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2006 STATE APPROPRIATION REQUEST: $1,994,000

AGENCY PROJECT PRIORITY: 1 of 5

PROJECT LOCATION: North Minneapolis WorkForce Center

Project At A Glance

- Seek construction funds of $1,994 million for the North Minneapolis WorkForce Center to repair and renovate the building exterior for ongoing water damage.
- Provide HVAC, electrical, plumbing, interior upgrades, and site improvements.

Project Description

The WorkForce Center at 1200 Plymouth Avenue North, Minneapolis, Minnesota, is a one-story, stand-alone building of steel and masonry construction.

Over the past few years, moisture infiltration has become a severe issue on all four exterior walls. Much of the problem stems from the expansion and contraction of the steel structure in relation to the concrete block wall. The resulting horizontal and vertical cracks have let water seep in. Also contributing to the problem are a deteriorating parapet, and the nature of the exterior paint (which acts as a vapor barrier).

The agency has undertaken small-scale repairs (e.g., tuck pointing); but such measures are losing effectiveness and mold has developed within the structure. Further dollars spent on such patchwork maintenance are a waste of state dollars. A long-term solution is necessary.

In 2005 the building was assessed and the department has determined that the work required to repair and upgrade the building can be divided into three subprojects:

- Water and mold remediation: Water and mold remediation must be done if the department is to continue to occupy the building. The mold is becoming a health and safety issue for employees and customers. Without such remediation, the department will have to abandon the site, which provides critical workforce services to the citizens of North Minneapolis. Because of continued deterioration and the onset of mold, the repair costs for this subproject have escalated from $293,000 two years ago to $675,000 today. Further delay in this project will result in higher repair costs, or the need to abandon the site.

- HVAC and other interior upgrades: The building was constructed in 1989. The mechanical systems can no longer accommodate changes in office technology. The electrical system cannot adequately handle the load added by desktop computers, monitors, printers, and the other modern day office equipment. The HVAC system was not designed to handle the cooling needs necessitated by the heat produced by the office equipment, and the additional staff and office renovations that have occurred over the years. The plumbing system has experienced back-up problems that need to be addressed with a systematic solution. Also, the restrooms must be brought into full ADA compliance. These modifications will provide an opportunity to address and reconfigure, as needed, staff and interior wall locations, bringing the WorkForce Center within WorkForce Center standards.

- Site improvements: Repairs to the exterior grounds of the building include providing the parking lots with additional lighting and fencing for the safety of staff and visitors, and resurfacing and striping.

Impact on Agency Operating Budgets (Facilities Notes)

There is no anticipated impact on agency operating budget.
Previous Appropriations for this Project

There have been no previous appropriations for this project.

Project Contact Person

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Governor’s Recommendations (To be completed by the Department of Finance at a later date)
2006 STATE APPROPRIATION REQUEST: $20,000,000

AGENCY PROJECT PRIORITY: 2 of 5

PROJECT LOCATION: Statewide

<table>
<thead>
<tr>
<th>Project At A Glance</th>
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</thead>
<tbody>
<tr>
<td>♦ Redevelopment Grants help local authorities renew obsolete or abandoned properties for industrial, commercial, and residential uses.</td>
</tr>
</tbody>
</table>

**Project Description**

The Department of Employment & Economic Development (DEED) requests $20 million to make grants for the redevelopment of obsolete or abandoned properties. The purpose of the program is to provide financial assistance to local governments and local development agencies to recycle obsolete or abandoned properties for new industrial, commercial, and residential uses. The program can be used with bond proceeds to make public improvements on public land in support of private sector redevelopment projects. Program funds consisting of bond proceeds, would limit the eligible uses of the funds to public infrastructure improvements, acquisition, and other eligible uses that are conducted on publicly owned land. The program will be implemented statewide on a competitive basis with priority given to Greater MN projects.

