



HEADWATERS

Regional Development Commission

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Leading the Way

ANNUAL REPORT 2013

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Commercial Rehabilitation Activity Helps Transform Downtown Park Rapids



Park Rapids has made significant improvements to its downtown over the past several years. Enhancing a number of local infrastructure investments, the city provided deferred payment loans to owners of eight buildings to complete commercial rehabilitation/storefront renovation activities. One shining example of that effort is the Armory, pictured above. These resources were made available through the Minnesota Department of Employment and Economic Development's Small Cities Development Program.

“This is an important milestone because now, for the first time in 20 years, we can make plans for an ongoing schedule of events, performances, concerts, banquets, conferences, and trade shows on a regular schedule”.



-Alan Zemek speaking about improvements made possible in part by the Small Cities Development Program.



Chair/ED Comments

Chairman's Letter - Rick Rone



I have appreciated the opportunity to serve as the HRDC Chairman this past year. It has been rewarding to serve an organization that has demonstrated a strong commitment to community success. It is apparent that this commitment extends to the whole Region.

The success of the HRDC over the years is the result of strong leadership of both Commissioners and staff. No one has exhibited stronger leadership and commitment to the region in my tenure than Cliff Tweedale. Now, after thirty eight-years of dedication to the HRDC, and the Headwaters Region, Cliff is retiring. On behalf of the Commission, I would like to extend my sincere appreciation for Cliff's innumerable contributions throughout his entire career.

Cliff's legacy will certainly include the successful completion of many important and challenging projects over the years. He has truly helped the Region become a better place to live, work and recreate. Perhaps his greatest legacy, however, will be the ongoing influence of his mentoring and commitment to a strong organizational culture.

Moving into Fiscal Year 2014 the HRDC is well positioned to remain a strong, responsive, customer-oriented regional organization. We'll all miss Cliff's leadership. At the same time we're excited to see the results of the passion and commitment of the new staff team in 2014 and beyond.

“Moving into Fiscal Year 2014 the HRDC is well positioned to remain a strong, responsive, customer-oriented regional organization.”

A Farewell Letter - Cliff Tweedale



I cannot believe it has been 38 years since I started working for the Headwaters RDC. As of July 1st, I will be retired.

I wanted to offer all of you – customers, partners, and colleagues -- a huge thank you for your support, commitment and friendship. I've been truly blessed to work in the best region of Minnesota with great people, doing things I care about.

I like to tell people that our Commission is the best governing body in the state.

If there was a hall of fame for such bodies, the Commission would be the first one inducted.

Our staff team is composed of outstanding people that are bright, energetic, passionate and committed to getting real things done. I have been very fortunate to serve this group.

Finally, I am excited to have Tim Flathers succeed me as Executive Director. Tim has been in the middle of nearly all of the Headwaters RDC's important efforts for 30 years. Tim is going to provide outstanding leadership at his new position.

With this combination, I am confident that the Headwaters RDC's best days are ahead of it.

Thank you again for the privilege of serving you.

“...I am confident that the Headwaters RDC's best days are ahead of it.”

The End of an Era - Mary Thompson



The end of this fiscal year marks the end of an era at the Commission as Cliff Tweedale is retiring after 38 years. Starting his career with the Commission as a Community Development Planner in 1975 he strove to help the region attack those issues that “kept them lying awake at night”. The largest impact he made was when he assumed the role of Executive Director. It was under his tenure that the organization developed a true identity, a strong

organizational culture and mission to work toward successful communities.

What makes Cliff so unique is his ability to seek excellence in all those around him and to find ways to mentor them so they succeed - All while having a great deal of fun along the way. No one will be able to forget the many “Cliff – isms” and the endless sports analogies he would use to prove a point. Rest assured that Cliff is leaving the Commission in a much better place than when he started all those years ago and because of his work the next generation is ready, willing and able to step up. Best wishes, Cliff as you move on to the next phase of life, and a big “Thank You” for your service.

From the Executive Director - Tim Flathers



First, let me say that I'm excited for the opportunity to serve the HRDC as Executive Director. I thank the Board for allowing me to follow Cliff, and for providing me with the high quality, dedicated and passionate staff team that will help the organization succeed in the coming years. I know that the entire staff team is ready to step up to provide the leadership the Region appreciates and has come to expect.

Speaking for staff at the HRDC, we're all sorry to see Cliff leave the organization. At the same time, after 38 years of dedicated service he deserves to retire. It will be impossible to replace the gifts that Cliff has brought to the organization, and to the Region, throughout his tenure. So, without Cliff's leadership what will the organization look like moving forward?

It's possible that there will be subtle changes in what we do. The activities of the HRDC are based on a number of factors including the skills and passion that individual staff members bring to the organization. No one on staff brings the high level facilitation and group process skills to the organization that Cliff so ably employed. So, it's likely we'll do less of that work in the future than we've done historically. We do have staff with strong interest in other areas such as active living, use of biomass, loan processing and development activities. In those areas where the passions of staff intersect with customer needs, we'll likely do more of that work.

So, what we do may change a little. What won't change is the way we go about doing our business (e.g. our culture). The HRDC has a strong set of organizational values, held by both Board and staff members, that guide our work. The following values are a constant, and will continue to be the foundation of our organizational behavior moving forward:

- ***We empower and expect all Staff and Commission members to provide leadership.***
- ***We care about, respect, trust and value our teammates.***
- ***We encourage and expect personal and organizational growth, and we hold each other accountable.***
- ***We value candid conversation. We are open, honest and inclusive.***
- ***We are passionate and committed to our region and to each other.***
- ***We promote innovation.***
- ***We know where we want to go. We are intentional, strategic and effective.***
- ***We take our work seriously, and we can have a little fun along the way.***

“The HRDC has a strong set of organizational values, held by both Board and staff members, that guide our work.”



