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## Selling power

*Manufacturing alliance leverages strengths of four companies, creating a one-stop shop for customers*

BY BETH BILY

Much like the region's economic development efforts, the North Star Manufacturing Alliance is all about creating and retaining well-paying jobs.

Although in its founding stages, the alliance has won over attention and praise from notables as far away as Madison, including Wisconsin Technology Council President Tom Still, who sees it as a model for the future.

A cluster alliance "allows member companies to attract new customers and better serve the customers they already have," he said.

The alliance is the result of an initial effort by Robert Peltonen, owner of World Class Precision Products, a division of World Class Group, which operates facilities in Weyauwega, Menasha, Muskego and Bayfield, WI.

The Bayfield company manufactures metal and plastic parts

Alliance continues on page 9

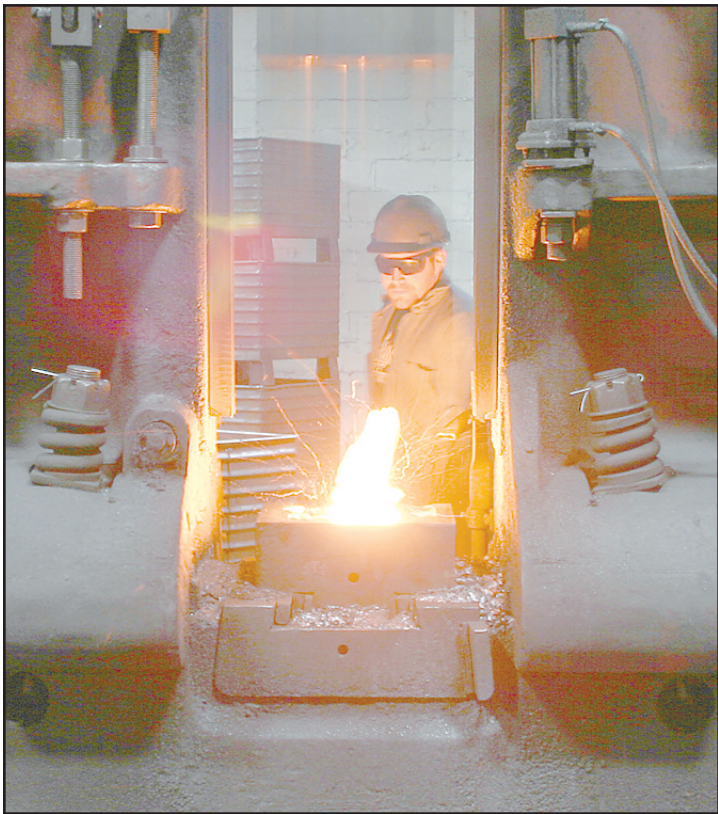


Photo courtesy of North Star Manufacturing Alliance

Members of the North Star Manufacturing Alliance are not competitors but rather complimentary manufacturers, which allows them to work collectively. Through the alliance, the scope of products and services broadens and costs to customers decrease. Pictured above is a scene from Eagle Forge, a precision forging company and one of the founding members of North Star.

## Some advice on managing historic NorShor

*Execs in other cities share what they've learned*

BY ANGELO GENTILE



Opinions abound regarding Duluth's \$2.6 million purchase of

the NorShor, Temple Opera and Annex buildings — sold to the city in June by Dr. Eric Ringsred, who had purchased

the buildings for \$107,000 in 1982.

The Duluth Playhouse will manage the theater and eventually raise money to renovate the historic structure.

Cities that own theaters in our region are common, including Minneapolis, St. Cloud, Red Wing, Madison and Fargo, among others.

Sources from three cities recently shared their lessons learned and offered advice: Minneapolis, which owns the State, Orpheum and

Pantages Theatres; St. Cloud, which owns the Paramount; and Red Wing, which owns the Sheldon.

Some common themes emerged. Here are seven tips for Duluth.

### Plan to spend money - lots of it

Millions have been spent on restoration and capital improvements of the three historic theaters in downtown Minneapolis. Chuck Lutz, deputy director of Community Planning and Economic Development in Minneapolis, said the city is responsible to service debt on bonds that financed acquisition of the buildings and for capital expenditures, including renovation and improvement expenses.

In the late 1980s, \$21 mil-

Theater continues on page 22

## Biofuel project hits bureaucratic snag

BY RON BROCHU

Northern Wisconsin's largest green development has encountered a funding snag — one that sponsors hope is temporary.

Federal loan guarantees are available to support construction of the high-tech Flambeau River Biofuels refinery in Park Falls, but project sponsors say the government's terms could derail their chance to succeed. Those Department of Energy terms, they contend, deter private investment and would drain the development of working capital.

Flambeau executives aren't alone. On Sept. 24, a U.S. Senate energy committee was told the federal program is too slow,

too quirky and hinders renewable energy projects.

"We need a process that's transparent and coherent, and it seems to me we've got a long way to go," Sen. Ron Wyden, D-Ore., told the Desert Sun newspaper in Palm Springs, Calif.

