

HRDC 2005 Annual Report

The best way to predict the future is to create it.

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Rick Rone, Chairman

Ingenuity Frontier Gives the Region a Competitive Edge!

Northwest Minnesota will soon be known as the Ingenuity Frontier; the place for knowledge and innovation in the field of applied engineering.

INGENUITY FRONTIER
An Engineering Culture In Northwest Minnesota

For two years the HRDC has been working in close partnership with the Northwest Minnesota Foundation (NMF), Northwest Technical College (NTC), Bemidji State University, and the Minnesota Department of Employment and Economic Development (DEED) to identify and build upon the region's strongest cluster of knowledge: applied engineering. Our goals have been clear:

- Attract, educate and train the best and the brightest technicians and applied engineers in the upper Midwest.
- Provide career path opportunities focused on applied engineering, manufacturing and technology for our own students starting at the middle school level.
- Be on the leading edge of industry innovation through state-of-the-art technology and industry-led research and development.

So why applied engineering? First, we already have a competitive edge in the field. Per capita, the region has one of the highest concentrations of engineering positions in the upper Midwest. Applied engineering skills are highly in demand and projected growth is strong for these well-paying jobs. Finally, the need for applied engineering spans a number of industries prevalent in our region, from recreational vehicles to agricultural and forest products.

In the coming months the partnership will be implementing a targeted investment strategy to capitalize on our competitive advantage. Want to know more about the investments that will be made? See inside!

Chairman's Letter

I would like to take this opportunity to personally thank one and all of our board members for their dedication and demonstrated leadership as community stewards. I would also like to commend our staff on their professionalism, and to say how much I appreciate your dedication to our mission.

We have to continue to work together to improve our region. We have to concentrate on all of our communities without regard to size. The largest community needs to be just as important as the smallest so we will continue to be the best Development Commission in the state. While I am the Mayor of Baudette, probably one of the most remote areas of our region, I understand the importance of other communities in our region prospering -- it can only make our region and my community stronger. We need to continue to develop and concentrate

on the region as a whole.

I think this conclusion gives us some hints on how we approach our jobs as Commissioners and staff. We have been talking a lot about stewardship at the HRDC over the last year. To me this means we need to think about what is in the long-term best interest of the entire region. I also think that we need to continue developing better ways of working together to make this a better region for our citizens. We need to continue to encourage and support initiatives of the HRDC.

One of the reasons I am so proud to be part of this organization is that we consistently do that. We have a special group of people at the HRDC- both Commissioners and our great staff. I am very privileged to be a part of our efforts to help the Headwaters Region succeed.



Jack Frost
County Board Chairman

“The ideas generated at the Shoreland Summit will help the County Board respond appropriately to the most pressing issues. We appreciate the assistance that HRDC provided in this process.”

What’s a BHAG?

A big, hairy, audacious goal; a huge and daunting goal — like a big mountain to climb. It is clear, compelling, and people “get it” right away. A BHAG serves as a unifying focal point of effort, galvanizing people and creating team spirit as people strive toward a finish line.

Resource Management

Hubbard County Adopts Land Use Plan

On June 1, 2005, the County Board adopted a Land Use Plan that the HRDC helped develop. Congratulations to the County Board on their leadership!

Beltrami County Hosts Shoreland Summit

Development pressure on lakes in northern Minnesota has continued to increase over the past 20 years. In March, 2005 Beltrami County, with help from the HRDC, hosted a Summit in order to bring a variety of stakeholders together to discuss emerging

shoreland management issues. The results of the Summit are available from the County.

Beltrami County Plans for Future Forest Management

Markets for forest products are changing, as are the expectations for the use and management of those forests. In response, Beltrami County is planning for the long-term management of its county-managed forest lands.

The plan will provide direction for departmental management of County forest lands.

From The Executive Director — *Cliff Tweedale*

Wouldn’t it be nice if we could, just once, declare victory, have a party.... and go home? That is, wouldn’t it be great if success were a product that we could complete, bask in its finality, and live off the reputation? Given the personal and organizational challenges all of us face, we can be forgiven if we occasionally wish for a break in the action.

I think we all know, however, that building organizations, and communities, doesn’t work that way. Sustained effort is needed, week in, week out, to grow and improve both. Jim Benson, former president of BSU once said, “You are most in trouble when you think you’re doing pretty good.” We have all seen teams that win it all one year, then do not make the payoffs the next time around.

