



RAEDI

Rochester Area Economic Development, Inc.

2005 Annual Report



President's Message



Bruce Gudlin

I am pleased to report RAEDI's work continues to contribute to our area's long-term economic growth. While starting a bit slow, 2005 went down in the books as another year of positive growth for the Rochester area. Several new businesses have located or have announced plans to locate in the Rochester area.

Among them is Glenwood

Inglewood, a water company which opened a Regional Distribution Center in Rochester. This announcement was followed by the location of Maxtor Corporation who opened a firmware development lab. Benchmark Electronics established an electronics manufacturing facility in northwest Rochester, and we are currently working with NRI Electronics on a planned 2006 expansion. For the year, more than \$52 million was invested and over 650 jobs created.

Other exciting developments in 2005 included the announcement of plans for the creation of the Minnesota Bioscience Development Center. This is a major development aimed at firmly establishing the Rochester area as a center for the emerging bioscience industry. Development of the Center's concept began more than two years ago. As momentum around the biosciences began to build with the announcement of the Minnesota Partnership for Biotechnology and Medical Genomics and the Mayo/IBM Partnership, the City of Rochester and RAEDI began to formalize the concept for the Center. Additionally, it appears that the Rochester Higher Education Committee, studying the future of higher education in Rochester, will be recommending the University of Minnesota create a more strategic presence in Rochester. We anxiously await their final report as this is an important piece of the puzzle to creating and sustaining a bright economic future for us all.

I thoroughly enjoyed my year serving as RAEDI's President. RAEDI continues to play a vital role facilitating continued growth of the Rochester area economy. I look forward to working with your new President, Mark Utz, as we continue our work in 2006. Finally, a special thanks to all our investors who make our work possible.

Bruce Gudlin
2005 RAEDI President

RAEDI Quantitative Performance Report - 2005

RAEDI has adopted a return on investment strategy to monitor and evaluate its year-end and historical results for its 2003-2007 reporting cycle. 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.

	2005 Results
INCOME:	
New Annual Income (result of businesses' expenditures for payroll, local purchases of goods & services)	\$ 22,952,932
OTHER INCOMES:	
Service Fee Income	\$ 243,000
Total Community Income	\$ 23,195,932
COMMUNITY INVESTMENT:	
RAEDI Operating Expenses	\$ 526,000
JOBZ Investment (local portion)	\$ 364,050
Total Community Investment	\$ 890,050
Total Private Dollars Invested in Projects	\$ 52,299,000
PERFORMANCE MEASURES:	
Return on Community Investment (amount of income compared to total community investment)	\$ 26.06
Private Project Investment/Community Investment (amount of private dollars invested in projects to community dollars invested)	\$ 58.76
Community Marginal Investment in Project (the percentage of project funding provided by community investment)	1.7%
Return on RAEDI Operating Budget (the amount of community income produced per dollar expended for RAEDI operations)	\$ 44.10
New Tax Base	\$ 8,000,000
Total New Jobs	679
Cost Per Job	\$ 1,311
Total Economic Activity (assumes a multiplier of 2 on community income from payrolls and purchases of goods and services)	\$ 45,905,864

504 Corporation

RAEDI provides management services including operations, loan packaging, closings, and servicing for the 504 Corporation. Normally, the 504 loan program leverages a bank and 504 loan to finance 90 percent of the project costs. With a smaller down payment, businesses are better able to expand their operations by utilizing cash for working capital.

In 2005, 14 SBA 504 loans totaling \$6,683,000 were approved for area businesses. These projects represented total investments of over \$16.8 million from the SBA, banks, and businesses. The 504 Corporation's year-end loan portfolio includes 97 loans totalling more than \$29 million.

RAEDI Board of Directors

Officers

President

Bruce Gudlin, U.S. Bank

Vice President

Mark Utz, Wendland, Utz, Stahl & Mintz, Ltd.

Secretary/Treasurer

Gerry Brossart, Associated Bank

Past President

John Benike, Alvin E. Benike, Inc.

Executive Vice President

Gary Smith, RAEDI

Ex-Officio

Mayor Ardell Brede, City of Rochester

Board Members

Paul Bucher, Dunlap & Seeger, P.A.