Program Areas : Livable Communities

Livable Communities

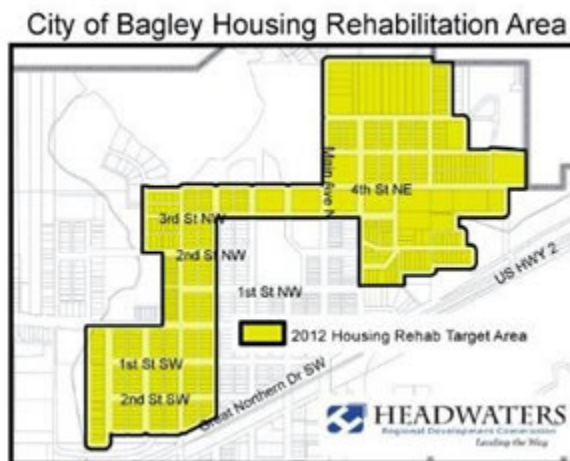
Headwaters Region Benefits from SCDP Funds

The Small Cities Development Program is administered by the Minnesota Department of Employment and Economic Development, DEED. Using federal HUD community development block grant resources, DEED awards funds to smaller communities in Minnesota through a competitive grant process. The SCDP program funds various activities including rehabilitation of owner-occupied housing, rental housing, and commercial buildings, as well as development of infrastructure, primarily in support of low and moderate income households. Over the past several years the Headwaters Regional Development Commission has been an administrator of the Small Cities Development Program for various cities and counties throughout the Region.

We are pleased to report on four active SCDP initiatives as well as provide some insight on potential future initiatives.

City of Bagley

The City of Bagley was awarded \$331,200 to complete 12 owner-occupied housing rehabilitation projects in a target area within the City. The City of Bagley has contracted with the HRDC to administer their award. To date, we have closed on two projects and continue to solicit applications from eligible households within the target area.



If you have a community need that you feel might benefit from SCDP resources, please let us know.

City of Gonvick

The City of Gonvick was awarded \$600,000 in SCDP funds, which they will pair with an award they received from USDA-Rural Development to bring their waste water treatment facility into compliance. The City of Gonvick has contracted with the HRDC to administer their SCDP award. A pre-construction conference took place the first week in June and we anticipate the project moving rather quickly with competition scheduled for early in 2014.

City of Park Rapids/Hubbard County

In 2010 the City of Park Rapids was awarded an SCDP grant in the amount of \$665,208 to complete owner-occupied, rental and commercial rehabilitation activities. The City contracted with the HRDC to administer the grant. The grant provided funding to complete 18 owner occupied rehabilitation projects, 8 commercial rehabilitation projects and 3 rental rehabilitation projects (including 8 units). There were a few grant adjustments made to allow the City to fully utilize the funds. The program was able to assist fourteen homeowners through the owner-occupied rehabilitation activity, receiving a total of \$335,000 in SCDP funds leveraged with \$208,000 of other sources, including GMHF, MHFA, USDA Rural Development and Weatherization funds administered by Mahube Community Council. Eight commercial properties received a total of more than \$190,000 in rehabilitation funds through the SCDP program. Three rental units received a total of \$37,500 in rehabilitation funds through the SCDP program. June 30, 2013. The City of Park Rapids/Hubbard County project was completed June 30, 2013.

City of Bemidji

The City of Bemidji was also awarded an SCDP grant in 2010 in the amount of \$732,550 to complete commercial rehabilitation downtown and infrastructure development in support of Conifer Estates, the Supportive Housing project developed by the HHDC. The City of Bemidji contracted with the HRDC to carry out the general administration of the grant while Bi-CAP implemented the commercial rehabilitation activity (with the exception of the Davis Bacon administration). The infrastructure portion of the project was completed in the spring of 2012, while the commercial rehabilitation wrapped up in December 2012. Through this grant, nine businesses received more than \$280,000 in rehabilitation funds through the SCDP program.

As always, we are here to help you identify your needs and find solutions! If you have a community need that you feel might benefit from SCDP resources, please let us know!



Before and after photos of home rehabilitated.

Headwaters RDC Promotes Successful Homeownership

HRDC staff continues to promote successful home ownership throughout the Region. For more than twenty years local governments have accessed low interest mortgage financing through the Minnesota Housing Finance Agency's Minnesota Cities Participation Program (MCP). Local lenders who participate in the MHFA network made program a great success for first time buyers throughout the Region.

In 2012 MHFA allocated a total of almost \$1,350,000 in mortgage funds to the Headwaters Region. Because funds that are allocated to other areas but not used quickly are ultimately placed in a common pool, available to all participants, the total amount of funds utilized in the Region reached just under \$3,200,000. Twenty-eight households in the Region achieved home ownership as a result of this financing tool.

The HRDC requested an allocation of funds for this year as well. The allocation awarded totals \$1,365,000 more than 44% of the funds have been committed through the end of May.

The HRDC is aware that successful home ownership takes more than affordable financing tools. Home buyer education and individual coaching is also a prerequisite for the success of many households.

Homestretch

The home buying process is complex. Becoming an educated home buyer will provide potential homeowners with the tools and knowledge to successfully navigate the process and make a wise investment in what probably will be the largest and most important purchase an individual will ever make. We have identified a seven step process to home ownership that will assist in taking the complexity out of the home buying process. Those steps are titled: Becoming a Homeowner, Money Management, Credit, Mortgage Loan, Real Estate 101, Loan Closing and Life as a Homeowner. The home buyer education program is called Homestretch. The HRDC offers classes on a monthly basis. We now have a new tool that is called Framework. This is a new fun way for individuals to get a high quality interactive way to learn how to be a smart successful homeowner. The Framework class can be taken online from the comfort of your own home.

The HRDC also has Pre-purchase coaching. This is one on one sessions with a certified professional to help individuals prepare for the home buying process. Topics include reviewing credit reports, correcting potential errors in those reports, budgeting, and mortgage qualification. This professional is available to assist through the entire process of buying a home.