The redevelopment of previously developed land is critical to sustaining private and public investments in our communities and providing additional economic development opportunities. Left to their own devices, businesses and housing developers will usually select project sites that are available, accessible and relatively inexpensive. Because redevelopment sites are located in the developed areas of our communities, the sites are accessible. However, because there is still obsolete or abandoned development on the site, and because the cost of removing the existing development is very high, the sites are neither available nor inexpensive. The Redevelopment Grant Program will use state funds to clear previous development, install updated infrastructure and stimulate private reinvestment in existing Minnesota neighborhoods and communities. Recycling existing properties relieves development pressure on the urban fringe and utilizes existing municipal facilities and systems such as schools, fire and police protection, streets and highways, and water and wastewater systems.

**Impact on Agency Operating Budgets (Facilities Notes)**

DEED would administer the Redevelopment Program with existing program staff. Non-bond funds would be used for this activity. All operation and maintenance activities will be conducted by the local communities.

**Previous Appropriations for this Project**

The Redevelopment Grant Program was created in statute by the 1998 legislature at M.S. 116J.561 to 116J.567. The program assisted both metro and greater Minnesota communities. The program received a general fund appropriation of $4 million in 1999 and a $3 million general fund appropriation in 2000. Six million in general fund money was appropriated by the 2000 legislature for 2001. Fifteen million was appropriated by the 2005 legislature. To date, DEED has completed six funding rounds. For the six rounds, DEED received 95 applications requesting nearly $38 million. DEED was able to award 43 grants.

**Other Considerations**

Gap financing provided by the Redevelopment Grant Program is an important element in helping communities finance expensive redevelopment projects, allowing communities to remain economically competitive. DEED continues to receive calls on the program and inquires of needed funding.

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2006 STATE APPROPRIATION REQUEST: $20,000,000

AGENCY PROJECT PRIORITY: 3 of 5

PROJECT LOCATION: Statewide

Project At A Glance
- The Program goal is to keep or enhance jobs in a particular area, to increase a city’s tax base, or to create or expand new economic development within a city.

Project Description
The Department of Employment and Economic Development (DEED) requests $20 million to make grants to cities for complex and costly public infrastructure development projects to facilitate business expansions that might not occur without public financial assistance and industrial development parks. The purpose of the program is to finance public infrastructure to support new or expanding businesses, which create new jobs or to support the creation industrial parks in Greater Minnesota.

The program can be used to pay for up to 50% of the costs, not to exceed $1,000,000 per grant, for public infrastructure improvements on public land in support of private sector economic development or industrial park projects. DEED will deliver the Program to Greater Minnesota communities, those outside of the seven county metropolitan area, on an open application basis.

Providing infrastructure within undeveloped Industrial Development Parks is critical to maintaining healthy, vital communities throughout Greater Minnesota. Left to their own devices, businesses will usually select project sites that are available, accessible and relatively inexpensive. Because land for expanding economic development parks is usually located on the fringes of our communities, the sites require infrastructure improvements. However, because the cost of providing infrastructure is high, the sites are neither available nor inexpensive. The Greater MN Business Development Public Infrastructure Grant Program (BDPI) will use state funds to install infrastructure and stimulate private investment in Greater Minnesota neighborhoods and communities. The program provides grants to cities, on an open application basis, of up to 50 percent of the capital costs of the public infrastructure necessary to expand or retain jobs in the area, increase the tax base, or to expand or create new economic development. Eligible applicants are statutory or home rule cities outside of the seven-county metropolitan area. Eligible project activities include publicly owned infrastructure--including wastewater collection and treatment, drinking water, storm sewers, utility extensions, and streets which support economic development projects including manufacturing, technology, warehousing and distribution, research and development, and agricultural processing. Retail developments and office space development other than incidental office space are ineligible for this grant.

Funding for BDPI was first received by DEED in SFY 2004, in the amount of $7.5 million dollars. Those funds were committed in a period of 7 month to 27 projects creating 478 additional jobs. SFY2005 funding has been approved for $10 million and there appear to be an abundance of projects with similar jobs prospects.