Dr. David Carl, U of M-Rochester

John Crowley, Charter Communications

Matt Flynn, Olmsted County

Mike Fogarty, C.O. Brown Agency, inc.

Dennis Hanson, City of Rochester

Gerald Henricks, City of Byron

Karen Jothan, Qwest

Larry Koshire, Rochester Public Utilities

Dick Landwehr, Rochester Public Utilities

Michelle Leak, Mayo Clinic

Jon Losness, Post-Bulletin Company

Marcia Marcoux, City of Rochester

Gary Moore, PEMSTAR Inc.

Chuck Murphy, City of Stewartville

Bernie Nigon, McGladrey & Pullen

Scott Ordahl, Wells Fargo Bank Minnesota

Dave Perkins, Olmsted County

Duane Sauke, SE MN Association of Realtors

Ginny Smith, Ginny's Fine Fabrics, Inc.

Mark Tasler, Express Personnel Services

Steve VanNurden, Mayo Clinic

John Wade, Rochester Area Chamber of Commerce

Greg Walters, Aquila

Special Thanks to RAEDI Investors

A.B. Systems, Inc.
Alpha Realty Corporation
Alvin E. Benike, Inc.
Aquila
Associated Bank
Bouquet Companies
Byron, City of
C.O. Brown Agency, inc.
Chafoulias Companies
Charter Communications
Custom Alarm/Custom Communications, Inc.
Davies Printing
Dunlap & Seeger, P.A.
Eastwood Bank
Elcor Realty
Express Personnel Services
First Security Bank - Byron
Fox Hill, LLC
General Growth Properties, Inc.
Ginny's Fine Fabrics, Inc.
Hamilton Real Estate, Inc.
Heartman Insurance

HGA
Hirman Insurors
Home Federal Savings Bank
Joel Bigelow & Sons Enterprises, Inc.
Johnson Printing Company
Kane & Johnson Architects, Inc.
Knutson Construction Services
Kruse Lumber
KTTC-TV
Mayo Clinic
McGhie & Betts
McGladrey & Pullen
Merchants National Bank
Nationwide Business Services
Olmsted County
Olmsted Medical Center
Olmsted National Bank
PEMSTAR Inc.
Post-Bulletin Company
Premier Bank
Qwest
RE/MAX of Rochester

Rochester Area Builders, Inc.
Rochester Area Chamber of Commerce
Rochester, City of
Rochester Public Utilities
Rochester Ready-Mix Concrete Co.
Rochester Sand & Gravel
- Division of Mathy Construction
Root River State Bank - Chatfield
Schmidt-Goodman Office Products, Inc.
Smith, Schafer & Associates
Southeast Minnesota Association
of Realtors
Sterling State Bank
Stewartville, City of
Superior Plumbing & Heating/
Superior Mechanical Systems
U.S. Bank
Weis Builders
Wells Fargo Bank Minnesota
Wendland, Utz, Stahl & Mintz, Ltd.
Yaggy Colby Associates

RAEDI Staff

Gary Smith, Executive Vice President
Tonya Bernard, Administrative Assistant
Molly Schmidt, Marketing Specialist
Dwayne Lee, Director of Business Development
Jim Snackenber, Senior Business Development Officer
Laura Hart, Loan Services Specialist

RAEDI

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Building Blocks for a Bright Economic Future

Mayo Clinic

Mayo Clinic is world-renowned as a leading center of patient care and medical research and education. Providing a solid base for continued economic growth, Mayo Clinic is not just the largest employer in Rochester, it is one of the largest employers in the state of Minnesota. Mayo has created, on average, 800 new jobs a year over the past decade and indications are that growth will continue.

IBM

IBM Rochester is the key development site for IBM's worldwide Healthcare and Life Sciences industry. In one of its most ambitious research projects to date, IBM Rochester is playing a major role in the development of Blue Gene, a new family of super computers. Blue Gene will initially be used to study the folding of human proteins - one of science's great unknowns. If Blue Gene unlocks the mystery of how proteins fold, the discovery promises to launch a new frontier of biological research. This would enable researchers to better understand diseases and their potential cures and allow pharmaceutical companies to create a new class of high-tech prescription drugs customized for individuals.



