

Iron Range Resources & Rehabilitation Bd

Project Funding Summary
(\$ in Thousands)

Project Title	Agency Priority	Funding Source	Agency Request			Governor's Rec	Governor's Planning Estimates	
			2014	2016	2018	2014	2016	2018
Giants Ridge Event Center	1	GO	\$4,995	\$0	\$0	\$4,995	\$0	\$0
Project Total			\$4,995	\$0	\$0	\$4,995	\$0	\$0
General Obligation Bonding (GO)			\$4,995	\$0	\$0	\$4,995	\$0	\$0

Funding Sources:	GF = General Fund	THF = Trunk Highway Fund	OTH = Other Funding Sources
	GO = General Obligation Bonds	THB = Trunk Highway Fund Bonding	UF = User Financed Bonding

Mission

Promote and invest in business, community and workforce development for the betterment of northeastern Minnesota.

Statewide Outcome(s)

Iron Range Resources and Rehabilitation Board supports the following statewide outcome(s).

A thriving economy that encourages business growth and employment opportunities.

Minnesotans have the education and skills needed to achieve their goals.

Strong and stable families and communities.

Context

The Iron Range Resources and Rehabilitation Board (IRRRB) is a unique state agency whose budget is annually established and approved by a 13 member board as set in Minnesota Statute 298.22 subdivision 11. The IRRRB serves a portion of the state called the Taconite Assistance Area, a 13,000 square-mile area of northeastern Minnesota as defined by Minnesota Statute 273.1341. Established in 1941, the agency was created to advance development within a region largely dependent on a natural resource based economy--primarily iron mining.

The IRRRB is funded by a portion of a local taconite production tax, paid by mining companies on each ton of iron ore pellets produced in lieu of local property taxes.

Strategies

The IRRRB works closely with businesses to customize financial assistance packages that meet their business goals and objectives. Agency low-interest loans or other incentives are affordable and flexible to serve individual project needs. The agency works with businesses, their banks and other economic development partners to complete a financial assistance package.

The IRRRB provides grants and other funding to local units of government and non-profits for infrastructure and renewable energy to culture, tourism and recreation--including ownership of Giants Ridge Golf and Ski Resort--that support community and economic development. The agency works with over 178 communities (49 cities and 129 townships) within its service area and other community development partners to advance a community's long-range plans.

The IRRRB also provides grants and other funding to implement innovative education/workforce development initiatives. The agency partners with the Northeast Higher Education District, other Minnesota State Colleges and Universities, the University of Minnesota system, regional K-12 school districts and the region's business community to meet emerging and future needs.

Results

IRRRB measures success by performance indicators of funding leverage and job creation.

The IRRRB provides communities with the infrastructure and resources they require, small businesses with the information and financing needed to stabilize and grow, and larger business development expansions and relocations with agency and partnership support to encourage them to choose northeastern Minnesota. Results are measured in job creation and retention and private investment leveraged.

The recent extended recession impacted the ability to conduct economic development but also heightened its urgency. With business development at a slow pace, the IRRRB invested in community development projects in order to prepare its communities for growth and change.

Job numbers and investment represent proposed levels as projects require time to completion and most programs allow up to two years to measure the results. From 2009-2010, business expansions and small business activities were sluggish or on hold. Measures reflect an improving economy during the 2011-2012 timeframe.

Performance Measures	Previous	Current	Trend
Number of dollars IRRRB contributed to grant and business projects	\$39.4 million	\$40.7 million	Increasing
Number of dollars contributed from private investment to grant and business projects	\$182.8 million	\$258.8 million	Increasing
Estimated number of jobs created	1,461	3,047	Increasing

Performance Measures Notes

The "Previous" column indicates measurements for FY09/10 and the "Current" for FY11/12.

At A Glance: Agency Long-Range Strategic Goals

1. Invest agency resources to maximize regional economic growth:
 - Encourage economic development by identifying and prioritizing sales leads and business opportunities, for new and existing businesses
 - Invest in economic gardening by funding entrepreneurs, local businesses and industries
 - Develop capital assets at Giants Ridge that create jobs and encourage private investment
 - Fund comprehensive planning to encourage a broader vision for the region's future
 - Use data analytics and social media to connect customers and job seekers with products, services and employers
2. Support education innovation to create a future workforce:
 - Collaborate with businesses and education on workforce training
 - Invest in higher education for workforce development
 - Support school programs that prepare students for future jobs
3. Integrate performance improvement into the agency's values, culture and initiatives:
 - Use Lean and continuous improvement methodology to improve internal business processes and services
 - Maximize technology for service delivery, communication and feedback
 - Empower employees and recognize creativity, improvement and innovation

Trends, Policies and Other Issues Affecting the Demand For Services, Facilities, or Capital Programs

Systems and structures are failing at the current Giants Ridge chalet and any future spending on repairs will not provide a return on investment. If services are not upgraded to meet customer and business needs, it affects the resort's ability to generate revenue and undermines its reputation as a destination resort.

Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

The agency is undertaking Condition Assessments for its building inventory following the data collection standards established in Archibus. Facility use, conditions, replacement costs and deferred maintenance are reported in the Assessments and will be evaluated when making annual capital investment decisions.

Agency Process Used to Arrive at the Capital Request

The IRRRB commissioned a variety of planning studies for Giants Ridge over the last eight years and a new event center was identified as central to future plans. The age, condition, design and failing infrastructure of the current chalet has been problematic on an operations level for several years. The 2007 comprehensive master plan also identified development opportunities for housing, commercial enterprise, amenities and facilities that support the golf and ski operations. Development plans include both private and public partnerships and investments. A new event center was identified as a year-round destination hub of the comprehensive plan, serving as the programmatic center for the resort area and surrounding communities.

