their financial risk. Options would be analyzed for the reuse of the current hospital. New hospital would open in early 2008.

To assist the city in negotiating an agreement with Allina that protected the city's interest, a number of legal and financing experts were utilized. The city's bond counsel, Kennedy & Graven, along with City Attorney Mark Walbran addressed the many legal issues while the city's financial advisor, Springsted, was responsible for ensuring the comprehensive review of financing alternatives. In addition, an asbestos study of the current hospital was completed.

In October 2005, the Owatonna City Council gave preliminary approval to a plan that

involved the issuance of Revenue Bonds; the establishment of a Revolving Loan Fund; the city taking back the "old" hospital for reuse and/or redevelopment; an Oversight Committee with Allina, Mayo, and city representatives; and a Letter of Understanding between Allina and Mayo. These general principles led to the creation of documents that were approved in May 2006 by the City Council and Allina in reference to the Revolving Loan Fund and a Lease Termination Agreement.

The important issues in creating an Allina, Mayo, and city partnership were based upon the premise of improving the quality of medical services and patient care in Owatonna. The hospital and clinic clearly communicated the strategies and facility requirements necessary to accomplish that goal. For the City Council, and more importantly the community, was an understanding of the importance a new hospital has not only on medical care, but the economic impacts. The healthcare industry and social services account for nearly ten percent of the employment base in Steele County. The hospital and clinic employ approximately 680 individuals. A



new hospital with expanding clinic services will add more jobs and strengthen Owatonna's position as a regional center.

The Owatonna Hospital is entering the planning and design phase with a projected groundbreaking in the spring of 2007 and completion in early 2009. Once again, the spirit of collaboration and partnering has proven to be a successful model in meeting the needs of the Owatonna community.

space to grow to 490,000 square feet as the company needs the capacity. The City was also able to use Tax Increment Financing (TIF) to help in funding the project. By doing this, Cybex was able to obtain the land for the expansion at little cost.

Through contacts that the Partners have with local developers, it wasn't long before a developer put together a package for Cybex-transferring ownership of the existing building to the developer and setting the stage for construction of the new building.

All of these efforts would have been in vain if not for the workforce that Cybex had already come to know and love. As an international corporation, Cybex could have chosen just about anywhere in the world to locate a new facility for their product manufacturing, but because of the high quality of people who are working at the plant now, the company knew they wanted to stay where their workers are.

The pieces came together in just over a year time frame, remarkably fast for a project of this size. It began with initial discussions between the City and Chamber and moved forward with the work of a diligent developer group and committed business. Cybex plans to break ground in September '06 and be in the building summer of 2007.

WHAT IS TAX INCREMENT FINANCING?

Tax increment financing or "TIF" is an economic development incentive tool that has been used by the city for over 25 years. The ability for a local government to use tax increment financing is permitted and regulated through state law. TIF allows the city to capture the local property taxes generated by a new development and use those dollars to provide assistance to that development for costs associated with the purchase of land, extension of streets and utilities, and certain on-site improvements such as site work and parking areas. For industrial projects the city can capture up to nine years of increment. After that, property taxes go back to the local taxing jurisdictions - city, county and school district. While the city has used TIF for downtown redevelopment projects and to encourage the construction of affordable housing the program is primarily used for industrial developments. State law prohibits the use of the program for retail and other commercial projects unless they are part of a redevelopment of a blighted area.

The city has established policies on when and how to use tax increment financing but the most crucial test a proposal must pass is the "but for" test - that is the proposed development would not occur in Owatonna "but for" the use of TIF. While TIF is an important development tool for the city individual TIF projects are carefully scrutinized and the city does



not use the development tool indiscriminately. Since 1980 there have been eight industrial projects approved and several of the older districts are now closed and the development's property taxes are directed to the local taxing jurisdictions. It should also be noted that less than 1.5% percent of the city's tax capacity is tied up in all TIF districts, including redevelopment and housing districts.

