



# Shakopee Mayor Brad Tabke

## Shakopee competes to attract well-paying jobs with carefully structured incentives

A Civic Caucus Focus on Competitiveness Interview

*January 31, 2013*

### Present

John Adams, Dave Broden (vice chair), Pat Davies, Paul Gilje (coordinator), Randy Johnson, Sallie Kemper, Dan Loritz (chair), Dana Schroeder, Clarence Shallbetter, Brad Tabke, Fred Zimmerman. By phone: Audrey Clay and Amir Gharbi.

#### **Issues to address:**

Prior to the Jan. 31, 2014, discussion with Tabke, the Civic Caucus asked him to be prepared to address the following issues: the use of publicly funded economic development incentives to attract new businesses to Shakopee; his opinion of the intrastate, interstate and international competition for new businesses and the use of incentives to attract them; who Shakopee's competitors are in attracting new businesses; the impact of the state's large highway infrastructure investments on U.S. Hwy. 169, including a new bridge across the Minnesota River and nearby highway interchanges.

### Summary

According to Shakopee Mayor Brad Tabke, Shakopee saw "phenomenal" growth after the new Bloomington Ferry Bridge was built in 1996. The bridge carries U.S. Hwy. 169 across the Minnesota River between Bloomington and Shakopee. The city's population grew by 80 percent between 2000 and 2010 and is now just under 40,000. He points out that the Shakopee school district built a new high school six years ago and will need a second high school by 2017. He notes that Shakopee has a very highly educated workforce living there, but 84 percent of them leave town every day for work.

Tabke says that Shakopee is trying to control its residential growth and to curb sprawl. He states that Shakopee's current intent is not to increase its population, but to increase the number of jobs for people living in the city. To that end, Tabke has focused on bringing well-paying new jobs to the city by promoting economic development. During the first two years of his mayoral term, Shakopee has used publicly funded incentives, often matched by incentives from Scott County and the State of Minnesota, to help attract seven major new business developments. He says there will be 4,500 new

jobs in the city by 2018, adding to its current 19,000 jobs. The city's goal is to have 30,000 jobs by 2030 and 50,000 jobs by 2050.

## Background

Brad Tabke is the mayor of Shakopee, Minnesota. He was first elected to a two-year term in 2011 and re-elected in 2013. He was formerly chair of the Shakopee Park and Recreation Board and of the Shakopee Chamber of Commerce. As mayor, he has focused on promoting Shakopee's economic development, creating awareness of Shakopee's diverse populations, and planning for the future.

Tabke is the founder and owner of Ethical Landscape Consultants. He has worked in Chicago and the Twin Cities managing commercial and residential landscapes, with a focus on environmental sustainability and responsibility. He has a B.S. degree in horticulture and design from Iowa State University.

## Discussion

**Shakopee saw "phenomenal" growth after the new Bloomington Ferry Bridge across the Minnesota River was built in 1996.** According to Mayor Brad Tabke, Shakopee used to be a small farming town. It was incorporated in 1857, 10 years before the city of Minneapolis. When the new Bloomington Ferry Bridge, a freeway bridge that carries U.S. Hwy. 169 across the Minnesota River between Bloomington and Shakopee, was built in 1996, Tabke said, Shakopee saw "phenomenal growth, which was both good and bad and controlled and uncontrolled."

From 2000 to 2010, Shakopee grew by 80 percent, from 20,000 people to 37,000 people in 2010. The population is just under 40,000 now. He said Shakopee has 19,000 jobs, 74 percent of them filled by people who live outside of the city.

**Eighty-four percent of the workforce living in Shakopee leaves town every day for work.** "We have an extraordinarily highly educated workforce living in Shakopee," Tabke said. "We have a lot of engineers, a lot of folks with master's and PhD's. We have one of the most highly educated workforces in the entire metro region."

"We are working really hard to leverage that asset," he continued. "We are actively working to bring jobs to Shakopee that match our residents' needs and who we are as a community. It reduces burdens on infrastructure. There are only a few traffic lanes that go across the Minnesota River and we're on the other side of that river. That creates a massive mental barrier and a traffic barrier. Part of the way we're working to overcome that is by growing jobs in our community."

Tabke commented that the 18,000 additional people who moved to Shakopee over the last 10 years came because of available housing and access to infrastructure. He pointed out that Shakopee is having a referendum in March for a second high school.