If constructed, the \$300 million Park Falls plant would produce 19 million gallons of green diesel and wax fuels per year from unmarketable wood biomass, including bark, tree tops, tree limbs and sawdust. Unpopular species and a small number of



Butch Johnson

saleable logs would also be part of the mix.

Pressurized steam, a byproduct in the refining process, would be captured to generate electricity for Flambeau River Papers, an affiliated plant located near the refinery site. Combined with excess steam used in the paper drying process, it would reduce the mill's annual energy costs by \$1 million and enhance its ability to compete in the low-margin paper industry.

"From a technical standpoint, we're doing our final work and should be ready by the first of the year," said William "Butch" Johnson, chief executive of Flambeau River Papers and an equity investor in both ventures. "Our true chal-

Biofuel continues on page 15

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# Other cities convert theaters into nonprofits

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lion in non-taxable city bonds were issued. The State and Orpheum were renovated in the early 1990s, and the Pantages was purchased and renovated later.

In 2005, Lutz said the city refunded the original bond and issued a new taxable bond for which Hennepin Theatre Trust, the non-profit that manages the facilities, is responsible for 30 years.

In St. Cloud, which parallels Duluth's situation, the public's Paramount Theatre investment was roughly \$7 million, said Tony Goddard, executive director of the Paramount Arts Resource Trust (PART). The theater, built in 1921, is located in the downtown and became

municipal property in the late 1980s.

A fund-raising campaign in the early 1990s did not achieve its goal, Goddard said, so the city of St. Cloud stepped in again and acquired public bonding authority to close the gap.

Even in a smaller community such as Red Wing, renovation costs for the Sheldon Theatre, which was built in 1904 and has always been owned by the city, totaled \$2.4 million, according to Ellen Hutchinson, the Sheldon's managing director.

Duluth city officials acknowledge they face millions of dollars' worth of NorShor repair and renovation costs. They intend to pursue fund-raising efforts and public financing to get the job done.



**Christine  
Gradi Seitz**



**Brian  
Hanson**

"We'll need a significant fund-raising effort, and we'll also be looking to the state legislature for bonding support, similar to what other cities have done," said Brian Hanson, Duluth Economic Development Authority (DEDA) executive director. Those efforts will occur during the next two to four years.

Some elected officials are concerned about the spending.

"The \$2.6 million (purchase price) is a drop in a very large bucket," said City Councilor Todd Fedora, who also is a DEDA member. The "bucket" includes major renovation expenses, plus costs for ADA and building code compliance.

A commercial banker by profession, Fedora feels the NorShor project was never properly vetted.

City Councilor Jim Stauber, a former DEDA member, has opposed the project, calling the expenditure "ludicrous."

"We are not a wealthy city. We have been a city in decline for the past 20 years. We don't have the tax base other cities have," he said.

Other projects, such as a proposed Bayfront marina for large boats, should be given higher priority, Stauber said.

## Think of the NorShor as a public amenity

"These things don't cash flow," the Paramount's Goddard said of city-owned theaters. "They need to be thought of as a public amenity. We don't expect our parks to cash flow. Duluth doesn't expect its Lakewalk to cash flow; same with the theater."

That said, theaters can be economic development engines, Goddard added.

"Our theater does draw people to the downtown, which feeds commerce."

According to the Paramount's 2009 annual report, the theater ended slightly above break-even: Operating expenditures were \$829,965, operating revenue was \$830, 474. However, \$171,476 of that income was considered "contributed revenues," such as grants, sponsorships and individual gifts. Additionally, the Paramount is supported by a 1 percent food and beverage tax, which funds payments to bondholders

(the renovation cost). That expense slightly exceeds \$300,000 a year.

In Minneapolis, the Hennepin Theatre Trust (HTT), which manages the theaters, reported that \$3.5 million of its more than \$22.5 million revenue was donated by corporations and individuals.

In Red Wing, the Sheldon reported a \$10,000 deficit last year. Public money is sometimes needed to make public theater projects work, Goddard said. Tom Hoch, president and CEO of HTT, agrees — especially during startup.

"Sometimes, there's no one else to do it. Not that there's not a market. The project is just too hard to do if a city or government entity isn't involved."

That's not to say publicly owned theaters shouldn't be accountable, Minneapolis' Lutz said. For example, his city has specific benchmarks for the HTT, which involve numbers of performances, audience numbers, endowment goals and others.

Ultimately, garnering support, both in fund-raising and in attending shows, makes more sense if city residents think of the theater as a public amenity.

Hoch's advice: "Get behind it, help it be big. Have it be a terrific, engaging, wonderful part of your city...the easiest thing in the world is to predict failure...Being skeptical is easy."

## Form a non-profit

Minneapolis and St. Cloud have found success by turning over the management of their theaters to separate 501(c)(3) non-profits.

