



## *Gonvick Upgrades its Wastewater Treatment System*



After struggling for more than a decade to respond to a critical need for wastewater treatment improvements, the City of Gonvick has now nearly completed one of its most important community development projects. The original system was built in 1969 and was in need of significant repairs. With the assistance of Wenck and Associates, a consulting engineer, the City was able to design a suitable system and secure the resources required to make construction affordable for City residents.

Gonvick was able to secure a \$780,000 grant and a \$438,000 loan from USDA Rural Development. The Minnesota Department of Employment and Economic Development (DEED) provided a grant of \$600,000 to fill the funding gap and make the project financially feasible.

The project will allow the City to comply with Minnesota Department of Health standards and protect the environment for years to come. HRDC staff administered the Small Cities Development Program grant provided by DEED.

HRDC has been involved in a number of SCDP funded initiative over the past year.

*“This is a project that really had to be done for the future of Gonvick. We appreciate the help of all of our partners including Wenck and Associates, who designed the system and helped us access the resources to make the project financially feasible. I’d also like to thank USDA Rural Development and DEED for providing the \$1.25 million in grants and loan financing that we truly needed. Finally, I’d like to acknowledge the assistance provided by the HRDC in administration of the Small Cities Development Program funds in a manner that kept the City compliant with all of the federal requirements. With the completion of this project the City will now have the ability to comply with state and federal effluent standards for years to come.”*



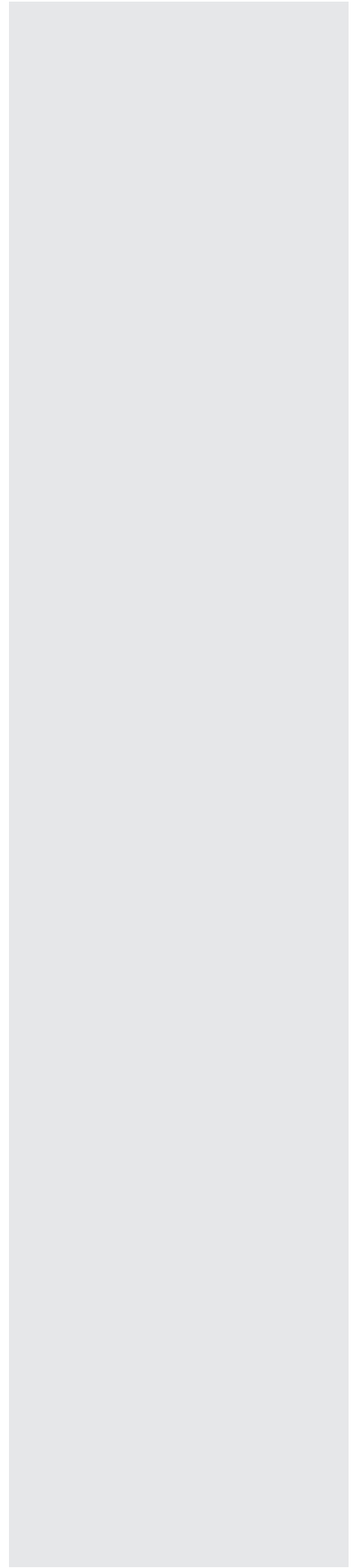
*-Lauris Krogstad, Mayor*



Old treatment plant site.



New treatment facility.







### Chair/ED Comments

#### *Chairman's Letter - Rick Rone*



Once again, I have appreciated the opportunity to serve the Region as Chairman of the Headwaters Regional Development Commission. We had both an interesting and successful year as we met existing needs and positioned the Region for a brighter future. Summaries of several of these initiatives are highlighted in this report.

I'd like to thank the HRDC Commissioners for providing strong leadership and support for the organization. I'd also like to thank the entire staff for bringing the passion, positive energy and commitment to making the Headwaters Region a great place to live.

I look forward to working with both Board and staff in the upcoming year as we continue to make a difference in the communities we serve.

#### *From the Executive Director - Tim Flathers*



First, I'd like to thank the Commission for providing the leadership and support necessary to help the organization to have a successful year. I'd also like to thank the staff team for demonstrating their commitment to connect with customers and find opportunities to address needs throughout the entire Region. Our organizational values indicate that we will be "intentional, strategic and effective."

*"I'd like to thank the HRDC Commissioners for providing strong leadership and support for the organization."*

*"On behalf of the entire staff, we look forward to serving customers throughout the Region in the upcoming year!"*

As you review articles in this report you'll notice a variety of initiatives that address immediate needs, such as housing rehabilitation activities in every county in the Region. You'll also see a description of several longer term positioning efforts such as Impact 20/20, a collaborative project spearheaded by the Northwest Minnesota Foundation and several regional partners.

On behalf of the entire staff, we look forward to serving customers throughout the Region in the upcoming year!