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Studies have shown that, by carefully considering each of these questions along the path to home ownership, the success of the household will be greatly increased. The curriculum of Home Stretch and Framework is tailored to fully cover each of these steps for the home buyers. Another advantage of the Home Stretch workshop is that many affordable mortgage products require home buyer education in order to access the assistance. This program is funded each year with funds supplied by Minnesota Housing Finance Agency, Minnesota Home Ownership Center and Greater Minnesota Housing Fund. Local Support is provided by Hubbard County HRA, Beltrami County HRA and Headwaters Housing Development Corporation.



Hubbard County HRA Meets a Variety of Housing Needs

The Hubbard County HRA has implemented a wide variety of activities designed to meet housing needs throughout the County. HRA activities included: purchase, rehabilitation and resale of foreclosed homes; rehabilitation of single family homes; down payment assistance, and management of affordable rental housing, including an eight-unit transitional housing facility, and home ownership education. Additional detail on these activities follows:

Purchase-Rehabilitation and Resale

The Hubbard County HRA purchased two single family houses utilizing loan funds provided by the Greater Minnesota Housing Fund. Both houses were rehabilitated and sold to moderate income first time home buyers. The homes are very energy efficient, ensuring long term affordability for the now owners. The HRA continues to search for viable prospects for purchase-rehabilitation and resale.

*“Such a great program, best instructor and class I have had!”
- Class participant*



One of the homes in Park Rapids that was purchased, rehabilitated and resold.

Owner-Occupied Housing Rehabilitation

The Hubbard County HRA continues to rehabilitate owner-occupied single family homes through a variety of funding programs. The HRA is an approved lender for the MN Housing Rehabilitation Loan Program. This program provides up to \$27,000 in deferred financing to make necessary improvements to owner-occupied homes. The Hubbard HRA has funded 5 loans through this program since January 2012 for a total of over \$131,600. The HRA is also an approved lender for the MN Housing Emergency Loan Program and funded 1 loan through this program since January 2012 for a total of \$15,000.

In 2008 the Greater Minnesota Housing Fund (GMHF) provided the Hubbard HRA with \$197,000 to complete owner-occupied rehabilitation. The HRA fully expended that award this past year. The award provided funding for 29 households! GMHF has been generous enough to provide the Hubbard HRA with another funding award in the amount of \$60,000 to complete additional owner-occupied rehabilitation.

The HRA also provides owner-occupied rehabilitation funds through their tax levy. These funds are provided as revolving loan funds with a 3% interest rate. The HRA funded 4 loans through this program for a total of over \$21,500.

MN Housing recently awarded the Hubbard HRA \$40,000 to complete owner-occupied rehabilitation through their Impact Fund (formerly CRV). This is a new program for the HRA and we are currently processing our first application for the funds.

Finally, the Hubbard HRA played an active role in the rehabilitation work that was done through the Park Rapids, Akeley and Hubbard County SCDP award. [Click here](#) to read more about that project.

Housing Management

The Hubbard County HRA owns and manages an 8-unit apartment complex, Cornerstone, designed to serve homeless families in preparation for moving into permanent affordable housing. Cornerstone tenants are allowed to stay at these apartments for up to two years. The goal is for them to get into stable housing within that time frame. The HRA has helped many families achieve great success along the way. Within the last year we have installed video cameras which can be monitored 24 hours a day. We strongly feel this was a great investment to protect the property and the tenants. The HRA is committed to making many additional physical and programmatic improvements over the coming year!



Before and after photos of home rehabilitated by Hubbard County HRA.

“The HRA is working hard to become an increasingly effective organization. With a committed Board of Directors, ongoing support of the Hubbard County Board, and help from HRDC staff we’ve made significant progress over the past few years. I expect that we’ll continue to improve in the upcoming year.”

*- Ray Melander,
Hubbard County HRA
Chairman*

Down Payment Assistance

In 2011 the Hubbard County HRA created their Entry Cost Assistance Program. The program is designed to assist low income households in purchasing a home by providing funds to put towards their down payment and/or closing costs. One loan has been closed to date. We continue to market the program to local lenders and realtors.

Home Ownership Education

The Hubbard County HRA has continued to support homebuyer education and financial coaching. Nikki Clancy has been the primary staff for these efforts. Several individuals have been assisted through financial coaching tailored to meet their individual needs. Homestretch classes are also available to serve Hubbard County residents.

Housing Study and Plan to Guide Beltrami County HRA Activities

Thanks to generous financial support provided by the Northwest Minnesota Foundation and Minnesota Housing Partnership the Beltrami County HRA completed a Housing Study and Housing Plan at the end of 2012. The Housing Study provided documentation of housing needs throughout Beltrami County. The HRA contracted with Community Partners to complete the Housing Study. The Housing Plan utilized information from the Study to develop several specific strategies designed to address a variety of housing needs.

The Housing Plan identified four objectives, along with several strategies for each. Following are the four objectives along with one example strategy for each:

- Develop new housing units
- Strategically invest in property suitable for affordable housing development;
- Maintain and preserve existing housing
- Rehabilitate substandard housing units throughout the County;
- Promote Successful Home Ownership
- Implement down payment assistance;
- Increase Organizational Capacity to Address Priority Housing Needs
- Identify stable ongoing funding to support a range of housing activities in Beltrami County.

Here are a couple of examples of new activities coming out of the HRA's plan!



“The HRA appreciates the financial support of the Northwest Minnesota Foundation and Minnesota Housing Partnership. The support of these organizations has helped the HRA chart its strategic direction for the next several years and will greatly benefit the residents of Beltrami County.”

-Rich Jaranson, HRA Board Chairman

Beltrami County HRA Creates New Program to Preserve Housing Stock

In 2013 the Beltrami County HRA voted to implement an owner-occupied housing rehabilitation program to address the growing need for preserving existing housing stock. The program was initially capitalized by the HRA's reserves. The funds are provided to low income households to make necessary repairs to their homes. Loans are provided at 3% interest with affordable repayment amounts and maturity dates set by affordability. The program was adopted in March and is currently being marketed throughout Beltrami County.

