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.

The alliance continues on page 9

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 million for the 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 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 challenge is the permitting. We’ve been told this will be a long process, but we hope to get the final permit soon.”
Other cities convert theaters into nonprofits

continued from page 1

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 (HTT), which manages the theaters, reported that $3.5 million of its more than $22.5 million revenue was devoted to 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.

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 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.

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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.

Pursue an ultimate goal

Programm 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 of it. “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, there is 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?’”

Graif 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.”

Looking 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.

Graif 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.