Well, we are convinced we had a good year and that things are going well. The projects and initiatives that are summarized here bear testament to that. We invite you to browse through our full annual report at www.hrdc.org. View our past year activities and use the interactive tools available

through this medium to dig deeper or to communicate with us and our customers. Or, use this condensed, print version for an overview.

While we are proud of our work over the last year, we are committed *not* to feel so good about ourselves that we become complacent. We realize that we can be so much better and do so much more to help our Region be successful. We also realize that doing the same things in the future is not acceptable, and not even adequate.

Therefore, we have given ourselves some BHAG’S – big hairy audacious goals. These three year goals will not be easy to achieve nor will their pursuit be without risk, but we think we owe it to our region – and to ourselves – to stretch, to get better, to do more. These goals can be found at the bottom of this page.

Do you have some thoughts on our goals, or this annual report, or what you would like us to know about your community? Call me at 333-6538, or e-mail me at ctweedale@hrdc.org. I would love to hear from you!

HRDC Three Year BHAGS

- Increase production of affordable housing units to 20 annually
- Create the Center for Community Stewardship with the intention of being the leading source for stewardship development, knowledge and implementation in the state.
- Capitalize the HRDC’s “Regional Leadership Fund” at \$550,000 to provide a vehicle for our region’s communities to implement and sustain stewardship initiatives.
- Develop a housing fund of \$750,000 to increase the HRDC’s impact on home ownership.

Community Stewardship

So What's This Community Stewardship Stuff?

Great question. The concept comes from a group called the Alliance for Regional Stewardship. The quote that sums up the role of a steward is shown to the right. Stewards are the ones that can help a community work together for a better tomorrow. The HRDC has made the strongest commitment possible to promoting and supporting community stewardship efforts.

Progress Park Rapids Inspires, Challenges Community

Just six months ago Progress Park Rapids held its kick-off community celebration with over 100 people attending. Since then, Progress Park Rapids has created quite a stir in the community.

Over two dozen meetings have been held with various community groups, and over 800 surveys have been returned.



What was discovered? The general themes that emerged included: the need for the community to raise its expectations; a concern about the consequences of the growth it is experiencing; and a recognition of the need for strong leadership to have a better future.

The next step for Progress Park Rapids is to address selected priority issues. The stewards will continue to work to define the community's desired future.

Bemidji Leads! Holds "Interdependence Day" in Bemidji

If Bemidji Leads! has done one thing exceptionally well, it is to challenge the Bemidji community to collectively act on Bemidji's destiny. And act is exactly what the Bemidji community has done.

In addition to defining the community's destiny over the last year, the Bemidji Stewards have identified 17 specific projects that it finds critical to reaching that destiny.

To stress the need to work together, Bemidji Leads! also hosted an "Interdependence Day" celebration where organizations and individu-

als came together to sign a

"Declaration of Interdependence." It is an overt embracing of the need to align resources, act together and make choices focused on the common good.

By defining its destiny, by boldly laying out a future course for its community, by making a conscious choice to work together, and by acting as stewards of the greater good, Bemidji Leads! is, well...leading.



Seventh Generation Initiative Begins

The HRDC is proud to be a part of an exciting three year effort initiated by leaders in the greater White Earth-Mahnomen area. This initiative is designed to help the community address the following challenges:

■ **A need to re-energize existing leaders and nurture emerging leaders.** It seems that only the same small handful of people can be counted on when an important issue needs to be addressed.

■ **A need to get on the same page and to find a way to work together.** Each group has its own agenda, its own ideas, and each group pursues, not always successfully, its own goals.



■ **A need to sustain action.** If the community is to be successful, a way to sustain activity for the long haul needs to be found.

These challenges are made even more complex by the interplay and history between local governments and the White Earth Reservation. While this effort is in its infancy, the HRDC is filled with optimism and is committed to providing the staff support necessary to make it a success. For more information, contact Cliff Tweedale.

"Stewards are special leaders committed to the long-term well-being of our communities. They cross boundaries and build coalitions for action. They have 360 degree vision. Stewards operate at the center of tough issues, not on the edges. They are risk-takers. They are passionate and energetic. They are people of vision."