Stabile Building

Minnesota Partnership for Biotechnology and Medical Genomics

The Minnesota Partnership for Biotechnology and Medical Genomics kicked off construction of a new research facility being built on top of the existing Mayo Clinic Vincent A. Stabile building with a roof raising event held in August 2005. The research facility will catapult the Partnership to the next level building on the exciting accomplishments already achieved.



Conceptual Drawing of future Bioscience Development Center

Minnesota Bioscience Development Center

The City of Rochester and RAEDI's plans for development of the Minnesota Bioscience Development Center received a major boost when Governor Pawlenty included \$8 million of funding for the Center's infrastructure in his 2006 bonding proposal. The Center is a community project aimed at capturing growth opportunity resulting from the significant investments being made by the state of Minnesota, Mayo, the University of Minnesota, IBM and others. The Center, as planned, would be located in close proximity to the Minnesota Partnership for Biotechnology and Medical Genomics. This location was selected because it maximizes the opportunity for tenants of the facility to interact with the Partnership. Assuming all approvals, the Center would likely open in 2008.

University of Minnesota

The final brick to lay in the building of this foundation for future growth is the development of a University of Minnesota campus in downtown Rochester. The Rochester Higher Education Committee is expected to make this recommendation when it issues its final report in January 2006. This institution, as presently envisioned, will provide signature programs in Biomedical Informatics, Computational Biology, Biomolecular Engineering, Nanotechnology, Allied Health and Nursing, Genomics, Entrepreneurship, Innovation, and Leadership. This curriculum, with accompanying research capacity, will be a synergistic catalyst when combined with other research, development, and knowledge creation activities taking place in downtown Rochester.

JOBZ Program Helps Businesses Locate in Rochester



Benchmark Electronics

Benchmark Electronics

National electronics manufacturer Benchmark Electronics has decided to locate a manufacturing facility in Rochester and will open in January 2006. The manufacturing and design facility will employ about 100 people including some engineer and technician positions as well as production jobs. RAEDI assisted Benchmark by answering questions about the labor market and coordinating their meetings with the City of Rochester regarding designation of their proposed facility as a JOBZ site.

Pace Electronics

RAEDI worked with Pace Electronics' representatives as they purchased four acres within the city industrial park designated as a tax-free zone under the state JOBZ program. Construction of the new facility began in the fall of 2004 and was completed in 2005. Pace, a leading electronics components provider, is planning to double current employment, from 32 to 64 employees, over the next several years.



Pace Electronics

Maxtor

Disk-drive maker Maxtor announced the company's location of a firmware development lab in Rochester in August 2005. It is at 3535 40th Avenue Northwest, in the Valleyhigh Business Center just east of West Circle Drive and north of Valleyhigh Drive Northwest. RAEDI assisted Maxtor representatives in identifying location options and coordinating their discussion with the City of Rochester on designating their location as a JOBZ site providing them the tax advantages of that program. The Rochester lab will support the work of their U.S. locations in California, Colorado, and Massachusetts. They opened with 18 employees and hope to grow to 30 within 12 months. Long-term, they expect to employ up to 70. Average wage is in excess of \$100,000 per year.

Economic Statistics for Rochester Area - 5 years

Employment Annual Averages - Rochester MSA

	<u>Total</u> <u>Nonfarm</u>	<u>Goods</u> <u>Producing</u>	<u>Service</u> <u>Providing</u>
2001	99,700	19,800	79,900
2002	100,300	19,100	81,200
2003	100,729	17,875	82,854
2004	101,918	17,990	83,928
2005	103,669	18,052	85,616

Annual Home Sales for Rochester

2001 -	\$337,986,481
2002 -	\$366,692,670
2003 -	\$415,739,109
2004 -	\$425,686,810
2005 -	\$451,242,727

Residential & Commercial Building Permits

2001 -	\$388.5 million
2002 -	\$322.3 million
2003 -	\$305.9 million
2004 -	\$332.8 million
2005 -	\$389.3 million

Rochester Airport Passenger Totals

2001 -	295,615
2002 -	293,833
2003 -	278,990
2004 -	277,504
2005 -	283,113