OPU Introduces Local Business Owners to Energy Saving Technology

Bhushan Vora, new owner of the Microtel Suites, contacted Owatonna Public Utilities (OPU) to learn of ways to reduce his company's utility bills. Although his building was relatively new and had energy efficient HVAC and water heating equipment, utility bills were still making up a significant portion of his operating expenses.

OPU suggested a guest room energy management system, noting that 85% of a typical hotel's energy consumption is from the guest rooms. OPU put Bhushan in contact with the sales representative for Energize™. The Energize system has been successfully used in Europe for years, but its adoption in the United States is just beginning.



With this system, a hotel guest inserts his or her key card into a slot in the light switch receptacle when entering their room. The room lights and air condition/heating system are then activated. When the guest leaves the room, the key card is removed from the slot, automatically turning off the lights and putting the air conditioning/heating system into a setback mode.

"When I learned about this system, I knew it made sense because often our guests check into the room, turn everything on, and then leave for dinner for a couple of hours", said Bhushan. "I appreciate the fact that OPU told me about this system and will provide a rebate to reduce the up-front investment."

The guest management system is estimated to reduce the Microtel Suites' electric bill by 22% and pay for itself in energy savings within 34 months.



Another business that OPU assisted is Torey's Restaurant & Bar. Torey's really felt the impact of increased natural gas prices last winter. Noting that the kitchen exhaust hood is the largest consumer of energy for a restaurant,

OPU introduced Torey's to the sales representative for the Intelli-Hood® kitchen ventilation control system.

A restaurant's exhaust hood is operated from the time the first food is cooked in the morning until the restaurant is closed in the evening. The exhaust hood fans are designed to remove smoke and fumes when the kitchen is operating at maximum capacity and the fans run continuously at this level all day, regardless of how much cooking is actually taking place.

The Intelli-Hood® system uses optical and thermal sensors to determine how much exhaust is actually needed, and throttles the fans back when full ventilation is not required. The system is estimated to reduce Torey's energy bills by 10% and pay for itself in savings within 26 months.

"We want our customers to stay in business and be successful" said Joe Green, OPU's Director of Marketing, Power, and Energy Management, "that's why we work with



our customers to find ways to reduce their energy costs."

Owatonna Public Utilities is a municipally owned utility providing safe, reliable and competitively priced electricity,

water, and natural gas services in Owatonna, MN. For more information, please see their website at: <http://www.owatonnautilities.com>

Owatonna Housing & Redevelopment Authority



Revitalizing aging rental property and keeping rents affordable in Owatonna through the small cities development program

The City of Owatonna has completed the Small Cities Development Program in downtown Owatonna. This program provides federal grant funding from the US Department of Housing and Urban Development to local units of Government on a competitive basis for a variety of community development projects. These projects are intended to provide decent housing and a suitable living environment at an affordable rate for persons of low and moderate income and eliminate slum and blight conditions by revitalizing commercial structures through improvements to code deficiencies, structural deterioration, and accessibility.

The Owatonna SCDP community program leveraged private owner investment and low interest Owatonna EDA Loans within the targeted downtown district identified as a low and moderate income area. Within the district, 36 rental apartment units were rehabilitated and will remain affordable for low and moderate income households due to the SCDP program match funding. The SCDP program provided \$625,002.00 to make improvements to 28 existing affordable apartments and created 8 new affordable apartments. These dollars were invested into aging rental units to improve their condition so that they will continue to remain in our community and remain an affordable opportunity for low income households. The program also provided \$315,000.00 to 10 downtown commercial buildings that were revitalized following state historical guidelines.

The HRA has been involved with state focus groups as they work to develop guidelines for the implementation of the next round of state SCDP funding anticipated in January 2007. Last year the State received \$18.6 Million and funded only 35 of the 89 application received. This fall HRA and community partners will be working to identify local needs and a community target area. Rental property owners, low income homeowners, and commercial property owners in the downtown area will be surveyed to assist in the development of the application for funding.