Peter Jacobsen

Progress Park Rapids Chair
"Progress Park Rapids is an essential part of our ability to reach our potential as a region. Our community has many assets, yet we have struggled at consistently working together to achieve a common destiny. Through Progress Park Rapids and support from HRDC, we are on the road to defining our destiny and are already seeing benefits of working together towards the improvement of this great region."

Economic Development

Lake of the Woods Economic Development Planning Begins

The Guiding Council, a group of Lake of the Woods community leaders, believes that quality economic development is critical to the future of the County. While several entities within the community have always worked in the area of economic development, there has never been a coordinated strategy for the area.

The Lake of the Woods Economic Development Committee will develop a strategic economic development plan for the entire County that will direct its economic development efforts for the next decade. For more information, contact Dave Hengel.



**SharRay Palm, President,
Lakewood Health Services**

"The Lake of the Woods community has identified Economic Development as one of our strategic issues through our community planning process. The HRDC is helping us develop an Economic Development plan that will focus our resources on development activities that will make a difference in our local economic quality of life."

Kelliher Creates a Revolving Loan Fund

The City of Kelliher was encouraged by USDA Rural Development staff to submit an application for funding through the Rural Business Enterprise Grant (RBEG) program. The City submitted an application requesting \$99,000 and was surprised – and thrilled -- to receive an award of \$130,442. The granted funds will be used to establish a

revolving loan fund to support new and emerging business enterprises in the Kelliher area.

HRDC staff coordinated the process of preparing the federal application, working closely with the city and Northwest Minnesota Foundation. Congratulations to Kelliher on this successful effort!

Regional JOBZ Businesses Create Jobs

Four businesses in the Headwaters Economic Opportunity Zone (Region II) have been approved as JOBZ designated businesses. Over the next twenty-four months, these businesses are expected to create a

total of 25 new jobs and, within sixty months, an additional 30 jobs for a total of 55 quality jobs. Program questions can be answered by Susan Hoosier at 218-333-6534.



**Tina Rennemo
City Administrator**

"The City of Kelliher is very excited about receipt of this RBEG grant. Thanks to the efforts of HRDC and NMF staff we were able to assemble a successful proposal and will now have capital available to provide financial assistance to new and expanding business enterprises in the Kelliher area."

Meet an HRFC Customer: New Horizon Resort & Lodge

One of the most recent loans for the Headwaters Regional Finance Corporation (HRFC) was made to Chris and Linda



May, proud owners of the New Horizon Resort & Lodge located on White Earth Lake in Mahanomen County. Chris and Linda are former residents of Nebraska who decided it was time to leave the corporate life for a life where they could incorporate their skills in a business of their own. Linda is certified by the American Culinary Federation as a Chef and has worked in the food services industry

for 34 years. Chris also brings many skills to the resort from his 22 years as a manager for a heating and air-conditioning company. These combined skills are particularly useful to the Mays as they operate a full-service restaurant and handle 8 cabins and 7 R.V. hook-ups.

Their goal is to 'cater to the locals' by providing a special place for special memories. A recent Mother's Day buffet drew 225 people! Linda's pies and desserts are becoming legendary.

If you have business financing needs, we would love to talk to you. Call Susan Hoosier at 218-333-6534, or refer to our web site at www.hrhc.org/HRFC.htm

An Overview of the HRFC Loan Fund

In an effort to meet the needs of the financial institutions in our region, the HRFC (the financial subsidiary of HRDC) is promoting Loan Participations. Loan Participations are helpful to small lenders who are close to exceeding their commercial lending limits. The HRFC purchases a portion of the commercial loan and shares the collateral position with the lender.

