

Letter from Ryan Nolander



I recently read an article from the Federal Reserve Bank of Minneapolis titled, “A Healthful Economy in Rochester.” In this article was a section that said problem solving will likely require a different mindset in a region where Rochester and surrounding municipal neighbors still seem to see each other as rivals rather than partners. As one official acknowledged, “There is not a regional perspective on development right now.” This caught my attention. Does it catch yours? While the pessimist would focus on the comment regarding a lack of regional perspective, I want to focus on the positive from this quote which is “RIGHT NOW.”

While RAEDI will continue to do traditional economic development activities like assisting site selectors with potential locations, ramping up our business retention and expansion visits, and helping to grow our entrepreneur ecosystem, I really see us taking on the role as the connector throughout the region.

So how do we go about doing this? Well that process has already started. I have spent a lot of my time at RAEDI building relationships with many of our investors, but I have also focused on building relationships with our surrounding community partners. I have made it a point to spend time in Byron, Chatfield, Eyota, Harmony, Kasson, Oronoco, Pine Island, and Stewartville. I believe that it is time that we stop acting like rivals, we become partners, and we realize that economic development doesn't happen in silos. These relationships are important because what is good for one of our partner communities is good for all of us, and it is time we recognize and acknowledge this.

Also, I feel that it is important we work on a broad economic development plan to define roles and reach consensus on what we really want our area to look like. I am starting the process by meeting with administrations at Olmsted County and the City of Rochester to frame what this may look like, how we create a road map for county-wide economic development, who is responsible for what, and how should we all work together. As part of this process, I see us including input from our partners in economic development and I believe creating this vision is long overdue.

So what will success look like? Some of this will get defined as we work through the process, but to me success will be the next time someone writes another article about development in the Rochester area and they say, “RAEDI brings that regional perspective of development to the area and is recognized as a leader in innovation and collaboration throughout the region.” Not only will that define success for RAEDI, but more importantly that will be a success for our entire region.



Ryan Nolander | President
Rochester Area Economic Development, Inc.



RAEDI Annual Meeting

The RAEDI annual meeting was held Tuesday, February 26th at the International Event Center. Hundreds of attendees turned out to hear from a panel representing Rochester Technology Campus. The panel included Dr. Stephen Russell, Co-Founder and CEO of Vyriad, Inc., Onno Steger, Director of Real Estate at Industrial Realty Group, LLC, and Jamey Shandley, President at Hamilton Real Estate, Inc. The trio shared their thoughts and experiences regarding the acquisition of the IBM property, what is currently being done onsite, the future development of the campus, and how it will impact the area.



Guests also heard from Ryan Nolander, RAEDI's President. Nolander told the crowd that moving forward, his focus will be on working together with partner communities and organizations to create a vision that will ultimately define success for all in the region.





Women Entrepreneurial Panel Says the Money is Out There to Fund Local Women-Led Businesses *By Amanda Leightner, Rochester Rising*

Over 50 intrepid women braved a winter storm to attend a Women Entrepreneurs Forum on funding sources on January 22, 2019. The event, led by RAEDI and Saint Mary's Kabara Institute for Entrepreneurial Studies, provided a connection point for business women in the local ecosystem and brought to the surface funding pain points experienced by these innovators.

The forum included a panel discussion featuring Jennifer Gowin, a Commercial Lending Officer with Premier Banks Rochester, Cathy Connett, CEO and Managing Partner of the Sofia Fund, an angel investment fund for high growth potential women-led businesses, and Laura Hart, Loan Officer with the 504 Corporation.

Although, at the national level, women-led businesses receive less investments and less capital via bank loans than male-led companies, Gowin and Hart aren't necessarily seeing this phenomenon at the local level. Though Gowin sees the same size of business loans being awarded to men and women, she's observed more men than women applying for loans to fund their company. Hart explained that the funding is out there. But it's unclear to her if women are not aware of these opportunities or choose to not pursue them. In the venture capital and angel funding world, where there are more male than female investors, the picture is a little more lop-sided. "Typically, unfortunately, like invests in like," Connett explained.