In Minneapolis, the HTT manages the theaters. Lutz, Minneapolis' economic development deputy director, is a strong advocate of this structure.

"If I were Duluth, I'd be seeking a non-profit operator. Get out as quickly as you can from under the capital obligations for the theaters; make these the responsibility of the operator." This extends into fund-raising, too. "Make sure the operator has an obligation to raise an endowment that's sizable enough to carry the theater forward into the next several decades."

In St. Cloud, the PART, which manages the theater, began life as a fund-raising entity for saving the Paramount, which had fallen into disrepair.

In Red Wing, the Sheldon is not run by a separate group and, as Hutchinson, the managing director acknowledges, this situation can be "convoluted" at times, creating indecision.

## Balance the programs

Most sources agree that a balance of

NorShor continues on next page

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Litigation







About \$7 million was invested in the Paramount Theater, St. Cloud, which was constructed in 1921. When a fundraising campaign failed to reach its goal, the city stepped in with money. St. Cloud officials say such projects shouldn't be embarked upon as moneymakers but to attract customers to a specific area, where they will also spend money with other businesses. The Paramount is located in the city's downtown.

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programming, between local community performers and money-making regional and national acts, is a key to success.

"The facility needs to make money, otherwise it will never work," Hoch said.

Goddard agreed, adding that this was a tough but valuable lesson learned. Initially, pressure existed to use the Paramount exclusively as a community theater resource.

"We learned there has to be a limit because, frankly, (community groups) aren't able to generate as much revenue...When it was community-only, there was red ink all over."

The model used now in St. Cloud gives "a lot of stage time" to community groups at a reduced rate, and time is reserved for more well-known or professional productions "that enable us to bring in more revenue."

Hutchinson said Red Wing's Sheldon also offers a programming balance.

But Christine Gradl Seitz, executive and artistic director of the Duluth Playhouse, which now manages the NorShor, wants to reserve judgment. The Playhouse's director for 10 years, she said Duluth has some "extremely successful community arts groups."

She sees the NorShor as "a home for our local arts scene." Though she would be open to programming regional and statewide performers, she doesn't envision the NorShor as a venue for national acts, pointing out that Duluth already has the DECC for national touring productions and musical groups.

Further, she likes the "multi-purpose" configuration of the NorShor's current setup, with three performing spaces: the main stage, which seats about 800; the balcony theater; and the mezzanine. "The three performance spaces (provide) the opportunity for multiple art disciplines."

## Look for revenue

Goddard advised Duluth to explore other revenue streams.

"You have to pay attention to all the revenue possibilities in the building," he said, citing items such as ticket sales and concessions. When the Paramount was approved for a liquor license, "that became a significant profit center for us."

The Paramount also found the box office to be another profit center through charging low ticketing fees and offering an online ticketing service. Plus, the theater has a retail art gallery.

Gradl Seitz, who said she met recently with the Paramount staff in St. Cloud, agreed with this piece of advice and said she had already applied for a full liquor license for the NorShor.

## Pursue an ultimate goal

Programming an historic theater certainly should have a strong arts intent, most sources agreed, but economic development also should be a goal.

Goddard, Lutz and Hoch all talked about how these theaters bring people downtown.

Hoch, who considers himself a strong arts advocate, and who believes "we do want to touch people through what we put on stage," also understands the business component.

"The city's original interest was economic development and historic preservation, as opposed to the cultural element. I get that, and we bring 500,000 people a year downtown. That's important to the business community."

On a smaller scale, that's the vision Duluth Mayor Don Ness has for the NorShor.

"In any vibrant downtown, the historic theater is a focal point," Ness said in an e-mail. "And while we have seen incredible progress in downtown Duluth in the past decade, the NorShor was an embarrassment to those who are proud of our downtown and it was hurting the private business in the area...all across the country we've seen that the revitalization of the historic theater is a catalyst for the rebirth of the central business district."

Down the street from the NorShor at Zeitgeist Arts, Kat Eldred, president of the organization that includes Zinema2, Teatro Zuccone and the Zeitgeist Arts Café, believes a city-owned NorShor can be a good thing.

"At first glance? More is better for the area," Eldred said, adding that her facility and the NorShor can be the anchors "for a creative quarter," supporting a diversified arts district. Hanson of DEDA agrees with the concept of a creative quarter, adding that preservation is a goal, too.

The NorShor "was the last remaining historic theater in Duluth. A lot of us feel strongly that it should be preserved." Hanson clarified that, at some point, DEDA would like to sell the Temple Opera and Annex portions.

## Be patient

Ultimately, have a little faith and be patient, Hoch said. He recalled when Minneapolis first assumed ownership of the State Theatre, well before the structure was renovated and restored. At the time, Hoch worked for the city.

"Initially there were skeptics who wondered 'what was the city doing with this crazy idea of preserving the State?'"

Gradl Seitz advocated patience, too, noting she and others are in the very early stages of developing strategic, business and fund-raising plans, which take time, but "will be critical to the success of the NorShor."

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