

**Recap of East Downtown Council's Business Forum**  
**Thursday, November 15, 2012**  
**Valspar Corporation Expansion and Renovation Presentation**

This business forum convened at Valspar's corporate headquarters in the Ameriprise Client Service Building located at 901 3rd Avenue South in the Downtown West neighborhood of Minneapolis.

- EDC President Jim Norkosky opened the forum by introducing himself and asked others to do so as well, during which People Serving People CEO Daniel Gummit and House of Charity Director Bert Winkel both expressed their thanks and gratitude to Valspar for providing paint to beautify their facility. Jim then:
  - Welcomed two new EDC members:
    - ♦ Bob Day, a RE/MAX Results Realtor <http://www.results.net/bob.day>; and
    - ♦ Jim Hahn of Internet Exposure <http://www.iexposure.com/> who was not in attendance.
  - Announced that due to the holiday, the December 20th business forum has been moved to December 6th and will take place at the Guthrie Theater where they will discuss celebrating their 50th anniversary and possibly provide entertainment.
  - Advised that the EDC serves on the Stadium Implementation Committee and its Planning Subcommittee. Right now the Planning Subcommittee is working on schematic designs that will possibly come out by early December for SIC and neighborhood reaction. EDC is working with EPNI because together they have a lot of good tools, from a planning standpoint, for the Downtown East/Elliott Park (DEEP) district.
  - Announced that soon the membership will receive an invitation to a stadium update/open house on Monday, November 26th, 5:30-6:30 p.m. at the Gridiron Club to give businesses and residents the opportunity to hear from MSFA Chair Michele Kelm-Helgen, Vikings Vice President Lester Bagley, and HKS Architect John Hutchings about the design plans for the new Peoples Stadium. The format of the event will be similar to that held jointly by them at the Minneapolis Convention Center on October 15th. All are welcome so please help spread the news.

Thereafter, Jim explained that as a result of an October 23rd news article regarding Valspar's \$30 million remake of former headquarters near dome and through EDC Director John Campobasso's work with Valspar, the EDC thought it would be a good opportunity to have a business forum on this project [to view the article visit <http://www.startribune.com/local/minneapolis/175462421.html>].

- Membership Director Dan Collison explained the uniqueness of the EDC. Not only has it exchanged membership with and participates on the Minneapolis Downtown Council (the juggernaut business association for the downtown core), but its niche is that it brings together people at all levels — from a billion dollar corporation to a thousand dollar home business and that gives a unique elasticity to its meetings. The reason is membership fees start as cheap as a bottle of wine and go no higher than a cheap wedding dress: \$50 for Restaurant Owner, \$75 for Home-based Business, \$150 for Supporter, \$300 for Sponsor, and \$600 for Leader. This is an all-volunteer board and the only paid person is a part-time executive role a few hours a month. EDC is a working board advocating without any money, but the \$600 really enhances its ability to build connectivity and improve the database. The purpose for the cheap format is because it wants everyone at the table.

Dan then encouraged the audience, as they walk up and down their buildings, to invite their neighbors because although the EDC has close to 50 members and has identified 150 businesses, he is convinced there are 250 businesses and EDC doesn't have the horsepower to walk door-to-door and invite them to the business forums. These forums are interesting and eclectic and the board works hard to stay attuned to emerging developments like the stadium project and other activity like Valspar's renovation project. The EDC tries to have timely, accessible business forums that interact with civic leaders to make them meaningful. Dan invited interested parties to contact him via email at [dcollison@1stcov.org](mailto:dcollison@1stcov.org) or the new

Executive Coordinator Christie Rock at [www.christie@hantge.com](mailto:www.christie@hantge.com).

- Valspar's Corporate Services Manager Jackie Barrett welcomed the audience, introduced herself, then acknowledged the key people who have been integral to the design and construction of the Valspar Applied Science and Technology (VAST) Center: Hagen, Christensen & McIlwain Architects' Principal Roger Christensen; Kraus-Anderson Construction's Director of Marketing John Campobasso, and Vice President Bill Jarvis; Valspar's Chief Technology Officer Cynthia Arnold, Ph.D., and Executive Vice President Steve Erdahl.

Jackie explained that they have been in their present location for about 3-1/2 years. She managed moving 400 people into 2 floors and was volunteered as project manager to help renovate the old headquarters/new VAST Center.

- Steve Erdahl gave a brief history of his 38-year tenure with the company, the over 200-year history of the company itself (<http://www.valsparglobal.com/corp/about/ourhistory.jsp#origins>), and of the 1904 former headquarters and R&D campus to be renovated. He explained that they looked hard at renovating 1101 South 3rd Street for its corporate headquarters before they moved to their present location in 2009; however, due to asbestos and other health-related issues, the fact that the building design did not lend itself to collaborative administrative interaction and the fact that they just ran out of space, they relocated to their current location and decided to renovate the former headquarters. It does, however, lend itself to laboratory purposes and the plan is to restore it to its historic roots and receive historic designation. They plan to upgrade the infrastructure on all five buildings within the campus: new roofs, HVAC, elevators and a complete gut on the demolition. Then the plan is of the 170,000 sq. ft. of total space, they'll build over half of that in the next year and have expansion space available at a future date. The phase they are currently in is a \$30 million capital outlay and is board approved.