Beltrami County HRA Continues to Create Affordable Housing Options

The Beltrami County HRA continues to provide down payment and closing cost assistance to homebuyers through their Entry Cost Assistance Program. The program provides funds to low income households to help cover their down payment and/or closing costs. Since January 2012, the Beltrami HRA funded 8 loans and provided over \$51,600 in assistance!

Acquisition Demolition Program is Ready to Fire up the Dozers!

Over the past year staff has been working on a planning effort to create a program we call "acquisition demolition". The concept is pretty straightforward; we want to create a system to acquire dilapidated and unsafe single family homes within the Region that are not suitable for rehabilitation and then tear them down to create buildable lots for a new homes. The idea was born through our work in purchase rehabilitation. In our search for homes to buy and fix up we simply came across many homes that were severely deficient and beyond repair and we decided to explore potential solutions.

The HRDC was successful in receiving two planning grants to kick start the effort. One from the Northwest Minnesota Foundation, and the other from the Minnesota Housing Partnership. With funding in place we began in Bemidji by creating an inventory of homes that we deemed "eligible for demolition" From there we started engaging who we thought would be our partners and stakeholders for the initial pilot program. The planning for this initiative has taken many twists and turns, but we are now poised to really do some destruction!

Right now we have our targets set on three Bemidji homes that we want to tear down and we have created a collaboration of stakeholders that we could not be more proud of. The initial group



Exterior of Home to be Demolished



Interior of Same Home

includes; The City of Bemidji, Northwoods Habitat for Humanity, and First National Bank of Bemidji. First National Bank has agreed to sell three of their foreclosed properties to Habitat for Humanity for a substantial loss. Habitat has committed to build brand new homes on each lot within the next three years. Finally, the City of Bemidji has provided \$45,000 to pay for the demolition of each home by offering SCDP program income funds to the effort.

Upon completion of the initial pilot effort we hope to create a model that will not only be sustainable but replicable in other area of the Region.

High School Carpentry Program Continues to Grow

This year the Headwaters Housing Development Corporation continued new construction activities with the Bemidji High School Carpentry program. The students completed two homes in our rural Bemidji subdivision, Sunset Meadows. Under the instruction of Jeff Olson the program continues to grow and reach new levels each year.

One of the homes this year was a design concept created by Jeff and the students. They took attributes of past homes that they liked and created a new floor plan that was refined by our architect, Jim Lucachick. During the annual year end celebration barbecue many visitors commented on the layout of the home and were very impressed. The home featured a “mud room” off of the garage that was particularly popular. It was a design element that we have never used in our single story homes that truly added great value to the home. Jeff and the students always want to find ways to improve and they are already discussing some changes they wish to make to the new floor plan for next year.



Mud Room of the House Designed by Jeff and the Students

“It was really cool to see the design envisioned by the students come to life in this year’s build. I am impressed year after year in the commitment shown by these young adults. They really care about the quality of their work and it shows.” - Instructor, Jeff Olson

Without a leader like Jeff the program would not be able to thrive the way it does. The HHDC is truly blessed to have such a talented individual to partner with in this effort. We look forward to next year’s projects which will consist of two single story homes in the same location.



Exterior of the House Designed by Jeff and the Students

“It was really cool to see the design envisioned by the students come to life in this year’s build. I am impressed year after year in the commitment shown by these young adults. They really care about the quality of their work and it shows.”

-Jeff Olson, Instructor

The Housing Corporation Stays Active in Purchase Rehabilitation Re-Sell

This activity continues to be an important part of the HHDC arsenal in our pursuit to provide quality affordable housing to the Region. The rewards of this program are hard to ignore, we are able to take vacant and distressed properties and turn them into a “like new” homes that will hold their value for years to come. We can instill neighborhood pride by taking the “bad home” on the block and making it the model for others to follow. We are also improving the energy efficiency of the homes making them more affordable to operate.

“This program is personally rewarding for me, as I get to see the transformations first hand. It is fun to share the rehabilitation story of the home with the new owners and compare the before and after photos once complete.” - Aaron Chirpich, Development Director HRDC.

The Corporation has decided to engage in this activity when the right properties become available. Despite the many rewards, this initiative brings with it a higher degree of risk than some other development activities like new construction.



Before (Foreclosure)



After

It's a Blackduck Beautiful Day

In a community like Blackduck, Minnesota every family is important, every job is important, every business and every home is important. And like other communities Blackduck has been presented with a downward population trend for the last decade and losses on Main Street. Larger trends aren't acting in their favor either—real middle class incomes have been stagnant for the last four decades, an aging housing stock is making home ownership less attractive, and job losses in 2008 were felt locally.

“This program is personally rewarding for me, as I get to see the transformations first hand. It is fun to share the rehabilitation story of the home with the new owners and compare the before and after photos once complete.”

*- Aaron Chirpich,
Development Director
HRDC*

Blackduck, like other communities, is showing symptoms of these long-time trends. Property maintenance is less than great. Homes, commercial spaces, and institutional properties aren't looking well. But Blackduck isn't sitting by idly. You may have heard of

Blackduck's new marketing campaign,

"Blackduck, a great place for families."

They're building on their strengths, a great school district, calm streets, safety, and a strong community fabric.

They are working hard to build on what they have, and working hard

to improve what they've got. The City came to the HRDC looking for a creative way to help their City look better, to look like a great place for families. The HRDC worked with the Blackduck Planning Commission to execute a community engagement and planning process called, "Blackduck Beautiful." The planning team interviewed residents, surveyed property owners, met with community groups, and held a community meeting to talk about why properties in Blackduck aren't being taken care of and what we, as a community, can do about it. All-in-all, participation was extensive and good spirited. The community had some difficult conversations.

