

Rochester, Minnesota: A Great Place to Live, Work, Invest



2001 Annual Report

RAEDI

Rochester Area Economic Development, Inc.

raedi.com

Rochester Area: A Strategic Center For Growth and Investment



- *Rochester's economy anchors and fuels the growth of southeastern Minnesota.*
- *Rochester's strong diverse economy is built around high technology, health care, and food processing.*
- *Rochester had the highest concentration of high-tech businesses in the United States (Milken Institute 1999 Study of America's High Tech Economy).*
- *Over 7% of U.S. total real output for computers and office equipment is produced in Rochester (Milken Institute 1999 Study of America's High Tech Economy).*
- *Rochester, among all 315 MSA's in the nation, had the third highest number of patents filed per 100,000 residents from 1990-1999.*
- *Combined, IBM and Mayo Clinic employ more than 27,000 people. These are two of the largest and most vital businesses in the state.*
- *Rochester's economic base continues to grow and diversify with more than 25 new technology companies located in Rochester.*

Board of Directors

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President's Message



Thomas P. Moyer

During 2001, RAEDI's work continued to contribute to our area's long-term economic growth. Our efforts to assist firms like Celestica, Charter Communications, and PEMSTAR contributed to the construction of over 300,000 square feet of new facilities and the addition of hundreds of new jobs. Combined, these projects represent a total investment in excess of \$75 million.

RAEDI staff assisted another 13 businesses with obtaining the financing needed to expand their business. These projects represent additional jobs and over \$15 million of new capital investment. Another highlight of the year was the launching of our new web page, www.raedi.com. This web site makes it easier for us to communicate with those considering the Rochester area as place to live, work, and invest.

On behalf of the Board of Directors and staff, I would like to thank all of our investors and partners for your continued support. Our work would not be possible without you. I enjoyed my year as RAEDI President and look forward to assisting Karen Jothen and the Board in the year 2002.



Mission

RAEDI's mission is to facilitate the growth and diversity of the Rochester area economy by providing businesses and entrepreneurs with value-added services as well as advocating private/public actions which improve the areas competitive position within the global economy.

Business Growth Strong in 2001



Pemstar

Pemstar expanded its headquarters factory on Rochester's northwest side with a 96,000 square-foot addition. The building is a combination design and manufacturing center. This addition enlarged the 3 1/2-year old complex in Rochester Technology Park to about 251,000 square feet with plans to add up to another 120 jobs over the next few years. RAEDI assisted Pemstar by helping them secure \$300,000 of state financing from the Department of Trade and Economic Development.



Celestica

In April of this year, Celestica opened its new factory along West Circle Drive at ValleyHigh Drive Northwest in Rochester. RAEDI assisted Celestica in its search for a building site. The local factory, with its state-of-the-art equipment and large size, almost five acres under one roof, produces printed circuit boards among other products. Celestica moved its operation from IBM where it had operated for one year and employs about 800 people.

Mayo Clinic's Gonda Building



Although RAEDI was not involved with any Mayo Clinic development projects, we would be remiss if we did not recognize the significant economic impact Mayo has made in the Rochester area and their recent opening of the Gonda building.

After years of construction, the building's subway and first levels opened on October 8, 2001, to patients and staff. The 20-story, \$375 million building is the centerpiece of the Mayo campus connecting all of the medical facility's downtown buildings.



Charter Communications

Charter Communications opened a new call center on Rochester's northside in the summer of 2001 regionalizing customer contacts. The center has 174 work stations for employees to take calls and help customers pay bills and arrange cable services. As Charter expands geographically and adds new services, their workforce is expected to reach its 350 worker capacity. RAEDI assisted the firm with assessing the Rochester area labor market and building site location. Mankato and St. Cloud were cities Charter considered as call center sites before selecting Rochester.