Valspar is a \$4 billion company and is in over 100 countries around the world. They've grown a lot by acquisition as well as globally. They've dramatically changed their strategy as a company. They considered themselves as a fast follower of technology; but a few years ago they decided to be a technology leader and that required a different investment in people, equipment and space — all of which is critical to their strategy going forward. They looked at space adjacent to the area, new build, and the former headquarters. After a feasibility study was conducted, it was decided that the former headquarters would be a great laboratory and by far the lowest cost alternative. They have another center like this one in Shunde, China and numerous other labs around the world, but VAST Minneapolis and VAST Shunde will be the concentration of the Ph.D.s and the concentration of true research and development.

Ultimately, they plan to have space in the next year for 110 people and when they max the building there will be space for about 200. When this building was at its peak as an administrative headquarters, there were 400 people and they had plenty of space for surface parking. And once the renovation and expansion is complete they will still have plenty of space for surface parking. The original entry will be restored and upon entry to the right will be a global showroom featuring the history of Valspar and will be available to the public. Opposite the showroom on the first floor will be the lab. Other levels will be used for office space, conference rooms, training space and a lunchroom. This will be about a 1-year build and they are poised to begin demolition in a couple months. The mural on the rear of the building will go away because they are seeking historic designation and the period of significance as defined by state and federal historic preservationists is 1949; that precedes the date of the mural. Also, the many layers of paint used over time for the mural has created a waterproof barrier and thus an unhealthy building. They will return it to its natural limestone through chemical blasting to restore airflow and moisture management. However, the mural on the lab buildings across the street will remain.

Erdahl advised that one of their core values is safety and they are committed to operating safely on the site. They also want to be good neighbors during construction and asked that if constituents experience something (e.g., unclean site, excessive noise) that negatively impacts the neighborhood to contact Jackie Barrett.

- Dr. Cynthia Arnold advised that she joined Valspar about 2 years ago and previously had been the Chief Technology Officer at Sun Chemical, the largest inks and pigment company. Coming to work for a company that wanted to be an innovation leader was an exciting opportunity. She inherited a great organization: people are smart, energetic, like to get things done and are very good at making paints and coatings. That is what they do at this and about 40 other laboratories around the world.

Valspar has a huge investment in technology in order to be leaders in their field; they invest 3% of sales compared to peers and like companies that invest 1-1/2%. It is a great environment and ripe for growing but in need of space and capabilities. Over 1,000 people globally, 40 laboratories and a network tied to their plants and local customers. Most of their laboratories are located in the United States and this one is just barely their largest. Other major U.S. sites include Chicago where the head of their consumer paint business is located (their leading product can be found at Lowes), and Pittsburgh where the head of the metal packaging (the lining of cans for food and beverages) business is located and is the leader in North America in market share. They are very interested in growing these businesses globally. Another main business is their industrial business: main supplier to John Deere and Caterpillar for agricultural machinery; a growing business in piping infrastructure that is technology dominated; supplier of automotive refinish paints; wood coatings; coil coating; etc.

Arnold explained that what is unique about the VAST Center is that it serves multiple businesses primarily in making the special base resins that form the film when you lay down the paint and that differentiates it from their competitors. They also have a group of great material scientists who understand why the paint and coatings perform the way it does who possess unique technical capabilities to support what they do throughout the world.

Arnold took credit for naming it the VAST Center because when she looked at their 40 laboratories, she knew they needed to add some innovation capability in a collaborative environment, and invest in special equipment and special people who can run the equipment. She had to think through the global infrastructure and determine how they would position themselves amongst all the laboratories and to achieve a critical mass of smart people, i.e., bringing a Shunde VAST Center to Minneapolis. They already have most of their Ph.D.s in the whole company located here (80% of the doctorate-level scientists), their specialty equipment is here, cross-business fertilization of new ideas is here, and the environment is right for expansion. Since she joined they have already been recruiting in a time that has been very difficult overall for the chemicals industry. They've brought in about a dozen or so new graduates with Ph.D. degrees from universities in Delaware, North Dakota State where they have a strong relationship, and from other special schools to enhance the technical skills of the people they have at that site. Then they ran out of room.

Arnold described her vision for the VAST Center: to be a culture of innovation and a more central site in their hub of laboratories; a showroom to work with suppliers and customers in innovation where dynamic discussions are conducted about development opportunities; a training center that will bring groups from other laboratories to be trained by their best scientists; and a place for internship programs as a recruiting path for getting high quality talent into the area.

Arnold explained that they want to do more science because that is the lever to drive more innovation. They are really good at the technology and what they do in mixing paints, adding the right components and getting the performance that they need, but they want to emphasize science because they never had

a big corporate R&D group which is why the focus is on hiring masters and Ph.D. level students. Applied science is helping to grow the business and being an innovation leader in the industry. Valspar is a leader in the field and they want to be more recognized in the technical community, in the paints and coatings community with the good quality of the work they are doing in the field.

The VAST Center is very critical for Valspar's growth and the best place to build for innovation in the industry. Despite the University of Minnesota being one of the top 10 materials science programs in the country, they have no formal relationship. However, Arnold has met with the chairperson of the Department of Chemical Engineering where they are also planning an expansion and adding 6,000 more people. Valspar's competitors and suppliers are investing in the U and Valspar is now there to have better exchange programs with their scientists spending time there and they are promoting vice versa. The U is a great resource not just for Valspar but also for the state in collaborating to drive growth. They also have relationship with St. Cloud.

Lastly, Arnold, Erdahl and Barrett entertained questions from the audience.

Jim thanked the hosts for opening up their headquarters to EDC and giving such a fantastic presentation. He advised that the EDC is looking forward to a tour when the renovation is complete and will work with them on any construction-related issues that may impact the neighborhood. Thereafter, Jim adjourned the forum and reminded the audience of the December 6th holiday business forum at the Guthrie Theater.