Giants Ridge involved its stakeholders and partners in its planning and each study and stakeholder group identified the current state of the chalet as problematic to the resort's future. In addition, the studies also indicated that a new event center is needed to compete within the Midwest resort industry, as many of Giants Ridge's competitors have added amenities including new chalets and public gathering spaces.

The existing buildings are 30 years old and require major repairs. The inadequate building size, complicated roof systems and aging infrastructure continue to cause mechanical and safety problems. Repairs have been costly and ongoing as they have not corrected underlying problems. Renovation of the existing chalet was evaluated but it was determined not to be cost effective; the cost to repair exceeded 50 percent of the cost to replace the building. The new event center design utilizes the newest technologies and geo-thermal heating systems to make it energy efficient and sustainable.

Major Capital Projects Authorized in 2012 and 2013

2012

Roofing at the Mining and Mineland Reclamation facility in Chisholm

2013

Emergency boiler replacement at Giants Ridge

Heating control system upgrade at Eveleth headquarters

Giants Ridge Event Center

2014 STATE APPROPRIATION REQUEST: \$4,995,000

AGENCY PROJECT PRIORITY: 1 of 1

Project At A Glance

The Event Center is a multi-use, year-round destination attraction that will support area tourism and local residents, providing facilities for skier services; a ski school; winter and summer equipment rentals; ski patrol; banquet, meeting and conference space; and, food and beverage venues.

Project Description

The new 34,500 GSF Event Center replaces an existing, aging chalet that is difficult to maintain and energy inefficient. The current facility, which is largely a single story "strip mall" linear layout, makes functional expansion problematic. The current building's age, design and condition have resulted in the following mechanical and safety issues that are becoming increasingly expensive to manage and/or repair: (1) Rubber and multiple gable roof continuously leaks; will result in substrate and structural damage, mold, and abatement events; (2) Boiler and underground pipe continue to fail and are difficult to repair; and, (3) Unacceptable low building insulation coupled with aging aluminum framed windows result in very high energy consumption. Plywood exterior walls are delaminating, cupped and warped and need replacing.

The new structure will possess excellent energy characteristics, such as renewable energy systems including geothermal and solar panels.

Impact on Agency Operating Budgets (Facilities Notes)

Giants Ridge is expected to directly outlay \$2.1 million annually in expenditures on wages, rents, interest, and profits related to the Event Center construction, creating \$4 million per year in other spending throughout the area.

The Event Center is projected to generate an additional \$50,000 in revenue annually. The new Event Center will reduce operating expenses by \$150,000 annually, through operational efficiencies, decreased repair and maintenance, and utilities.

Previous Appropriations for this Project

Design Costs Total To Date: \$275,000

Phase 1 (pre-design): \$75,000

Phase 2 (design): \$200,000

Other Considerations

ECONOMIC IMPACT: The region's overall local tax base would continue to increase and is estimated at \$2.5 million annually due to the anticipated increase of private sector single family housing developments at Giants Ridge.

JOB CREATION: 62 FTE construction jobs, 28 new FTEs, and 120 retained jobs. *Source: Economic Impact Study, conducted University Labovitz School of Business and Economics, Bureau of Business and Economic Research, 2012*

The project architects recommend, with the state architect's office concurrence, to replace a facility when repair costs exceed 50 percent of replacement costs. The cost to renovate the existing facility exceeds 50 percent of the cost to replace it. A much more functional, energy efficient and iconic destination facility is more economically achieved by constructing a new event center.

Project Contact Person

Linda Johnson, Giants Ridge Managing Director

Governor's Recommendation

The Governor recommends general obligation bonding of \$4.995 million for this request.

TOTAL PROJECT COSTS All Years and Funding Sources	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
1. Property Acquisition	0	0	0	0	0
2. Predesign Fees	0	0	0	0	0
3. Design Fees	0	375	0	0	375
4. Project Management	0	0	0	0	0
5. Construction Costs	0	8,222	0	0	8,222
6. One Percent for Art	0	0	0	0	0
7. Relocation Expenses	0	0	0	0	0
8. Occupancy	0	610	0	0	610
9. Inflation	0	783	0	0	783
TOTAL	0	9,990	0	0	9,990

CAPITAL FUNDING SOURCES	Prior Years	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	4,995	0	0	4,995
State Funds Subtotal	0	4,995	0	0	4,995
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	4,995	0	0	4,995
TOTAL	0	9,990	0	0	9,990

CHANGES IN STATE OPERATING COSTS	Changes in State Operating Costs (Without Inflation)			
	FY 2014-15	FY 2016-17	FY 2018-19	TOTAL
Compensation -- Program and Building Operation	0	0	0	0
Other Program Related Expenses	0	0	0	0
Building Operating Expenses	0	<150>	0	<150>
Building Repair and Replacement Expenses	0	0	0	0
State-Owned Lease Expenses	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0
Expenditure Subtotal	0	-150	0	-150
Revenue Offsets	0	<50>	0	<50>
TOTAL	0	-200	0	-200
Change in F.T.E. Personnel	28.0	0.0	0.0	28.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	4,995	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)
Yes	MS 16B.335 (3): Predesign Review Required (by Administration Dept)
Yes	MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements
No	MS 16B.335 (5): Information Technology Review (by Office of Technology)
Yes	MS 16A.695: Public Ownership Required
Yes	MS 16A.695 (2): Use Agreement Required
No	MS 16A.695 (4): Program Funding Review Required (by granting agency)
Yes	Matching Funds Required (as per agency request)
Yes	MS 16A.642: Project Cancellation in 2019