They worked with the planning team to develop a set of strategies. These strategies developed focus on community members helping each other. Homeowners said they wanted an assorted of options. Subsidized loans can provide an opportunity for lower income residents. Most participants were receptive to local volunteers offering helping hands to those in need. A revitalized downtown is a high priority for most. Most are looking for institutional property owners to lead by example and go the extra mile with their own properties.

Implementation of strategies is underway. A local group of volunteers is being created. Habitat for Humanity has worked to help a few home owners. The Planning Commission is updating the enforcement procedure of its ordinance to reflect the needs of the community. They are even beginning to talk about strategies for attracting occupants for downtown spaces. The community spirit behind Blackduck Beautiful gives every indication that better days are ahead for the City!

BLACKDUCK BEAUTIFUL

I'm Doing My Part To Make BLACKDUCK BEAUTIFUL And...



The community spirit behind Blackduck Beautiful gives every indication that better days are ahead for the City!

Active Living For All

The Headwaters Regional Development Commission has seen an increasing area of the organizations focus in Active Living and Active Transportation. There are now four projects which fall into that category: Active Living Bemidji, the Community Transformation Grant, Active Living Hubbard County and Safe Routes To School. All these projects work to increase the number of people living an active lifestyle and the number of people walking and biking in a community. Over the previous year, these four projects have seen many successes and look to have many more in the coming year.

Active Living Bemidji

Milestones

In the final year of the Active Living Bemidji contract from Blue Cross and Blue Shield, the focus has been on promoting walking and biking safety and education, continuing the partnership, and identifying new projects to complete in the future. This past year has seen several amazing



accomplishments

which highlights the success of the Active Living Bemidji project. In October, Bemidji applied for and was named a Bicycle Friendly Community at the Bronze Level from the League of American Bicyclists. The League of American Bicyclist is the national advocacy organization for bicycling in Washington D.C. Bemidji was the 5th community in Minnesota to receive this award which includes Minneapolis, St. Paul, Rochester, and Mankato. Another milestone during this past year was recording the number of residents walking and biking. An average of 850 people were recorded during our three day bicycle and pedestrian counts in September at 13 locations in and around the Bemidji area. This count shows the number of people who are living the principles of active living by incorporating activity into their daily lives. “We attract not only tourists, but we attract people who are interested in living here, going to school here and starting businesses here” stated Diane Pittman, a local bicycle advocate, about what promoting bicycling in Bemidji has done. Active Living Bemidji was also asked to assist the Beltrami and Bemidji Wellness Groups to create Wellness Walking routes. These routes begin at Paul and Babe and connect Diamond Point, Paul

“We attract not only tourists, but we attract people who are interested in living here, going to school here and starting businesses here,” stated Diane Pittman.

Bunyan Park, and Downtown with signage identifying the routes for employees and residents to use for daily exercise.

The Future of Active Living Bemidji

The Active Living Bemidji partnership will still meet quarterly and work to improve walking and biking in Bemidji. Several projects which the partnership had been funding will continue through other sources. The Bike Bemidji group, which is a partnership between bicycle related organizations, has taken on the responsibility for completing bicycle educational classes and events.

The question remains of what is the Active Living Bemidji's role in the future. The hope is that Active Living Bemidji can be an organization and advisory group to the City for bicycle and pedestrian issues and projects. Two possible projects on the horizon include a study of the feasibility of implementing a bicycle sharing program and an inventory and rating of bicycle and pedestrian infrastructure in Bemidji. Both projects have been identified through the Bemidji Greater Area Comprehensive Plan meetings. In the short term future, the Active Living Bemidji group will be pursuing funding to complete these projects and identify additional funding in the future.

Community Transformation Grant

Progress on the CTG Active Transportation Plan

In the past year, the HRDC has partnered with the Minnesota Department of Health and SHIP (Statewide Health Improvement Program) to produce a regional active transportation plan. This Community Transformation Grant (CTG) will promote biking and walking as daily forms of transportation to improve health and quality of life in the Region.



To start the plan, a group of planners, SHIP staff, county engineers, business owners, and others came together to form an Active Transportation Advisory Partnership (ATAP). In 2 regional meetings, the ATAP formed a long-term regional vision for active transportation, plus the group came up with major goals and strategies to promote active transportation. Other groups in the region (such as Active

This Community Transformation Grant (CTG) will promote biking and walking as daily forms of transportation to improve health and quality of life in the Region.

Living Bemidji and county SHIP teams) assisted in giving local context and priorities to the regional plan.

An additional partner in the planning process has been the Minnesota Bicycle Alliance (Bike MN). The HRDC and Bike MN have joined forces to promote Bicycle Friendly Community (BFC) events in the towns of Blackduck, Park Rapids, and Baudette. These events help the active transportation plan by serving as encouragement events for biking, assessment tools for determining local strengths and needs, and launching points for communities to apply for BFC status. Currently, Park Rapids is applying for BFC status and Blackduck is organizing a bike and pedestrian group as a result of these events.

Through the work of the ATAP, Bike MN, and other local groups, the HRDC has produced two plans to guide active transportation regionally. The next step in the CTG planning process is to promote active transportation at the local level. CTG is designed to financially assist towns, counties, and organizations with additional planning and non-infrastructure projects promoting active transportation. In this way, a regional planning effort will give way to local projects for biking and walking over the next few years.

Active Living Hubbard County

Active Living Hubbard County (ALHC) is one example of planning for active transportation at a local level. From the beginning, the goals of ALHC have been to create a stronger partnership focused on active living and active transportation in and around Park Rapids. ALHC partnered with the city, SHIP, Bike MN, Itascatur, local engineers, and law enforcement to address bike and pedestrian issues. Through this partnership, the Park Rapids area will complete a BFC application for bike-friendly status, plus host a traffic safety course and bike workshop this summer.



