

# Minnesota Opportunities for Offshore Wind Businesses

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## A. The Advantages of Minnesota

Minnesota has strong pro-business policies, favorable tax rates, lower operating expenses, streamlined regulatory requirements, and offers various tax credits. The state incentives include loans, support services, and other business program financing. Minnesota is home to venture capital firms and some of the most pro-business lenders in the U.S. In addition, the state actively promotes its wind industry and wind power supply chain. A marketing brochure about the state's wind energy manufacturers and service providers is accessible on the state's economic development website at

[http://www.positivelyminnesota.com/Data\\_Publications/Publications/Fact\\_Sheets/Wind\\_Marketing\\_Brochure\\_Web\\_version.pdf](http://www.positivelyminnesota.com/Data_Publications/Publications/Fact_Sheets/Wind_Marketing_Brochure_Web_version.pdf).

Minnesota's transportation and energy infrastructure make Minnesota an ideal and cost-effective location for companies. The state offers electricity from a mix of resources at prices below the national average. Its well-integrated transportation system includes highways, rail, air, ports, and waterways, making it easy to get products to market. Minnesota's primary commercial waterways are located on the Lake Superior/Great Lakes/St. Lawrence Seaway system and the Mississippi River and tributaries, and the Minnesota and St. Croix rivers. The various ports along these systems (4 Lake Superior ports and 5 Mississippi ports) transported over 70 million net tons of cargo, raw materials, and heavy equipment in 2010.

Railroads connect many of the ports to market. The Railway Industrial Clearance Association voted the Port of Duluth/Superior as the top port in *Top Ten Ports* in 2011.<sup>1</sup> The Port of Duluth/Superior has moved over one million tons of wind turbine components. It has over 360,000 square feet of warehouse capacity, making it a popular distribution center for American wind companies. The majority of the wind-related cargo in Minnesota's ports originates overseas (e.g., Germany, Spain) and then is distributed to projects across the upper Midwest. The Port of Duluth has handled shipments of Midwest-manufactured blades outbound to Europe, South America, and Canada.

Minnesota ranks sixth in the nation in wind power generation according to a March 2012 American Wind Energy Association rankings report and fourth nationwide as far as the portion of in-state generation is concerned. The state has not only a superb wind resource, but also a well-developed wind industry and wind-power supply chain. The state is committed to wind energy as is demonstrated by various state policies. Neighboring states boast strong renewable mandates as well, strategically positioning Minnesota manufacturers with access to markets.

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<sup>1</sup> More information on Minnesota's ports and waterways:  
[http://www.positivelyminnesota.com/Business/Locating\\_in\\_Minnesota/Infrastructure\\_Uilities/Ports\\_Waterways.aspx](http://www.positivelyminnesota.com/Business/Locating_in_Minnesota/Infrastructure_Uilities/Ports_Waterways.aspx)

An active wind industry on land has created many jobs in the supply chain, which boasts more than 100 companies that manufacture turbines, motors, electronic controls, and other components. In addition, several law firms with expertise in wind power law have headquartered in the Twin Cities. Minnesota's Department of Employment and Economic Development (DEED) maintains an online directory of wind manufacturers and suppliers. The directory is accessible via this link: <http://www.positivelyminnesota.com/mwa/deed/windpowerdeed.aspx>

## **B. Government Policies Pertaining to Offshore Wind Power**

### **Renewable Resource Portfolio Standard**

Minnesota's Renewables Portfolio Standard was created in 2007, creating one standard for Xcel Energy and a separate standard for other utilities. The standard for Xcel requires that eligible resources (including wind) account for 30% of total electricity sales by 2020. At least 25% of the standards must be generated by wind or solar energy systems. Solar systems may account for no more than 1% of the requirement.

### **Offshore Wind Planning**

Minnesota is committed to developing its wind capacity and the wind energy supply chain. In 2010, the state ranked second in the nation in the percentage of electricity produced from wind and, as of March 2012, sixth in the nation in installed wind capacity (2,737 MW).<sup>2</sup>

In April 2012, the Obama Administration and the Governors of five Great Lakes states, including Minnesota, signed a memorandum of understanding (MOU) establishing the Great Lakes Offshore Wind Energy Consortium to streamline offshore wind development in the Great Lakes. The MOU enhances collaboration amongst federal agencies and the state for the development of an action plan to set priorities and recommendations for efficient review of proposed offshore projects in the region.