Although there are less women investors in general, female business owners, Connett said, also typically wait too long to seek equity investment than their male counterparts. "Women often want to have everything lined up before they seek funding. Whether it's a bank loan, or whether it's equity, or anything else." Women, Connett said, are just as likely to be risk takers as men. "But I think we don't want to expose ourselves to risk sometimes," she explained.

When looking at loans and investments to any business, the panel said several factors contribute to the final decision. As a bank, Gowin explained, her employer is fairly conservative when granting loans. Banks typically assess business collateral. If light, the bank will also look at personal assets and personal credit. They will also closely assess the business owner and her level of understanding of her business and the associated industry plus her ability as a founder to overcome any associated risks.

The team's capacity to overcome adversity, Connett said, is a significant factor in angel and venture capital investment.

Excitement, passion, the ability to tell a compelling story, and a clear need for the business in the community are all vital pieces to secure funding, the panel explained. Resources to fund female and male-owned businesses are out there. As women, we just have to put ourselves out there and go after it.

"Events like this are important as they allow entrepreneurs to come together and learn, develop community, and share resources. This event specifically created a venue for women entrepreneurs to increase their knowledge on the opportunities and barriers they face in funding their businesses," said Christine Beech, Executive Director of the Kabara Institute for Entrepreneurial Studies. "The speakers and roundtable discussions were designed to help these entrepreneurs develop new strategies to identify opportunities to fund and grow their businesses."

Future events and workshops like this funding forum are in the planning stages to address additional unmet needs for local business women.

Amanda Leightner is founder of Rochester Rising which amplifies the stories of Rochester entrepreneurs through original, insightful articles, podcasts, and video content.



Mayo Clinic Business Accelerator

RAEDI manages and leases space to business startups in the Mayo Clinic Business Accelerator. The accelerator has been in operation since March 2013.

18

tenants

in 2018

51

tenants

since 2013

27

months

average
length of stay

1

graduate

in 2018

7

graduates

total since
2013



Economic Development Fund (EDF)

The EDF provides loans for projects that result in growth and diversification of the local economy. These projects help create & retain jobs, spur additional business investments, and generate tax revenue.

2018

5 new
investments

\$712,500
disbursed

since 2013

Participated in 24
investment rounds (total of 16 companies)

90 jobs
created

\$2.1M
disbursed

\$77M
in follow-on investments

Fourth Quarter 2018 Economic Report

Rochester MSA Employment

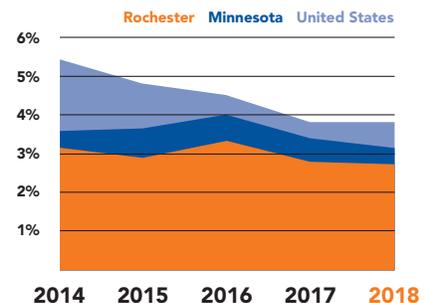
Total Employment	2014	2015	2016	2017	2018
Nonfarm	114,651	117,905	118,798	120,588	120,340
Goods Producing					
Construction, Mining, Logging	4,065	4,319	4,242	4,368	4,431
Manufacturing	10,831	10,616	10,223	10,026	10,396
Service Providing					
Wholesale Trade	2,694	2,808	2,682	2,696	2,679
Retail Trade	12,419	13,115	13,807	12,661	12,311
Transportation/ Warehousing	2,913	2,913	2,963	2,952	2,918
Information	1,985	1,926	1,879	1,857	1,860
Financial Activities	2,699	2,677	2,696	2,771	2,790
Professional/Business Services	5,682	5,581	5,374	5,259	5,492
Educational/Health	45,196	45,210	46,814	49,976	48,335
Leisure/Hospitality	9,890	10,536	10,006	10,617	11,417
Other Services	3,731	3,782	4,040	4,013	4,039
Government	12,532	12,818	13,049	13,392	13,672