Rochester MSA Population & Growth

Historical and Projected Population

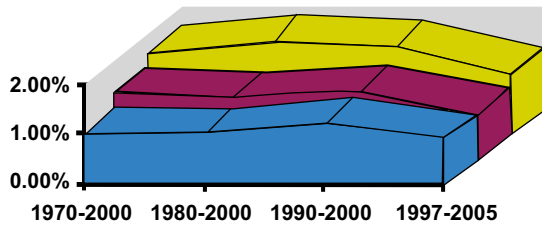
Rochester MSA		Minnesota		United States	
1970	84,104	1970	3,806,103	1970	203,302,031
1980	92,006	1980	4,075,970	1980	226,542,199
1990	106,470	1990	4,375,099	1990	248,709,873
2000	124,277	2000	4,919,479	2000	281,421,906

Source: U.S. Census Bureau

Minnesota MSA Population Growth Rates 1990 - 2000

Minneapolis/St. Paul	16.9%
Rochester	16.7%
Fargo/Moorhead	13.7%
St. Cloud	12.4%
Duluth	1.6%
Grand Forks	-5.5%

Historical and Projected Growth Rates



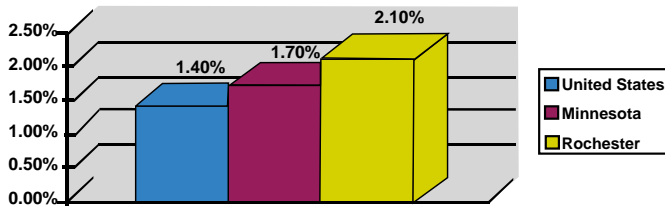
■ Minnesota ■ United States ■ Rochester

Rochester MSA population grew at a rate 40% faster than the state of Minnesota and 30% faster than the nation as a whole from 1990-2000.

Rochester MSA rate of population growth will continue to outpace national and state rates of growth through the year 2005.

Rochester MSA Employment Growth

1990-2000 Employment Growth Rates



From 1990-2000, Rochester grew jobs 50% faster than the national rate of growth and 24% faster than the state of Minnesota as a whole.

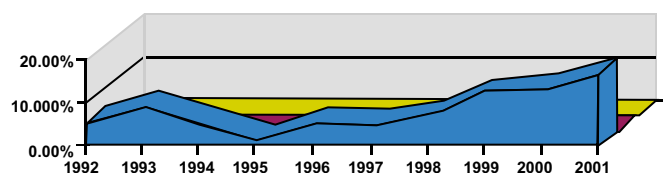
Rochester MSA Assessed Market Property Growth

Assessed Market Value 1992 - 2001

1992	\$3,469,691,900	1997	\$4,449,900,900
1993	\$3,779,117,070	1998	\$4,742,241,000
1994	\$3,982,703,589	1999	\$5,328,558,100
1995	\$4,042,526,800	2000	\$6,015,830,500
1996	\$4,042,526,800	2001	\$7,014,905,510

Source: Olmsted County Assessor

Rochester MSA Assessed Market Property Value Annual Growth Rates 1992-2001



504 Corporation

RAEDI provides management services including operations, loan packaging, closing and servicing for the Southeastern Minnesota 504 Development, Inc. This corporation was formed by RAEDI to provide better access to the U.S. Small Business Administration's (SBA's) 504 Loan Program. Depending on their useful life, the 504 loan program provides up to 20 years of financing for assets. Normally, the program leverages a bank loan with a 504 loan to finance up to 90 percent of project costs. With a smaller downpayment, businesses are better able to expand their operations by utilizing cash for working capital.

During 2001, RAEDI assisted 13 area businesses with application and approval of over \$15 million in SBA/bank loans, financing the expansion of those businesses. As a result of this program, 65 jobs were created.

RAEDI Services

RAEDI, a public/private partnership, serves as a linch pin between business and government, committed to assisting new and existing companies with expansion, location or research efforts. Services include:

Financial Packaging

- Direct Investment Funding
- Fixed Asset Financing
- Export Financing

Business Planning

- Cost Differential Comparisons
- Market Research & Analysis
- Community Data/Profiles

Site/Location Support

- Provide Objective Information on Sites, Facilities and Access to Support Services
- Develop Comparative Site Data

Business/Community Advocacy

- Identify and Present Business Interests and Concerns to Government
- Support Area Social, Economic and Infrastructure Development

RAEDI Quantitative Performance Report - 2001

RAEDI has adopted a return on investment strategy to monitor and evaluate our year-end and historical results. This data is compiled at year-end in order to quantify and calculate our area's return on investment. The process represents a less than perfect science. While the data should never be construed as a measurement for fiscal or economic impact, it is intended to provide the user with a reasonable estimate of direct economic activity.