Impact on Agency Operating Budgets (Facilities Notes)
DEED currently employs Small Cities Development Program administrative staff. Existing staff would need to be trained to administer the Program. Non-bond fund would be required for administration of this activity. All operation and maintenance activities will be conducted by the local communities.

Previous Appropriations for this Project
This program was created by statute MS 116J.531 in 2003. Funding that was appropriated that year was the subject of a line item veto. In 2004 $7.5 million of bond funds were allocated to the program. 27 projects creating 478 jobs were developed with the SFY2004 funds. The SFY2005 bonding bill allocated $10 million to this project. DEED anticipates funding 40 applications creating 550 jobs with the 2005 bond funds.
Other Considerations

Financing by the Greater MN Business Development Public Infrastructure Grant program is an important element in helping greater Minnesota cities finance infrastructure necessary to compete for businesses that create jobs, increase the tax base and expand economic development opportunities. In the one program year in which there was funding DEED received 41 applications totaling more than $14 million, and has continually received calls on the program.

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Governor’s Recommendations (To be completed by the Department of Finance at a later date)
2006 STATE APPROPRIATION REQUEST: $15,300,000

AGENCY PROJECT PRIORITY: 4 of 5

PROJECT LOCATION: Statewide

Project At A Glance

- The Wastewater Infrastructure Fund (WIF) provides supplemental grant and loan funding to high priority municipal wastewater projects with high cost needs.

Project Description

The Public Facilities Authority (PFA) is seeking $15.3 million for the Wastewater Infrastructure Funding (WIF) program. For high cost projects, WIF monies are used either as 0% loans for up to 40 years to supplement loans from the Water Pollution Control Revolving Fund (Clean Water State Revolving Fund), or as grants to match grant assistance provided by the U.S. Department of Agriculture (USDA) Rural Development. The first priority for the requested funds would be to match grants from Rural Development’s FY 2007 funds, which would be available starting in October 2006. The WIF grant match helps the Minnesota Rural Development office obligate all of its grant and loan dollars, making it eligible to go to the national pool for additional funds for Minnesota communities.

For USDA Rural Development projects, the WIF program provides 50% of the grant eligible amount determined by Rural Development. Rural Development’s grant calculations are determined by first looking at the amount of debt service and operation and maintenance costs a city can afford to pay based on a figure of 1.7% of its median household income, with the total grant then providing for 100% of construction costs above that level. For projects that do not receive Rural Development grants, the WIF program provides a zero interest loan for up to 40 years for eligible project costs that exceed 5% of the market value of the project area.

WIF funds are directed to the highest priority projects, based on their environmental and public health needs as determined by the Minnesota Pollution Control Agency (MPCA). The WIF program gives small communities the opportunity to build a strong economic base by addressing their wastewater problems while keeping costs affordable for their residents.

Impact on Agency Operating Budgets (Facilities Notes)

The requested amount includes $300,000 in general fund appropriations for the cost of the MPCA’s administration of the WIF program. The amount requested for the MPCA provides substantial oversight, including technical and environmental review, prioritizing projects, and permitting.

Previous Appropriations for this Project

Previous WIF appropriations for projects total $96.6 million, which the Public Facilities Authority (PFA) has awarded or reserved for WIF grants and loans to 74 projects. An additional $29.3 million was appropriated for projects in the 2005 bonding bill (plus an additional $600,000 for program implementation), which the PFA expects to commit to projects by 12-1-06.

Other Considerations

The WIF program was designed to be a gap-financing tool used in conjunction with the Water Pollution Control Revolving Fund and the USDA’s Rural Development grant program for wastewater. Communities are required to seek grant assistance from other sources before becoming eligible for either WIF or the USDA Rural Development grant program. The unique state/federal partnership with Rural Development was designed to coordinate assistance to communities to keep the systems affordable and make it easier for many of the smaller communities to access funding.