There are two other outcomes that the ALHC partnership was instrumental in producing. First, with the help of ALHC members, the HRDC has created a guiding document for Park Rapids, outlining the top priorities for the area in making biking and walking safer and more accessible to all. Second, ALHC has planned for the installation of Park Rapids walking route signs, in an effort to promote daily exercise by marking safe loops to walk. With the help

Active Living Hubbard County (ALHC) is one example of planning for active transportation at a local level.

of city Planning, Public Works, and SHIP, the partnership hopes to have signs installed for people to use before the end of the year.

Boosting Walking and Biking to School in Bagley

During the Safe Routes To School (SRTS) solicitation in April 2012, the HRDC worked with the School District to complete an application for funding to complete a Safe Routes To School Plan which was chosen for funding.



The community assessment provided the context to the project and identified why children were not walking or biking to school. With Bagley, the main reasons children were not walking or biking to school was the safety of roadways and crossings. An additional hurdle was that 80% of all students are bused or dropped off by a parent. More children actually walked home from school than walked to school meaning parents were dropping their children off in the morning instead of letting them walk to school.

The Bagley Task Force determined several strategies including setting up a remote drop off site for school buses at Lomond Park which is a half mile away from both schools. This would allow children who rode the bus the benefits of walking to school. Another strategy is to work with MnDOT to improve crossing safety on the two major highways, MN Highway 92 and US Highway 2. In addition, several roadways were identified to improve walking and biking conditions including signage, sidewalk, or trails.

The Bagley School District has already gotten a jump on implementation this spring with the testing of the remote bus site in the park. On May 8th, children walked from both the Elementary School and the High School to meet the buses at Lomond Park. All went smoothly and the experiment has been labeled a success. The hope is that this remote drop off can be used for walking to school events in the future including this fall when the School District is looking at holding another event. Meanwhile, as the plan is being drafted, the HRDC will facilitate meetings between the School District and MnDOT to address concerns of crossing safety around the two schools. The future of walking and biking in Bagley is looking brighter!



The Bagley School District has already gotten a jump on implementation this spring with the testing of the remote bus site in the park.

Beltrami County Develops Approach to Preventing the Spread of Aquatic Invasive Species (AIS)

Beltrami County is fortunate to not have known infestations of aquatic invasive species (AIS). While counties to its east and south have experienced zebra mussels, Eurasian water milfoil and rusty crayfish, Beltrami County has an opportunity to focus its efforts on shielding its lakes from these and other invasive species.

With the Headwaters RDC's help, the County convened a working group to develop an approach for the County to shield its lakes from AIS. Along with its charge, the board gave the group some guidelines:

- *Encourage partnerships.* While the County has an important role, other organizations have needed expertise, funding and other resources. The County has over 300 lakes within its borders. The challenge cannot be met if this is the County's issue to the exclusion of other interests.
- *Acknowledge and support the role of DNR, others.* The DNR must play a central role in the shielding effort, including the provision of both funding and expertise. In addition, the Headwaters Science Center can be a valuable partner, as can the lakeshore associations and the Northwest Minnesota Foundation.
- *Hold the line on county staff increases.* The County has little interest in increasing its staff size, although it is open to having a short-term financial role.

With these guidelines, the working group developed an approach that takes advantage of local resources and fits the nature of the AIS threat for the County's surface waters. The approach calls for:

- *Short-term bridge funding from the County.*
- *The Headwaters Science Center to become the lead organization.*
- *A three pronged strategic approach on education, monitoring and decontamination.*

For more information on the County's approach, contact Bill Patnaude, Beltrami County Environmental Service Officer.



Eurasian water milfoil and zebra mussels are two invasive species that threaten Minnesota and other U.S. waterways.

...the working group developed an approach that takes advantage of local resources and fits the nature of the AIS threat for the County's surface waters.



Talent & Prosperity

Progress Park Rapids: Aligning Leadership on the Most Important Issues

The Headwaters RDC feels as strongly as ever that successful communities need to harness the energy and passion of their leaders, and work together on the toughest issues.

Progress Park Rapids continues to bring leaders together for a better future.

The group is working hard to get to the next level after having substantial past success. Part of this year included a re-boot of group priorities and the addition of new members. The new strategic agenda is as follows:



- Preserving and protect our natural resources
- Promoting education excellence,
- Investing in technology
- Cultivating sustainable leadership
- Increasing the quality of life
- Creating a healthy community
- Investing in arts and culture, and expanding economic opportunity

This work comes on top of past and ongoing efforts that have made a difference in the community. These activities included continuing efforts to revitalize downtown, the planning for a Center for the Arts at the Armory, participating in the Governor's Fishing Opener, and investing in new and emerging leadership.

With the help of these leaders the Park Rapids community continues to fight above its weight and provide a quality of life that is second to none. They are convinced their best days are ahead of them, and are committed to working collectively to create their future.

With the help of these leaders the Park Rapids community continues to fight above its weight and provide a quality of life that is second to none.

Strengthening the Community's Competitive Position

The Greater Bemidji Community has experienced tremendous growth over the last ten years. Despite being the regional center of Northern Minnesota, Bemidji still suffers from mixed internal and external perceptions that run the gamut from it being an up-and-coming city to a close-minded, unsophisticated town. Over the past year the Headwaters RDC along with a number of local partners came together with the intent of improving how Bemidji tells its story.

Small communities like Bemidji have rare opportunities to make an impression on the outside world. Often perception reinforces negative stereotypes or conveys inaccurate and outdated information. Because of this, the City determined that it need to do a better job at communicating “who” Bemidji is.



Branding is often mistakenly regarded as another word for marketing or advertising; however a brand should first and foremost be regarded as a strategic discipline, the central organizing principle that influences all community actions.

Developing a brand strategy leverages the features of the community and provides a relevant and deeper shared vision that influences actions.

The primary goal of this project is to develop a clear and consistent message about Bemidji that everyone can use to share information about our community. If successful, the Brand will make a powerful contribution to Bemidji's image by defining competitive advantage, uniting stakeholders and communicating the city's vitality and attractiveness.