KWK Properties have created six new apartments in the old Tonna Hotel on Rose Street destroyed by a fire in December of 2003.



Mark and Kathleen Schumacher of Schumacher Insurance at 322 N Cedar Avenue accessed the funding to create two new one bedroom apartments in their second story once part of the warehouse building for the Owatonna Tool Company built in 1924.



Barry Gillespie of ERA Gillespie Real Estate replaced windows in the apartments above his commercial property at 122-124 N Cedar. Lead paint testing and safety practices were used in the revitalization.

Economic Development in Owatonna - Now on the World Wide Web

Now start-up, expanding or relocating businesses can search for more information about Owatonna economic development on the World Wide Web at www.owatonnadevelopment.com!

Owatonna Partners for Progress (PFP) is a unique organization made up individuals from the City of Owatonna Economic Development Authority, Owatonna Area Chamber of Commerce & Tourism, Owatonna Business Incubator, Owatonna Public Utilities and Steele County. Together, the group has created a comprehensive economic development website for company's to navigate and quickly find the information they need to consider Owatonna for their business.

The Owatonna Partners for Progress website highlights:

- Business Growth and Expansion • Owatonna Business Incubator
- Financing & Incentives • Available Properties
- Workforce & Training • Location & Transportation
- Utilities & Infrastructure • Population Growth
- Major Employers • Quality of Life Factors

As Owatonna continues to grow, attract new companies and compete with surrounding communities for new businesses, the need for a central economic development website was created. Working from an economic development site selectors criteria, the Owatonna Partners for Progress developed the website to provide additional assistance and streamline the process for inquiring businesses seeking economic development information.

Check out Owatonna Well Placed. Well Paced. at www.owatonnadevelopment.com Download commercial and industrial listings, maps, utility rates, search additional community links to help your business grow and expand in Owatonna!

Industrial Properties Available

Manufacturing Facility Available

151 24th Avenue NW
Owatonna, MN 55060

Size (Square Footage): 200,000
Office: 20,000
Mfg/Warehouse 180,000

Lot Size: 14 Acres

Other: 16' Ceiling height, 3 shipping doors
1 dock door, 2 drive in dock doors,
1 receiving Dock door, 1 below floor level
dock door

Available: Estimated Sept 1, 2007
Current tenant Cybex International has announced
Plans to move to a new facility in Owatonna.

Contact: Doug Hughes Properties, LLC
1470 Sunset Drive
Owatonna, MN 55060
Chris Rotthoff - Project Mgr
952-210-8812 (mobile) • 507-446-0924 (fax)



Industrial Distribution Facility

375 Alexander Drive
Owatonna, MN 55060

Size (Square Footage): 18,850
Office 2,250
Warehouse 16,600

Lot Expansion: 4 acres (part of site)

Other: 16' Ceiling Height, 1 drive in
Dock door, 1 receiving dock door

Available: July 2006
Former tenant FedEx Distribution
recently
Consolidated facilities vacating this facility.

Contact: Fisher Group
209 South 2nd Street, Suite 400
Mankato, MN 56001
Curt Fisher
507-625-4715 (phone) • 507-388-3941 (fax) • 507-381-1020 (mobile)
Curt@fishermankato.com



ECONOMIC DEVELOPMENT AUTHORITY

The EDA plays a key role in industrial and
commercial development in Owatonna.

To learn more, contact:

**540 West Hills Circle
Owatonna, Minnesota 55060**

507-444-4300

OWATONNA AREA CHAMBER OF COMMERCE & TOURISM

To assist businesses with economic growth and
development. For business assistance contact:

**320 Hoffman Drive
Owatonna, Minnesota 55060**

507-451-7970

OWATONNA BUSINESS INCUBATOR

We help businesses get started and grow.
Contact us today to find out how we can help:

**1065 24th Avenue SW
Owatonna, Minnesota 55060**

507-451-0517