Source: Minnesota Department of Employment & Economic Development

Unemployment Rates

4th Quarter	Rochester MSA	Minnesota	United States
2018	2.8%	3.2%	3.7%
2017	2.8%	3.4%	3.9%
2016	3.3%	4.0%	4.5%
2015	2.9%	3.7%	4.8%
2014	3.1%	3.6%	5.4%

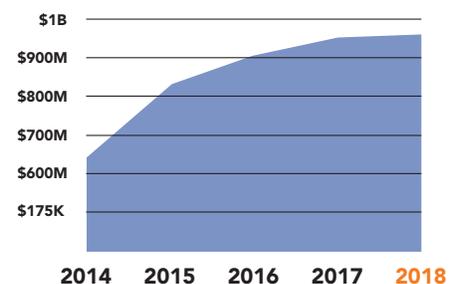
Source: Minnesota Department of Employment & Economic Development



Homes Sales for Rochester MSA Past 5 Years

Annual	Total Sales	Home Price	Units Sold
2018	\$962,807,629	\$248,338	3,877
2017	\$958,235,023	\$228,151	4,200
2016	\$901,641,676	\$208,279	4,329
2015	\$832,439,158	\$195,373	4,180
2014	\$637,916,618	\$184,046	3,388

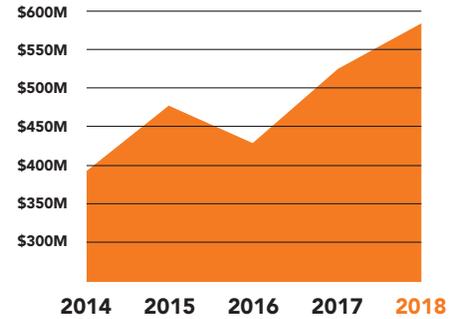
Source: SE MN Association of Realtors



Rochester Commercial & Residential Building Permits

Annual	Valuation	Total Permits
2018	\$587,794,238	2,305
2017	\$524,691,279	2,665
2016	\$442,846,478	2,429
2015	\$484,075,237	2,383
2014	\$397,772,603	2,358

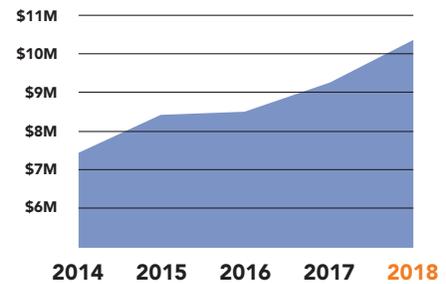
Source: Building Safety - City of Rochester



Rochester Hotel/Motel Sales Tax

Dec 2017-Nov 2018	\$10,441,792.78
Dec 2016-Nov 2017	\$9,381,636.71
Dec 2015-Nov 2016	\$8,514,445.40
Dec 2014-Nov 2015	\$8,441,798.12
Dec 2013-Nov 2014	\$7,582,701.64

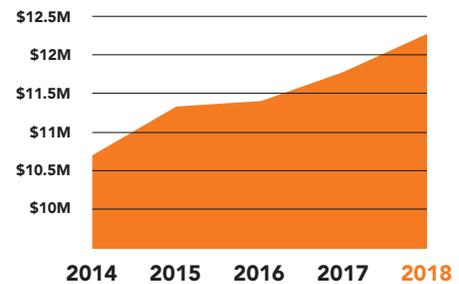
Source: City of Rochester Finance Department



Rochester Net Sales Tax

Dec 2017-Nov 2018	\$12,318,138.49
Dec 2016-Nov 2017	\$11,776,707.66
Dec 2015-Nov 2016	\$11,486,085.45
Dec 2014-Nov 2015	\$11,446,003.73
Dec 2013-Nov 2014	\$10,759,923.16