In the near future Bemidji will unveil a new community brand that connects community's regional center amenities, amazing recreational opportunities and spirit of creativity and originality.

Developing a brand strategy leverages the features of the community and provides a relevant and deeper shared vision that influences actions.

HRFC – Impacting communities small and large

Headwaters Regional Finance Corporation continues to be a vital part of our economic development efforts providing financing through several loan funds. The primary RLF is funded through the Economic Development Administration. This revolving loan fund currently has \$2 million in principal outstanding among 24 active loans. In 2012 the HRDC was awarded \$77,000 through DEED for a new loan fund titled the Emerging Entrepreneurs Fund, targeting assistance to women and minority-owned businesses. This fund has one active loan. Also managed by the HRFC is the Federal monies, previously lent out to businesses for flood recovery and subsequently repaired efforts in the early 2000's. The funds have a balance of \$406,000 available for economic and community development projects. Leveraging the resources/partnerships in the region remains part of our mission, with such partnerships the HRFC has successfully aided in creating and retaining 811 jobs among the existing businesses in the portfolio and 3,940 through the EDA fund's 33 year history.

Headwaters Regional Finance Corporation continues to be a vital part of our economic development efforts providing financing through several loan funds.

New loans & commitments in fiscal year 2013:

Borrower/ applicant	Location	Purpose	Loan Amount
LaValley Industries, LLC	Bemidji	Working Capital	\$100,000 funded
Westrum, Inc.	Clearbrook	Carwash equipment	\$75,000 funded
Jeanette Proulx dba Minnesota Nice Café	Bemidji	Equipment & working capital	\$55,000 funded
Wayzata Bemidji Hospitality Associates	Bemidji	Equipment for South Shore hotel	\$350,000 committed
Greater Bemidji, Inc	Bagley	Land/planning costs for Bagley clinic building	\$250,000 committed

Highlighted Borrower - Jeanette Proulx/ Minnesota Nice Café



Across the street from Harmony Foods Coop (also an HRFC borrower) and next to the renowned Bemidji Woolen Mills, Minnesota Nice Café has found a new home.

Jeanette Proulx opened a café in downtown Bemidji in 2006 specializing in home cooking classics and personable service. Since opening revenues have steadily increased and income from catering has seen consistent growth as well. She has a loyal customer base despite some challenges with her current location, including limited seating and minimal parking. In an effort to continue to grow her business Jeanette identified a building for sale a few blocks away that would provide ample parking for customers and allow her to expand seating capacity.

Across the street from Harmony Foods Coop (also an HRFC borrower) and next to the renowned Bemidji Woolen Mills, Minnesota Nice Café has found a new home. The new restaurant will expand to offer dinners on Friday and Saturday nights, including offering beer and wine. In partnership with Riverwood Bank and Minnesota Business Finance, the HRFC is providing funding to the expansion for equipment and working capital needs through the newly created Emerging Entrepreneurs Fund. These RLF monies provided through Minnesota's Department of Employment and Economic Development were targeted to encourage banks to lend to small businesses with primary focus on assisting women and minority owned businesses. Jeannette anticipates being in her new location later this summer.

Preserving and Enhancing the Waters of the Dancing Sky Scenic Byway

Named for the Northern Lights that can often be seen dancing in the sky, the Waters of the Dancing Sky Scenic Byway is Minnesota's northernmost byway. This byway traverses 191 miles along Minnesota Trunk Highway 11 through lakes, the legendary lakes, rivers, forests, farmland, and several cities and small towns. The Headwaters RDC in partnership with the Region 1 and 3 RDC's and a steering committee made up of local leaders along the Byway, came together to develop a Corridor Management Plan (CMP) for the Byway. The goal of the plan developed is to protect and enhance the byway's intrinsic qualities and character that define their byway corridor. The plan identified recommendations for safety improvements, tourism promotion, responsibilities for implementation, and protecting and enhancing intrinsic values. These recommendations will be kept recent through the CMP and will be updated to provide a strong foundation to direct the Byway's future.



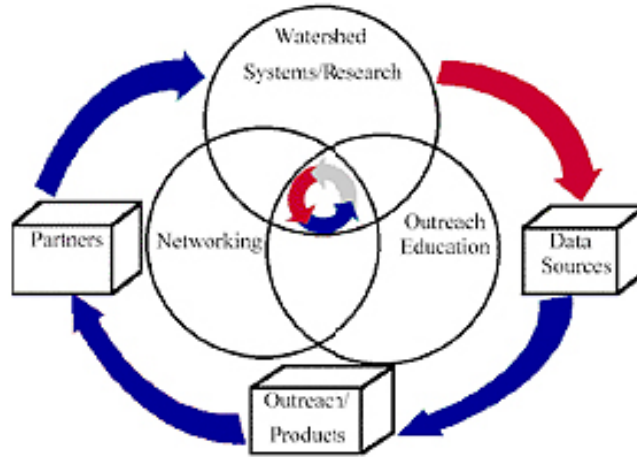
The goal of the plan developed is to protect and enhance the byway's intrinsic qualities and character that define their byway corridor.



Leveraging our most vital natural and economic resource

One of the region's most vital natural and economic resource assets are its lakes, rivers, and streams. Given their importance, there is a great deal of interest in protecting and understanding our water resources.

Over the last year the Headwaters RDC has been working with a group of Bemidji State faculty, staff, and other local partners to develop a plan for an applied research institute focused on surface water testing, research and data collection.



The “water institute” is envisioned to serve as a centralized place to discuss and concentrate on water research, technology, techniques and monitoring. Developing this opportunity will serve as means of protecting and improving our natural resources and also an economic engine for the Region through the development of new technology, the creation of jobs, and development of new businesses.

The primary focus to date has been on a market analysis of local water testing and research needs. This analysis was conducted primarily through meetings with local stakeholders, including County employees, soil and water boards, watershed boards, lake associations, and other key potential customers. In addition, primary data and case study analysis were also used. The market analysis will be the basis for the development of the rest of the development plan.