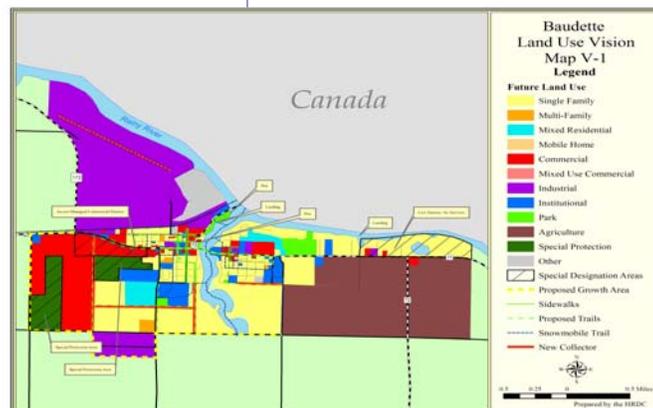
The Revolving Loan Fund consists of an asset base of \$3.8 million with 23 active EDA Loan files and 6 active Flood Loan Files. The HRFC Revolving Loan Fund has made over \$9.5 million in loans over the past 23 years. These funds have leveraged an additional \$38.9 million in private funds and \$9.7 in other public funds. Every county and almost every community has benefited from these funds over the last several years.

Community Development

Baudette Adopts a Forward-Looking Land Use Plan

Convinced of the need to update the vision for their community's growth and development, the City of Baudette embarked on a land use plan and zoning ordinance revision process. The existing plan was developed thirty years ago. In addition to the plan and ordinance, a digital parcel base map was also developed.

For more information, contact Baudette City Planner Dale Tillery at (218) 634-3435 or Joe Czapiewski at the HRDC. Financial assistance for this project was provided by the Northwest Minnesota Foundation.



This map displays the new Land Use Vision for the City of Baudette, recently adopted by the City Council. It identifies potential transportation and recreation infrastructure as well as appropriate uses for existing and growing areas of the community.

Bold Bemidji Area Growth Management Initiative Enters Phase 2

Last year at this time, an intergovernmental task force comprised of individuals from the City of Bemidji, Northern Township, and Bemidji Township, with the help of HRDC staff, were right at the door of an historic effort to improve growth management and service delivery in the area.

Well, what a difference a year makes! The jurisdictions have developed and adopted both a joint powers planning agreement and an orderly annexation agreement. The result of these agreements will be a more integrated

strategy for growth management of the entire community.

This year, the new Greater Bemidji Area Joint Planning Board (JPB) has enlisted the HRDC in an ambitious effort to develop one plan and one set of ordinances for the entire 3 jurisdiction, 72 square mile area. At a minimum, the JPB plans to adopt a Land Use and Transportation Plan, zoning ordinance, a subdivision ordinance, and shoreland management regulations. Stay tuned!

Lake of the Woods County Shoreland Flexibility

Resort owners in Lake of the Woods County who have attempted to make improvements to their properties have often been stymied in their efforts by the County Shoreland Management regulations. Standards which were originally adopted to bring the County into compliance with State Rules did not allow many resort owners to make improvements needed in order to keep their businesses financially viable.

Lake of the Woods County contracted with the HRDC to amend its Zoning Ordinance and obtain approval for the changes from DNR. The request for flexibility has been approved, and Lake of the Woods County plans to adopt the ordinance amendments this summer.



Local and state staff work on changes to the County's Shoreland Ordinance

Defining the Future of Downtown Bemidji

The Downtown Development Authority (DDA) has committed to an ambitious reinvention of the Bemidji downtown. The current downtown is a product of visionary leadership that surfaced in the mid to late seventies. While still one of the most vital urban cities in rural Minnesota, the downtown faces new chal-

lenges and opportunities from what existed over a quarter century ago.

The HRDC is nearing completion of this effort, which will result in a graphic design of the downtown of the future, as well as a set of strategies to bring that design to reality.

Housing



Steve Kopkie
Mortgage Lender

Northwoods Bank Park Rapids

"Northwoods Bank has always been a strong promoter of first time home buyer programs. We are very pleased to be able to work with the HHDC and first time mortgage providers to get a young family into an affordable house in Park Rapids."



Richard Jaranson
Chairman, Beltrami HRA

"HRDC staff assistance has helped the HRA create and implement new program initiatives. For example, the down payment programs we have offered will help many moderate income families purchase their first homes. Most of the families that we help would have to continue to rent housing if it weren't for the assistance that we provide. The HRA values its partnership with the HRDC."

HHDC Grows Existing Markets, Expands into New

Last year at this time, construction of infrastructure in the Lincoln South Subdivision in Bemidji was just beginning. By fall, 2004 all of the work was completed and two new houses were under construction. The Lincoln South development is a ten-acre site that was platted with 33 building lots. These lots will be used in the construction of affordable, single family homes which will be built for the HHDC by the Northwest

Technical College Carpentry I program. The City of Bemidji provided 0% loan funds that were used for engineering and design work, site preparation and grading, and construction of infrastructure. To date, ten houses have been constructed in Lincoln South.