Source: City of Rochester Finance Department

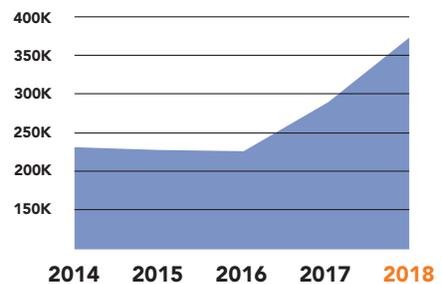


Rochester International Airport

Annual	Passenger Totals
2018	365,027
2017	289,214
2016	229,062
2015	231,966
2014	237,341

Passenger totals have shown a significant increase in the last two years due to the addition of more flights offered and the Fly Local Campaign.

Source: Rochester International Airport



SE MN Capital Fund

This fund is a regional angel investment fund created in 2017 by RAEDI and J2G and provides financial support to the growing number of startups in the region.

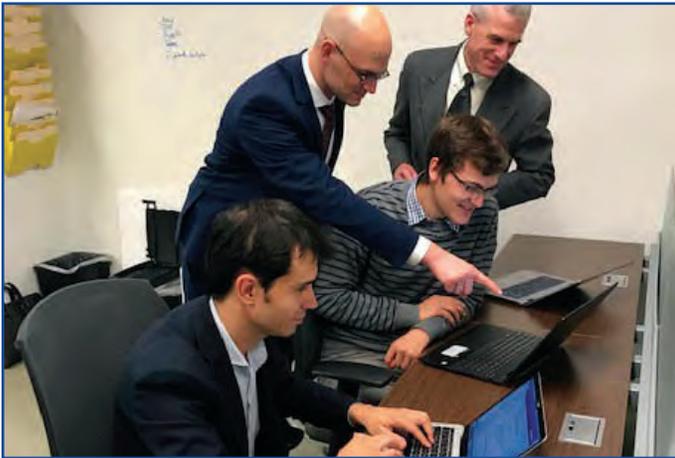
\$2M
fund

56
investors

100+
investments considered

\$700K
invested to-date

7
investments closed



SE MN Capital Fund invests in Marblehead in 2018.



Little Thistle Brewing Co. receives an SBA 504 fixed-asset loan.

SBA 504 Fixed-Asset Loan Program

RAEDI manages the fixed-asset loan program through the 504 Corporation. 504 finances long-term assets with below-market fixed rate loans for 10, 20 or 25-year terms.

22
loans funded in 2018
totaling **\$12.1M**

88
new jobs projected
within two years

\$31.1M
total project
investment

132
loans in portfolio
currently at **\$52.3M**

Mayo Clinic Business Accelerator Open House

RAEDI hosted a thank you reception at the Mayo Clinic Business Accelerator in December to thank tenants and sponsors for their support. Xavier Frigola, Director of Entrepreneurial Programming at RAEDI, gave a brief presentation on the startup companies who are currently in the Accelerator or have graduated from the space and have

expanded. The seven startups who have graduated and moved on to expand their businesses include: Imanis Life Sciences, GoRout, Resoundant, Geneticure, Sonex Health, Vyriad, and Brandix. Currently, there are 21 accelerator tenants leasing space.



Vyriad, Inc. Grand Opening

Congratulations to Vyriad, Inc. who held a grand opening in their new space at the Rochester Technology Campus (formerly known as the IBM Campus) on Wednesday, January 30th. The -62 degree windchill did not deter people from coming out, supporting, and celebrating the biotechnology firm's new space.

Vyriad completed construction of a leased 25,000 sq/ft state-of-the-art biotechnology production facility which includes offices, research laboratories, and a state-of-the-art Good Manufacturing Practice (GMP) facility for production of the company's clinical-stage oncolytic virus therapies that are in development for the treatment of various cancers.

RAEDI assisted Vyriad during their initial start-up by providing space within the Mayo Clinic Business Accelerator and funding toward the custom buildout from the Rochester Economic Development Fund and Southeast Minnesota Capital Fund.



