

St. Paul working to become tech magnet

MINNEAPOLIS ST. PAUL BUSINESS JOURNAL - by [Katharine Grayson](#) Staff writer

When Scott Burns began scouting for new office space to accommodate his fast-growing tech company, he never considered looking beyond St. Paul's borders.

Now, with Burns' search over, [GovDelivery Inc.](#) will more than double the size of its offices with a move from Lowertown to about 12,500 square feet in the Hamm Building downtown.

The expansion is the latest in a string of news, which, albeit short, has city and business leaders hopeful that technology companies will bring economic growth to St. Paul.

Redmond, Wash.-based software giant Microsoft Corp. announced earlier this month that it has signed a lease for space at Wells Fargo Place. Meanwhile, Seattle-based super-computing company Cray Inc. is nearing a deal to move from Mendota Heights to Galtier Plaza, though a formal lease announcement had not been made as of the middle of this week.

Combined, the deals do little to reduce St. Paul's downtown office space vacancy rate of about 28 percent; Microsoft is leasing 12,000 square feet, while Cray may take about 55,000. Employee count, too, would not increase sharply, with Cray potentially bringing about 200 workers and Microsoft adding about 35. That adds up to less than the 320 jobs St. Paul lost when ECMC Group recently moved its headquarters to Oakdale.

Still, the recent spate of deals should give St. Paul a leg up as it pushes to attract more technology companies, said St. Paul Mayor Chris Coleman. Toward that end, the city is restructuring its economic development team to focus more on technology companies, though Coleman declined to reveal details.

The city doesn't plan to experiment with a "tech-corridor," a concept where companies in the same industry are given incentives to locate in a particular area. Minneapolis mounted a similar effort years ago without much success.

Instead, St. Paul is targeting companies such as Microsoft and Cray, that may be headquartered elsewhere but set up regional offices throughout the country, and fast-growing Twin Cities-based firms.

ST. PAUL TECH

Some tech companies that call St. Paul home:

Lawson Software, maker of business software

Internet Broadcasting Systems Inc., developer of TV-station Web sites and other technology

GovDelivery Inc., maker of technology used by governments to distribute information to the public

WindLogics Inc., technology company that predicts wind patterns for wind-farm developers

Primordial Inc., maker of off-road navigation technology

Netbriefings Inc., a developer of web-casting technology

Companies based elsewhere with regional offices in St. Paul:

McAfee Inc., virus protection company that acquired Secure Computing Corp.'s St. Paul Operation

Microsoft Corp., software company

Cray Inc., a supercomputer company that is negotiating a deal to move workers to St. Paul

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Building on a base

St. Paul has long been home to one large technology company, Lawson Software, which was originally in Northeast Minneapolis before moving to a new downtown office tower partially financed by St. Paul. A smattering of other mid-sized tech companies also have a presence, including Internet Broadcasting Systems Inc., which moved to St. Paul from Mendota Heights two years ago, and McAfee Inc., which maintains Secure Computing Corp.'s former St. Paul operations. Santa Clara, Calif.-based McAfee bought Secure Computing last year.

Burns, a passionate booster for St. Paul, said he sees "early momentum" in the city's efforts to attract and retain tech companies. Burns helped introduce Doug Olson, who is leading Microsoft's product-development operation that's now setting up shop in St. Paul, to Coleman. He also helped draft maps to convince Cray officials that employees would not have dramatically longer commutes if the firm relocated its offices to St. Paul.

Burns' company, which helps government agencies communicate to the public, has been growing quickly, despite the recession. GovDelivery has 56 employees, up from 40 at the beginning of last year. All but five of those workers are based in St. Paul. Sales are up 30 percent compared to the same period last year, and CEO Burns expects revenue to top \$9 million for 2009. Burns hopes to have more than 100 employees within the next couple years.

Support from city officials are, in part, what kept Burns loyal to St. Paul.

"We get the sense that the mayor's office is committed to supporting businesses like ours. We're not just another number on a spreadsheet," he said, adding that nearby bars and restaurants also are helpful in attracting and retaining tech workers.

Overall, technology companies may be St. Paul's best bet for economic growth.

"The law firms aren't going to move back here from Minneapolis. You have to look at where the opportunities are," said Burns, referring to closures over the past decade of a couple of large law offices in downtown St. Paul.

Wooing Microsoft

For Olson, deciding where to locate Microsoft's product-development team became a months-long saga. He'd come close to a deal for space in the One Main building in Northeast Minneapolis, going so far as to hire an architect and select colors for the walls. But ultimately, the price tag for renovating the office – estimated in the high six figures – proved too high, especially after Microsoft announced it would cut staff and pull back on some building projects in response to the slumping economy.

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Olson liked the office space in St. Paul, which real estate brokers rank as Class A, and the city gave a little “prodding” to the building owners to help the company get a good deal, he said. St. Paul also offered financial incentives, which Microsoft turned down, though the city did help negotiate reduced parking rates.

Also, restaurants and entertainment options in downtown St. Paul were attractive to Microsoft, Olson said. “We wouldn’t have made the choice for St. Paul if it didn’t make sense. We have great views, food nearby, the sort of things to feed hungry minds.

The whole process also came with plenty of wooing from Minneapolis and St. Paul, with both mayors calling and leaving personal cell-phone numbers, Olson said.

Coleman acknowledged that, in terms of square feet and employee count, the Microsoft deal is not huge, but the company’s name recognition alone gives the city’s image a boost.

“There’s no bigger brand than Microsoft,” Coleman said. “There are a whole lot of folks that want to be associated with that.”

Kristofer Johnson, president of the St. Paul Area Chamber of Commerce, agreed. “Cray and Microsoft are known at an international level. Having them in your community always sends a positive message.”

Long-time home to techies

Newcomers aside, other technology companies have expanded in St. Paul over the years, though not necessarily downtown.

Windlogics Inc., which uses technology to consult with wind-farm developers, tripled the size of its office space in St. Paul three years ago with a move to the Bandana Square building. Windlogics, originally based in Shoreview, moved its headquarters to St. Paul six years ago. It now has about 60 employees, up from 43 three years ago.

“We’ve found St. Paul has a good climate for us,” said CEO Mark Ahlstrom. “We’ve been happy here and we have no plans to move.”

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