The MPCA is proposing amendments to their project priority system rules, which are expected to be effective in Fall 2005. The proposed amendments will put greater priority on helping cities replace aging infrastructure, will focus more directly on existing environmental and public health needs in unsewered areas, and will put increased priority on needs related to addressing impaired waters. The new rules are expected to give some...
currently low ranked but badly needed projects a better chance to receive funding. The PFA’s next report on WIF needs is due to the appropriate legislative committees by February 1, 2006.

**Project Contact Person**

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**Governor’s Recommendations (To be completed by the Department of Finance at a later date)**
2006 STATE APPROPRIATION REQUEST: $46,200,000

AGENCY PROJECT PRIORITY: 5 of 5

PROJECT LOCATION: Statewide

Project At A Glance
- State Matching Funds for U.S. Environmental Protection Agency (EPA) Capitalization Grants.

Project Description

The Public Facilities Authority (PFA) is seeking $46.2 million in state funds to match expected EPA funds for federal FY 2007-08 at the rate of 1:1 for the Water Pollution Control Revolving Fund (Clean Water State Revolving Fund (SRF)) and at the minimum required rate of 1:5 for the Drinking Water Revolving Fund (Drinking Water SRF). These funds will be used to leverage PFA revenue bonds to provide low interest loans for drinking water and wastewater projects. In both programs, the state matching funds are used only for municipal, publicly owned improvements.

2006 Legislative Session Request ($ in thousands): $46,200

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Impact on Agency Operating Budgets (Facilities Notes)

PFA operates on federal administrative funds and special revenues generated from fees on loan repayments, and provides for costs incurred by the Department of Employment and Economic Development (DEED), Minnesota Pollution Control Agency (MPCA), and the Department of Health.

Previous Appropriations for this Project

Previous state match appropriations total $126.32 million to match federal grants from 1989–2005, and the expected federal grants for FY 2006.

Other Considerations

Low-cost financing under the PFAs water and wastewater loan programs is an important element in helping Minnesota communities contain costs and remain economically competitive, while providing essential infrastructure. Through FY 2005, the PFA has made below market rate SRF loans in excess of $1.7 billion, which will result in interest savings to local taxpayers of over $450 million compared to market rate financing.

Demand for wastewater loans through the Water Pollution Control Revolving Fund has grown to $250-300 million per year, more than three times the average annual long-term lending capacity of the Fund. Growth in demand has been driven by economic growth and population shifts in the state, the need to replace aging facilities, and more stringent regulation of individual septic systems. Demand will continue to increase as pressure to meet Clean Water Act requirements for impaired waters puts greater emphasis on stormwater infrastructure needs in addition to wastewater needs. The focus on impaired waters will also increase demand for funds for nonpoint source pollution loan programs, where the PFA has provided over $73 million since 1995. Despite growing needs nationwide, federal clean water funds were cut by 19% in 2005. Therefore, an increase in state matching funds to a 1:1 level is critical in order for the Fund to continue to finance high priority projects.

Federal funds for drinking water have not had the significant cuts as clean water funds, and demand for drinking water loans, while strong, has not grown as fast relative to the long-term lending capacity. The request for drinking water matching funds remains at the minimum 20% necessary to access the federal funds. This should be sufficient for the drinking water fund to continue to finance high priority projects.
To date federal and state funds have been leveraged more than one and one-half times through revenue bonds issued by the PFA. For every $1 in project loans, the state contribution is about 7 cents. It should be noted that every $1 spent on municipal water and wastewater construction generates approximately 4.6 cents in general fund revenues directly from the income tax, corporate income tax, and sales tax. The interest rate savings from reduced debt service costs have saved local taxpayers more than $3 for every $1 of state matching funds.

Clean Water and Drinking Water SRFs have shown considerable financial strength to finance municipal water and wastewater projects. The AAA/AAA/Aaa ratings of the PFAs Water Pollution and Drinking Water Bonds by Standard and Poors Rating Group, Fitch Ratings, and Moody’s Investor Services reflects financial strength of the funds, the credit quality of Minnesota communities, and the sound financial management of the programs.

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**Governor’s Recommendations (To be completed by the Department of Finance at a later date)**