Illusion Systems, LLC & The Industry TV, LLC

In 2018, 504 Corporation assisted Illusion Systems and The Industry TV, LLC with a 504 SBA fixed-asset loan. Illusion Systems is a veteran-owned and operated company that makes the #1 selling and #1 rated deer calling systems in the world as well as other hunting products. Mike Dukart started Illusion Systems in 2001 in his garage by inventing animal calling products for hunting. The company is owned and operated by Dukart and his wife, Marilyn, and their two adult sons, JJ and Chris.

Currently, the Dukarts have three patents developed on products to date including the Extinguisher™ Deer Call, Black Rack™ Rattling System, and Quick Change™ Box Call. Their products are available in most states and Canada at national retailers such as Amazon, Walmart, Gander World, Scheels, Runnings, Dunhams, Rural King, and through infomercials. “The expansion we are experiencing is incredible. Just seven years ago, I was serving in Iraq while my dad and brother were working out of the basement. This year, my staff and I are preparing to make 200,000 units and fulfilling the orders for all this inventory. It’s crazy growth,” said Chris Dukart, Head of Operations.

Their second business, The Industry TV, LLC promotes Illusion Systems as well as other hunting businesses (called The Deer Society) on national hunting tv networks and online platforms. It has one of the most popular deer-related video platforms in the U.S. and Canada. The Deer Society has been the most aired TV show over the last four years and has had over 50 million video views online in the last two years. Google corporate reached out to The Industry TV and is actively working on a strategic plan to expand and grow its YouTube channel and increase viewership similar to Netflix. “I began by editing commercials and instructional videos, and now I manage multiple film crews, pro staff, and production teams. Our video content has gone viral and is spurring Illusion’s unprecedented growth,” said JJ Dukart, President of Industry TV.

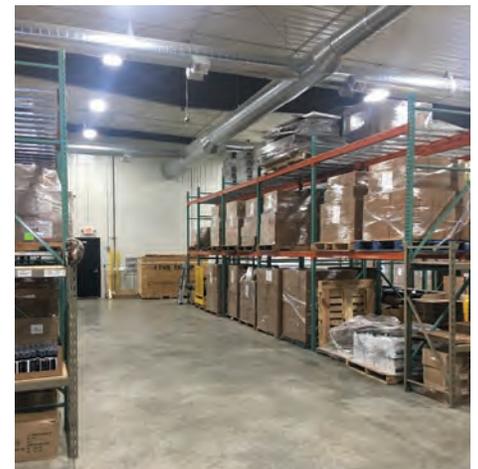
“If you were to describe the American dream, we are living it. I can’t tell you the fulfillment my wife and I get being able to work



with our sons. Watching their growth and seeing our success unfold is the American dream come true,” said Mike Dukart, President and Founder of Illusion Systems.

504 Loan Officer Laura Hart said the Dukarts were looking to move from a rented facility in Rochester and construct a new 7,500 square foot building to house their growing business. Coulee Bank Rochester approved a loan to assist with the new building and the 504 Corporation secured the SBA 504 fixed-asset loan. “Illusion Systems is a great example for the SBA 504 loan program. The business is veteran-owned, located in a rural community, is a manufacturer, and is expected to create six jobs in the next two years. Unlike a traditional bank loan, the SBA 504 loan required the business to only put 10% down and allowed them to keep their cash to continue to grow their business. It was a pleasure to work with the Dukart family and help another small business expand,” Hart said.

“Building our own facility was the biggest step we have taken in our business to-date. Dwayne and Laura made the process seamless and took all the stress out of the situation. They worked directly with us, the SBA, Coulee Bank, the developer, and the title company which resulted in a highly-successful project. Our new home for Illusion and The Deer Society is amazing,” said Mike. Illusion Systems and The Industry TV’s new building is located across from People’s Energy Cooperative in Oronoco.





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