The HHDC has expanded into new markets, as well. Houses are going up in Park Rapids, Akeley, and Blackduck.

Other HHDC Activities

- Sold five houses built by the school programs during the 2003-2004 school year.
- Built two houses with the NW Technical College Carpentry I, Electrical, and Plumbing/Heating Programs.
- Built two houses with the Bemidji High School Industrial Technology program.
- Re-started the construction program in Clearbrook with the Clearbrook-Gonvick School.
- Conducted two Homestretch classes in Mahanomen in 2005.

Beltrami County HRA Continues Down Payment Assistance

For the past 2½ years, the Beltrami County Housing and Redevelopment Authority (HRA) has offered down payment assistance to moderate income families. The initial program assisted 35 households throughout the county in purchasing new single family houses; the HRA then decided to find opportunities to continue this activity.

The HRA has assisted the Northwest Beltrami County Housing Committee in implementing a local down payment program in that part of the County. The HRA also received an award of Entry Cost Home Ownership (ECHO) funds from the MHFA to assist buyers to purchase single family homes.

TEAM Industries Implements Statewide Down Payment Assistance Program

TEAM Industries, Inc., in partnership with the Greater Minnesota Housing Fund, has implemented a Down Payment Assistance Program that provides up to \$5,000 in benefits for employees working in any of TEAM's six Minnesota facilities. The HRDC is administering the program on a statewide basis for TEAM Industries.

According to Scott Sonstegard, Financial Analyst for TEAM Industries, "Adequate housing is critical to the quality of life of our employees, so pursuit of the Greater Minnesota Housing Fund's 100% matching down payment housing assistance program was a "no brainer" for TEAM. With the administrative help of HRDC, the program took off smoothly."



Toby and Danielle Stumbo, the first employee family to take advantage of the new TEAM Industries Down Payment Assistance Program.

Transportation

Mn/DOT Northwest District Develops Its Long Range Plan

The Northwest District of Mn/DOT has been thinking about how the area's trunk highway system should develop through its long range planning process. This planning effort is being conducted by each Mn/DOT district in the state, with the goal of aligning local investments with the state's overall strategic transportation priorities.

The HRDC, in conjunction with the Northwest Regional Development Commission, helped Mn/DOT through a very extensive public involvement process. As a first step in the process in late 2003, focus groups were held in each County in the district.

Participants helped to identify priorities in a variety of areas, such as preservation, safety, and expansion. Additional meetings were held with the Red Lake Band of Chippewa and neighboring Mn/DOT Districts. Three open houses were held in late 2004 to introduce the plan's initial recommendations to the public.

The final plan document is being developed and will be available in late summer 2005. For more information about the plan, please contact Mike Kamnikar at 218-751-4480 or Michael.Kamnikar@dot.state.mn.us, or contact Joe Czapiewski at the HRDC.



Michael Kamnikar
Planning Engineer
Mn/DOT District 2

"The district long range plan was the result of a tremendous effort to put together an investment strategy using performance measures to evaluate where we are and where we need to be to accomplish our goals."

Trail Connections Developing All Over the Region

The HRDC has been helping a number of communities explore options to meet a growing demand for recreational trails. Often, the help that communities are looking for includes guidance on funding applications, overall system planning, and planning specific layouts for trail connections.

For example, the cities of Blackduck and Bemidji recently submitted applications for federal funds to build trail segments in their communities. Under an agreement with Mn/DOT, the HRDC is able to provide assistance to jurisdictions that want to apply for federal Transportation Enhancement funds through the Area Transportation Partnership. For cities like Blackduck, this service in-

cluded preliminary meetings with the City to review their concepts, ongoing discussions about eligibility and competitiveness of the concept as it develops, and a final review of the application before submittal.

HRDC staff have also been involved in a number of trail projects in other communities, including trail connections in the City of Baudette, planning for trails in the greater Bemidji area, and working with Mn/DOT and local partners on an extension of the Heartland Trail from Park Rapids to Detroit Lakes. For more information about trail development, contact Joe Czapiewski at the HRDC offices.