## **C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind**

The Minnesota DEED provides information on financing programs available through the Business Finance Office and through other public and private sources of capital.

### **Business Incentive Loans and Bonds**

The Emerging Entrepreneurs Fund provides loans primarily to small businesses with fewer than 50 employees, although businesses with fewer than 500 employees are eligible. The program targets minority- and women-owned business in economically distressed areas. Up to \$150,000 is available per loan and must be matched on at least a one-to-one basis. The loan may be

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<sup>2</sup> Minnesota wind energy facts available here: [http://www.positivelyminnesota.com/Business/Locating\\_in\\_Minnesota/Major\\_Industries\\_Sectors/Wind\\_Power.aspx](http://www.positivelyminnesota.com/Business/Locating_in_Minnesota/Major_Industries_Sectors/Wind_Power.aspx) and [www.awea.org](http://www.awea.org).

used for start-up costs, working capital, equipment and inventory, business procurement, and franchise fees.

Minnesota's Agricultural and Economic Development Board issues industrial development bonds to provide small business loans up to \$5 million to businesses whose expansion results in the creation of new jobs. The **Small Business Development Loan Program** can provide loans to manufacturing and industrial companies with fewer than 500 employees. The loan may be used for real estate or machinery and equipment.

The **Urban Initiative Loan Program** provides grants to nonprofit lenders, who may in turn provide loans to start-up and expanding businesses in targeted areas of the Twin Cities. Technologically innovative industries and value-added manufacturers are eligible for the loans.

## Tax Credits

Minnesota's **Job Opportunity Building Zones (JOBZ) Initiative** provides state and local tax incentives to qualified companies that expand or relocate in targeted areas outside the Twin Cities metropolitan area. There are ten job zones with opportunities for manufacturing, value-added, or high-wage service businesses in over 300 communities. Qualifying businesses may be eligible for corporate franchise tax exemptions, income tax exemptions for investors, sales tax exemptions for goods used in the zone, wind energy production tax exemptions, and employment tax credits.

The **Border Cities Enterprise Zone Program** provides business tax credits to businesses that invest, develop, expand, and create jobs in identified Border-Cities Enterprise Zones. Companies may be eligible for property tax credits, debt financing on new construction, sales tax credit on equipment, machinery, and materials, and employee tax credits. Similarly, the **Seed Capital Investment Program** provides tax incentives to investors who provide financing to innovative businesses located in the identified border cities. Investors may take a 45% tax credit on their investments.

Minnesota recently revised its **Research and Development Tax Credit** to double the size of the credit and expand business eligibility. A 10% credit is available for R&D expenditures, up to \$2 million, and 2.5% for expenses above \$2 million.

The **Angel Tax Credit** supports start-up and expanding companies focused on high technology or new proprietary technology by providing incentives to investors or investment funds that invest in qualified companies. The credit provides a 25% individual income tax credit for qualified investors at a maximum credit of \$125,000 per individual.

## D. Other Applicable Incentives

The **Capital Access Program** provides incentives for banks and private lenders to provide financing to Minnesota businesses that have up to 500 employees to businesses that fall outside of normal underwriting standards. The program provides portfolio insurance backed by a

separate loan loss reserve account funded by the borrower, lender, and the state. DEED matches the combined contribution amount from the lender and borrower.

The **Small Business Loan Guarantee Program** and the **Qualified Economic Development Loan Guarantee** provide loan guarantees (up to 70%) on loans to small businesses made by non-traditional lenders, such as CDFIs. Funds may be used for a variety of business needs, including working capital and equipment and machinery.

The **Minnesota Investment Fund** provides grants to local governments which provide loans to assist expanding businesses. Industrial, manufacturing, and technology-related business are targeted by the Fund. Grants up to \$500,000 are available and the funding may be used for real estate or machinery and equipment.