**It's "very tricky" for Shakopee to balance its talented workforce, the companies already located there and incentives to attract new businesses.** "In Shakopee, we've historically been

horrible communicators," he said. "It's a Minnesota thing to not want to tell the story of who we are and how we got to where we are and where we're going to go in the future. That's one thing we've been working really hard on since I've been mayor."

**Using various public incentives, Shakopee has successfully attracted seven new business projects during 2012 and 2013:**

- In 2012, **TryStar**, a manufacturer and international distributor of portable and permanent power solutions, industrial cables and power accessories, decided to move its operations from Faribault, Minn., to Shakopee, and build a \$15 million, 175,000-square-foot plant and create or relocate 80 jobs. Shakopee gave the company a property tax abatement totaling \$1,055,000 over 15 years as an incentive for the move. (Under state law, cities, counties and school districts may offer property-tax abatements for economic development. A city, for example, may offer a company abatement on all or part of its city property taxes for a period of up to 15 years or, in certain cases, 20 years. The company pays the property taxes to the city as usual, but the abated tax revenue is not available for the city's general spending. Instead, the city will rebate the abated taxes back to the company or use the abated taxes to pay off bonds sold to cover costs of the new development. The abated taxes must be no more than \$200,000 in any one year.)
- Also in 2012, the Issaquah, Wash.-based **SanMar Corp.**, one of the nation's largest printable-clothing suppliers, decided to invest \$36 million to build a 580,000-square-foot distribution center in Shakopee. The operation would employ 117 in the first two years, but eventually grow to between 300 and 350 workers. As an incentive, Shakopee is providing \$2 million in funding for the project through tax-increment financing (TIF). Through TIF, a city captures the total property taxes (for the city, school district, county and any other local governments) on the increased property values over a period of years in an area including a new development or redevelopment project to help finance costs of the project.
- In 2013, Chanhassen, Minn.-based **Rosemount, Inc.**, decided to put a new manufacturing plant in Shakopee that is expected to create 400 new jobs over the next five years. Rosemount will be taking over the partially developed ADC Telecommunications building, left incomplete and vacant since 2000. Rosemount will spend \$72 million to complete the construction and equip it for engineering and manufacturing of the company's pressure, temperature, safety, level and flow measurement technology products. The company asked Shakopee, the Burnsville-Eagan-Savage school district, Scott County and the State of Minnesota to bridge a \$6 million gap with incentives to make up for the extra amount in wages the company will have to pay workers in Shakopee, as compared to Chihuahua, Mexico, Shakopee's main competitor for the plant.

Shakopee is providing \$1.4 million in incentives that include property tax abatements, a forgivable loan, sewer availability charge credits and other waived fees and charges. **T**he state approved \$3 million in state incentives, including state sales tax exemptions, a matching infrastructure grant, a Jobs Skills Partnership grant and a Minnesota Investment Fund (MIF) grant through Minnesota's Department of Employment and Economic Development (DEED). Scott County's incentive package is \$2.4 million, including a property tax abatement and use of the county's fiber optic network.

- In 2013, Dallas-based **Compass Datacenters LLC** decided to construct a new \$68 million data center in Shakopee for Savvis, a division of CenturyLink. The data center will create 18 new CenturyLink jobs. Originally, Shakopee offered Compass sewer availability charge credits worth \$145,500 as an incentive to locate the facility there. But the project changed substantially during the planning phase, reducing the number of jobs it would create. The city's requirements for incentives could no longer easily be met and the company ultimately chose to forgo any incentives.
- In 2013, **Shutterfly, Inc.**, a San Francisco-based online media storage and photo business, decided to locate its Midwest expansion in Shakopee. It will include 330 full-time jobs and an investment of \$60 million in a new 217,000-square-foot facility, with room for an 89,000-square-foot addition. Economic incentives totaling \$3 million were offered by the city, Scott County and the state. These involve abatements on city and county property taxes for a nine-year period, fiber-optic infrastructure improvements, a state training grant and a \$1 million forgivable loan from MIF. Shakopee's portion of the incentives is \$930,000. Tabke pointed out that Shutterfly's main client demographics fit well with Shakopee's demographics, since the average age in Shakopee is 34. "They wanted to be where their clients are," he said.
- And, finally, in 2013, **Datacard Group**, which had manufactured credit card printing machines in its Minnetonka, Minn., headquarters for 35 years, decided to move its operations from Minnetonka to Shakopee. The company is spending about \$30 million to purchase and renovate the TE Connectivity building in Shakopee, which offers 370,000 square feet. It will employ 780 workers, including the 680 relocated employees from Minnetonka. Shakopee and Scott County will offer up to \$659,193 in combined tax abatements over 11 years and the state is putting up \$500,000 from MIF.