Lake Country Scenic Byway Association Continues to Grow

The Lake Country Scenic Byway Association made significant advances this year toward completing its Corridor Management Plan and developing an Interpretive Plan. The Byway runs through Hubbard, Becker, and Cass Counties and connects a number of communities.

The Corridor Management Plan will pull together in one common framework all of the various plans, activities and opportuni-

ties identified and developed by the Byway Association. A round of public meetings was held in various Byway communities, giving people across the Byway an opportunity to ask questions and provide their ideas about a common vision for the Byway. For more information about the Byway, please contact Association President Katie Magozzi at 218-732-4111, or Joe Czapiewski at the HRDC.



Demand for motorized and non-motorized trails throughout the region is increasing, as are local communities' efforts to design, fund and build multi-user trail systems.

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Headwaters Regional Development
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HRDC Stewards: Staff

Leslie Bartels
Secretary/Receptionist

Joe Czapiewski
Physical Planner

Tim Flathers
Community Development
Director

David Hengel
Economic Development
Director

Susan Hoosier
Business Loan Specialist

Tony Mayer
Technical Planner

Anne Sand
Housing Specialist

Mary Thompson
Accounting/Administrative
Director

Cliff Tweedale
Executive Director

HRDC Stewards: Board

Steve Beltz — Clearwater County Cities
Kim Bredeson — Lake of the Woods County
Ray Dalby — Beltrami County Townships
Mary Eaton — Higher Education
Mark Edevold — Labor
Bob Gannon — Beltrami County Small Cities
Kathy Grell — Business
Cal Johannsen — Hubbard County
Ron Johnson, Secretary — City of Bemidji
Lorna LaGue — White Earth Reservation
Robert Milne — Natural Resources
Jean Nelson — Mahnommen County Townships
John A. Nelson — Clearwater County

Charles Pazdernik — Mahnommen County
Allen Pemberton — Red Lake Reservation
Joyce Powell, Vice-Chair — Hubbard County Cities
Allen Rassmussen — Clearwater County Townships
Rick Rone, Chair — Lake of the Woods County Cities
Tom Ryan — Mahnommen County Cities
Frank Schaap — School Districts
Duane Splittstoesser — Hubbard County Townships
George Swentik — Lake of the Woods County
Joe Vene — Beltrami County
Emmet Weidenborner — School Districts
Victoria White, Treasurer — Leech Lake Reservation

Transportation Advisory Committee

Craig Collison
Floyd Frank, Chair
Brian Freeberg
Bruce Hasbargen
Jim Heltzer

Mike Kamnikar
Jonathon Large
Jody Martinson
Jean Nelson
John Nelson

Curt Oakes
David Olsonawski
John Peterick
Dan Sauve

George Swentik
Jim Walker
Brian Weuve
Jim Worcester

Headwaters Housing Development Corporation

Steve Beltz
Ray Melander, Chair
Rick Rone

Tom Ryan
Doug St. Onge

Headwaters Regional Finance Corporation

Peter Haddeland
Ron Johnson
John Masog
Terry Matson
Royce Peterson

Joyce Powell
Rick Rone
Cliff Tweedale
Victoria White

Operational Budget

	2005 Actual	2006 Budget		2005 Actual	2006 Budget
Revenues			Expenditures		
Tax Levy	\$ 209,642	\$ 218,154	Personnel/Staffing Capacity	\$615,725	\$651,158
Long Term Contracts	106,847	107,247	Operating Expenditures	107,552	97,813
Shorter Term Contracts	272,833	221,869	Investment Expenditures	23,650	15,200
Beltrami HRA Services	20,336	20,000	Fund Balance Reserve	<u>40,253</u>	<u>10,000</u>
HHDC	105,456	90,000	Total Expenditures	\$787,180	\$774,171
HRFC	65,647	70,000			
Other Sources	6,419	1,750			
Other Contracts	<u>0</u>	<u>45,151</u>			
Total Revenues	\$ 787,180	\$ 774,171			

The 2005 figures shown above are unaudited figures. The latest audit, covering Fiscal Year 2004 finances, was performed by Miller, McDonald, Erickson and Moller, Ltd., Certified Public Accountants, and dated October 20, 2004. An unqualified report was issued.