INCOME:	
New Annual Income as a Result of Businesses' Expenditures for Payroll, Local Purchases of Goods & Services	\$ 27,873,622
OTHER INCOMES:	
Service Fee Income	\$ 121,400
State & Fed. Funds Returned thru Grant	
Other	
Total Community Income	\$ 27,995,022
COMMUNITY INVESTMENT:	
City Investment	\$ 150,444
SEED Fund Investment	
RAEDI Operating Expenses	\$ 355,000
Other	
Total Community Investment	\$ 505,444
Total Private Dollars Invested in Projects	\$104,717,275
PERFORMANCE MEASURES:	
Return on Community Investment (amount of income compared to total community investment)	\$ 55.39
Private Project Investment/Community Investment (amount of private dollars invested in projects to community dollars invested)	\$ 207.18
Community Marginal Investment in Project (the percentage of project funding provided by community investment)	.5%
Return on RAEDI Operating Budget (the amount of community income produced per dollar expended for RAEDI operations)	\$ 78.86
New Tax Base	\$18,412,340
Total Tax Revenue Generated/RAEDI Operating Expense	\$ 2.23
Total New Jobs	932
Cost Per Job	\$ 542
Total Economic Activity (assumes a multiplier of 2 on community income from payrolls and purchases of goods and services)	\$55,747,244

A Look Ahead



Karen Jothan

There is no question that recent changes in our economy have had an impact on the Rochester area. Yet, we have reason to be optimistic! With the recent addition of many technology-based firms, manufacturing and retail businesses, the Rochester area maintains a strong reputation for business growth. RAEDI is doing its part by supplying emerging and expanding companies with the assistance they need to grow and flourish. The combination of our solid business base, our exceptional quality of life, and our great track record positions the Rochester area for continued economic growth.

In addition to the work that RAEDI does in encouraging and assisting the attraction and formation of new base businesses in the Rochester area, it will continue to facilitate communication between business and government. We also pledge our support in assisting local education and training institutions that provide skilled workers for employment in the Rochester area. Finally, we will continue our work to ensure that the Rochester area is served by a modern, safe, and efficient transportation system that links the area to the regional and global marketplace.

From experience, we know that relationships are key to our success. Therefore, we will continue to work with the Minnesota Department of Trade and Economic Development, the Minnesota High Tech Association, Minnesota Technology Inc., Rochester Area Chamber of Commerce, SCORE, Southern Minnesota Initiative Foundation, Small Business Development Center, and others to promote business growth, not only in our area, but for all of Minnesota.

In conclusion, I look forward to serving as your president in 2002. I am particularly excited about working together as we meet the challenges that lay ahead of us and search for new opportunities to serve our members and the community.

RAEDI Staff

Gary Smith Executive Vice President
Tonya Bernard Administrative Assistant
Dwayne Lee Director of Business Development
Molly Schmidt Marketing/Communications Specialist

SPECIAL THANKS to our investors

A.B. Systems, Inc.
Alvin E. Benike, Inc.
Bigelow Enterprises, Inc.
Bouquet Builders, Inc.
C.O. Brown Agency, inc.
Celestica, Inc.
Chafoulias Companies
Coffman, Nehring, Christopherson & Ferguson
Comprehensive Business Services
Custom Alarm/Custom Communications, Inc.
Davies Printing
Dunlap & Seeger, P.A.
Eastwood Bank
Express Personnel Services
First Security Bank-Byron
FoxCroft Corporation/Wynnwood Company
General Growth Properties, Inc.
Heartman Insurance
HGA
Hirman Insurors
Home Federal Savings Bank
Johnson Printing Company
Kasson, City of
KTTC-TV
Marquette Bank
Mayo Medical Center
McGhie & Betts
McGladrey & Pullen
Olmsted County
Olmsted Medical Center
PEMSTAR Inc.
Peoples Natural Gas
Post-Bulletin Company
Premier Bank
Qwest
Rochester Area Chamber of Commerce
Rochester Cheese Sales
Rochester, City of
Rochester Public Utilities
Rochester Ready-Mix Concrete Co.
Rochester Sand & Gravel
- Division of Mathy Construction
Schmidt-Goodman Office Products, Inc.
Smith, Schafer & Associates
Southeast Minnesota Association of Realtors
Stewartville, City of
Sulla's Lithography & Printing
U.S. Bank
Weis Builders
Wells Fargo Bank Minnesota
Yaggy Colby Associates

A Public and Private Partnership For Economic Development

RAEDI

220 South Broadway • Suite 100 • Rochester, Minnesota 55904 • (507) 288-0208 • Fax (507) 282-8960