HRDC staff are very excited about the potential of this project. The initiative has already identified a number of emerging issues related to water, and work has begun on the next stage of planning for the institute. Stay tuned next year for a full update on this exciting project.

The “water institute” is envisioned to serve as a centralized place to discuss and concentrate on water research, technology, techniques and monitoring.



HEADWATERS

Regional Development Commission

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Governing the HRDC : Commission & Committees

Commission & Committees

HRDC Stewards: Board

Robert Aitken III - Leech Lake Reservation
 Kenneth Brein - Clearwater County Townships
 James Kochmann - Mahnomen County
 Joann Fredrickson - Higher Education
 Gary Gauldin - School Districts
 Kathy Grell - Business
 Tom Hanson - Lake of the Woods County
 Cal Johannsen - Hubbard County
 Ron Johnson - City of Bemidji
 Cal Larson - Clearwater County Small Cities
 Jim Lee - Mahnomen County Small Cities
 Jim Lucachick - Beltrami County

Daryl Lundberg - Beltrami County Small Cities
 Michael Meuers - Red Lake Reservation
 Pat Mikesh - Hubbard County Small Cities
 Kenneth Moorman - Lake of the Woods County
 Greg Nelson - Natural Resources
 Jean Nelson - Mahnomen County Townships
 John A. Nelson - Clearwater County
 Steve Newby - Labor
 John Pugleasa - School Districts
 Rick Rone - Lake of the Woods County Small Cities
 Duane Splittstoesser - Hubbard County Townships
 Dennis Zeto - Beltrami County Townships

Transportation Advisory Committee

Craig Collison	Bruce Hasbargen	Joe McKinnon	Dan Sauve'
Kent Ehrenstrom	Jonathan Large	Ken Moorman	Shiloh Wahl
Tim Erickson	Greg Larson	David Olsonawski	Dan Walker
Craig Gray	Jim Lucachick	John Peterick	

Headwaters Housing Development Corporation

Ray Melander, President	Rick Rone, Treasurer
Jim Kochmann, VP	John Nelson
Joe Vene, Secretary	

Headwaters Regional Finance Corporation

Louella Fraser*	Rick Rone, Chair*
Joann Fredrickson	Roger Stewart*
Bruce Meade*	Cliff Tweedale*
Ken Raw, Treasurer*	Joe Vene, Secretary
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*Loan Committee



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Governing the HRDC : Staff

Our Staff Team

The HRDC staff team consists of twelve professionals with extensive experience in a wide variety of planning and development areas, including economic development, community development, housing, transportation, land use planning, recreation, natural resources, environmental protection, and business financing. Staff work on dozens of projects each year to help communities, cities, counties, school districts, townships, businesses and other customers address their most critical issues. Present staff of the HRDC include:



Aaron Chirpich
Development Specialist
achirpich@hrdc.org
218-333-6536

Aaron joined the HRDC staff in March 2007. Aaron provides a variety of development assistance, focusing mainly on housing. Aaron manages the Headwaters Housing Development Corporation (HHDC) and its activities.



Nikki Clancy
Administrative Support Specialist
nclancy@hrdc.org
218-333-6544

Nikki joined the HRDC in May 2010 as a full-time permanent position. Nikki conducts bookkeeping services for the organization. She also provides receptionist and secretarial work.



Tiffany Fettig
Business Loan Consultant
tfettig@hrdc.org
218-333-6534

Tiffany joined the HRDC as a consultant in early 2006. Tiffany manages the Headwaters Regional Finance Corporation (HRFC) and its Revolving Loan Fund.



Tim Flathers
Executive Director
tflathers@hrdc.org
218-333-6532

Tim has been with the HRDC since 1983. After serving as Community Development Planner/Director for thirty years, Tim became Executive Director on July 1 of this year. Tim will continue his involvement in housing and community development activities.



Marcus Grubbs
Development Specialist
mgrubbs@hrdc.org
218-333-6533

Marcus joined the HRDC staff in January 2012. He works on a variety of community development and planning activities. Marcus's professional passion is to help communities encourage long-term vitality.



Jackie Meixner
Financial Analyst
jmeixner@hrdc.org
218-333-6530

Jackie has been with the HRDC since early 2006. Jackie packages loan financing for our home sales as well as markets and processes a number of additional loan pools we have available. Jackie also manages our external contracts and provides financial counseling to individuals throughout our Region.



Josh Pearson
Development Specialist
jpearson@hrdc.org
218-333-6531

Josh joined the HRDC staff in February 2012. Josh provides a variety of assistance in transportation planning, community development, and active living programs. His interests include sustainable development and smart growth.



Andrew Roiger
Accounting Support Specialist
aroiger@hrdc.org
218-333-6535

Andrew joined the HRDC in the fall of 2012. He is responsible for accounts payable and receivable, bookkeeping and clerical work. He also assists in funding reporting and fiscal year closing documents.



Mary Thompson
Operations Director
mthompson@hrdc.org
218-333-6537

Mary has been with the HRDC since 1992. Mary is responsible for the administrative management of the HRDC, the Headwaters Housing Development Corporation (HHDC) and the Headwaters Regional Finance Corporation (HRFC) as well as the accounting, financial and grants management for all three entities. Mary also assists in housing development and homebuyer education and counseling.



Kurt Wayne
Development Specialist
kwayne@hrdc.org
218-333-6539

Kurt joined the HRDC in December of 2012. He has a background in many community planning topics, but his highest interests are developing complete transportation networks and improving community design.



April Wedin

Administrative Support Specialist

awedin@hrdc.org

218-333-6542

April joined the HRDC in 2009. April focuses her time on receptionist and secretarial work.



Ryan Zemek

Development Specialist

rzemek@hrdc.org

218-333-6541

Ryan started working for the HRDC as an intern during the summer of 2008. Ryan began full-time status in September 2008. Ryan provides a range of development assistance, focusing most heavily on economic development.