"It was very, very important throughout this entire process to be communicating with everyone: the existing businesses, the small- and medium-sized businesses, so everyone felt they were getting their piece of the pie," Tabke said. "We have partnered with lots of different entities over the last two years. We're really lucky to have Scott County, because they work with us so well."

**There are 4,500 jobs coming to Shakopee between 2013 and 2018.** "They are almost all brand-new jobs to the area," Tabke said. "That is spinning off a phenomenal amount of small business growth right now. There are people starting companies in Shakopee, where there hasn't been interest in 10 years."

**City property tax abatements do not affect the schools.** In response to a question about the city's relationship with the school district and with Scott County, Tabke said officials from the three entities "talk all the time. We all help each other and work together." He pointed out that most of the city's tax incentives have been property tax abatements, which haven't affected the schools. However, both the school district and Scott County can offer their own property-tax abatements, if they choose. In fact, Scott County has offered its own abatements as incentives for several of the recent business development projects.

**When city officials first start talking with a business about locating in Shakopee, they ask company executives why they want to be there.** "If it's just because we're offering incentives, the conversation pretty much ends," Tabke said. "We want people who want to be part of our community."

We have an extraordinary history in Shakopee and we have a lot to offer. We have a lot of tourist attractions, our schools are phenomenal, our tax rate is extremely low. We sell hard on why these companies should locate in Shakopee. That goes into the workforce. We find out what they need and want and why, especially if they want incentives.

**Greater MSP, Gov. Mark Dayton, DEED and the Legislature have been very helpful in Shakopee's economic development.** Tabke said the Shutterfly project started with Greater MSP, a private nonprofit organization dedicated to growing the economy of the 16-county Minneapolis-Saint Paul region. "A lot of things happening today wouldn't be happening without Greater MSP," he said. "They do an extraordinary job in really selling our region."

"DEED has been very, very helpful," Tabke continued. "The governor's office has been very helpful on most of the projects we've gotten done. The Legislature has been huge in allocating funds for MIF and the Job Creation funds."

**Shakopee must provide more jobs for its own residents to help prevent too much commuter traffic, which will slow down commercial traffic on the Hwy. 169 bridge across the Minnesota River.** An interviewer asked why mayors want to add jobs to their cities. Tabke responded, "We have extraordinary infrastructure concerns. Moving forward, we need to have jobs for our residents in town, so that we reduce the number of people commuting north across the river every single day, so we can keep the bridge open for business, for companies to be able to get their trucks back and forth across the river."

**Tax incentives for greenfield development are viewed more positively than those for redevelopment.** Tabke said there are a lot of studies out there that are critical of tax incentives for businesses and a lot of studies that support them. A fair amount of the negative views on government partnering with business, he said, have to do with redevelopment, not with new greenfield development, that is, development on previously undeveloped land.

**Things don't always turn out as you expect them to.** "Everything that's done is tenuous," Tabke said. He pointed out that 14 years ago, ADC Telecom, which was in the heyday of the dot-com bubble, built two buildings in Shakopee and never occupied one of the buildings that had been shelled out. "That's a good example of how things don't turn out the way you expect them to," he said.

**To increase its sustainability, Shakopee is trying to temper its residential growth, while speeding up job growth in the city.** "It's something important for our community and for the entire region for us to have locally the jobs that are needed for our community," Tabke said. "That is what our goal is in Scott County." He pointed out that Shakopee now has 19,000 jobs, but the goal is to have 30,000 jobs there by 2030 and 50,000 jobs by 2050. He noted that Shakopee's main goal is "not to gain population, but to gain jobs for our current population."

"We know that it's going to cost another \$1 billion dollars to put another bridge across the Minnesota River as the metro area continues to grow," he said. "We are dramatically slowing down the growth in our community by adding a lot of density and redevelopment in Shakopee to help curb the sprawl and the ¾ acre lots. That's not who we want to be. There are a lot of things we need to think about on the sustainability front. All these projects we've been doing have been where infrastructure already existed. We haven't extended infrastructure for any of these projects."

**Shakopee has been a beneficiary of major state highway investments: the Highway 169 bypass around the city, the bridge across the Minnesota River, the building of interchanges and current efforts to rebuild Highway 101 between Chanhassen and Shakopee.** An interviewer said there is an explosion in land values from that type of investment and the state needs to tap this big growth in capital gains for revenue, since it is running short of highway funds. That is more key to the future of Shakopee than any investment in transit. "Highways are really the name of game overwhelmingly," the interviewer concluded.

But Tabke said he disagrees about highways being the main driver of the future. "As a region, we must provide options," he said. Shakopee's current transit options include internal circulators and express buses to Minneapolis. "The future investments needed to keep the infrastructure sustained are phenomenal," he continued. "We need to invest in viable options for folks to get to work and back home." He said the need is greatest for suburb-to-suburb trips.

**Forty-four percent of all jobs in the state of Minnesota are within 10 miles of Hwy. 169.** "In the past, the state has put an emphasis on 169 as a corridor of commerce," he said. "The Hwy. 169/I-494 interchange has been huge. What's happening in Shakopee more than likely wouldn't be happening if that hadn't gone through. Getting commerce up and down 169 is a huge economic engine for the state."

**The initial contact with businesses thinking of locating in Shakopee varies widely by project.** An interviewer asked to what degree land assemblers or speculative developers are major players in making the initial contact. Tabke responded that some initial contacts have come directly from a company to the city, while some have come through Greater MSP, DEED or Scott County Association for Leadership and Efficiency (SCALE), an economic development group representing the seven cities in Scott County.

**An \$89 million referendum for the new high school and for security and technology improvements will be voted on in a March 9 election.** Tabke said Shakopee's current fourth-grade class is double the size of its graduating class. Ten years ago, the school district began planning for a second high school and purchased land for the school. A second high school, he said, is needed by 2017, when the current high school, built six years ago, will be over capacity. He said the school district is working to have the new high school set up so it can double as a tech college, because there are no tech colleges in Scott County.

**Shakopee now enjoys a productive working relationship with the Shakopee Mdewakanton Sioux Community.** Historically, Shakopee has not had a positive relationship with the Community. The Community owns 300 acres of land in Shakopee that is put into trust with the federal government and is not taxable, even though the city must provide fire and police services for the land. But, he said, the relationship between Shakopee, Prior Lake and Scott County and the Sioux Community has improved dramatically in recent years. Those four entities have set up an intergovernmental working group to communicate about various issues. "It's been working out really well," he said.

**DEED Commissioner Katie Clark Sieben is in the position that has the most impact on the future of economic development in Minnesota.** "Katie Clark Sieben does phenomenal things," Tabke said. "That's a spot where things get done." He said that Clark Sieben and the governor have done a "great job" of talking to companies to get them excited about Minnesota.

**Shakopee is one of the largest cities in the state geographically, stretching seven miles from end to end to encompass 30 square miles.** Tabke pointed out that a good majority of the land is undevelopable. A good share of the city is taken up by Hwy. 169 and 600 acres of city land in the Minnesota River valley are set aside as wildlife preserve. "That's a huge asset to our community," he said.

**Shakopee is a net contributor to the region-wide property-tax-base sharing pool.** Tabke noted that Shakopee contributes \$2 million each year into the Fiscal Disparities program, a region-wide tax-base sharing program through which 40 percent of the growth since 1971 of commercial-industrial tax-base-value in the seven-county metro area is pooled and shared among all the communities in the region. Some communities are net gainers in tax base through the program and some are net contributors of tax base.

**Shakopee sets standards for its business incentives.** Tabke said a business must pay a minimum wage of \$14.50 an hour to be eligible to partner with the city for economic development. The city does not abate taxes or give any incentives for existing tax base, so the city continues to take in the amount of tax revenue it was getting before a project takes place. He said Shakopee has done one TIF project for economic development, one for low-income housing and four tax abatement business incentive projects since 2012.