## ***Successful Communities Challenge Fund: A Resource for the Region***

The Successful Communities Challenge Fund, a restricted fund of the Headwaters Regional Development Commission, housed at the Northwest Minnesota Foundation provides a match resource for Communities in the Headwaters Region. The purpose of the fund is to serve as a catalyst and financial resource for communities within the region to take action or implement specific initiatives on the most critical issues they face in creating a better future for their community.

The Commission exists to help our communities and our Region, as a whole, be successful. This is our core mission and core value. Everything we do is focused on creating that success. Our services and activities are a function of our skills, competencies and those needs communities have as they strive to be successful. Sometimes the barrier to success is the availability of local resources to move forward on those most critical issues.

In many cases, communities will turn to various government or foundation grant opportunities, which are invaluable, but also generally require a local contribution as match. This is where the Successful Communities Challenge Fund comes in. The Fund provides a resource that communities can use as a local match for funding applications to enable local projects the resources to move forward. The fund was established in 2006 with a contribution from the Commission. The guidelines of the fund require that it shall primarily finance work conducted by the Commission, however, grants may be made from the fund to other qualifying entities if their work directly supports the Commission's efforts on behalf of a Community.

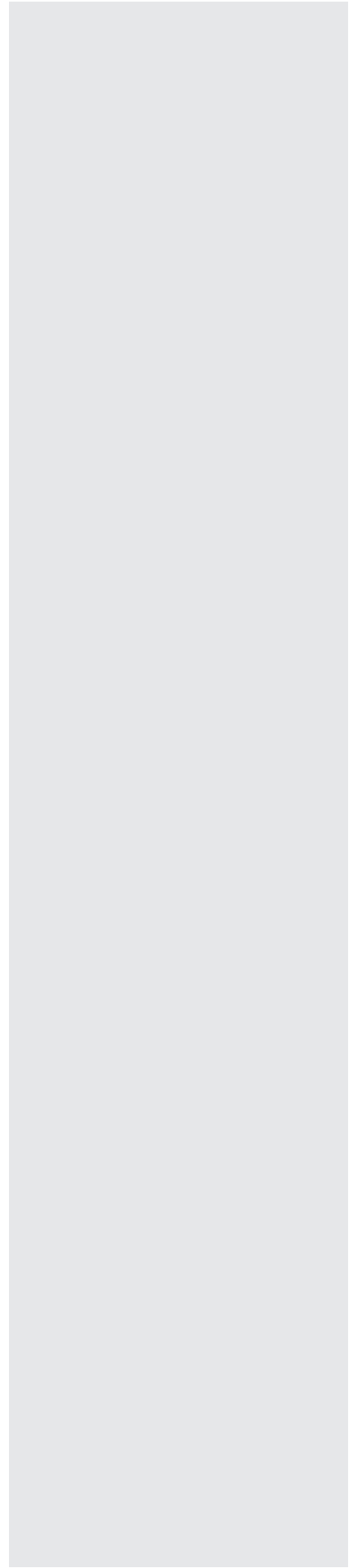
Communities may access up to 50% of the required local match (up to \$10,000 for each project) for work to be undertaken by the Commission under contract. Some of the most recent projects that have received contributions from the Fund include: Park Rapids Community Student Success Initiative; Beltrami County Housing

***“The Northwest Minnesota Foundation is proud to partner with HRDC in support of their Successful Communities Challenge Fund. The purpose of the fund aligns perfectly with our own Quality of Place strategies in helping to make the region a better place to live and work.”***

***- Lisa Peterson,  
Development Officer,  
NWMF***

Study and Action Plan; Bemidji Rail Corridor Reuse Study; Bagley Land Use Planning; Beltrami County Mobile Home Replacement Project; Kelliher Biomass Initiative; and, Mahnomen Leadership Council. To date, 36 projects have received \$195,000 of funding, which has been leveraged into \$929,030 of project resources for the Communities in the Headwaters Region. Each of these projects represented a critical issue for the Community involved and it allowed the Commission to meet its mission by helping our Communities be successful.

The primary contributor to the Successful Communities Challenge Fund has historically been the Commission. However, the Fund is open to receive funds from any individual or organization passionate about creating a better future for their community. For more information about the Successful Communities Challenge Fund contact Tim Flathers or Mary Thompson.





## *Livable Communities*

### **Headwaters Region Utilizes Small Cities Development Program to Improve Communities**

The Small Cities Development Program is administered by the Minnesota Department of Employment and Economic Development (DEED). DEED awards HUD community development block grant 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*

In 2012 the City of Bagley was awarded \$331,200 to complete 12 owner-occupied housing rehabilitation projects in a target area within the City. HRDC staff prepared the application for the City of Bagley. The City of Bagley has also contracted with the Headwaters RDC to administer their award. To date, we have assisted nine households with \$189,217. We continue to solicit applications from eligible households within the target area.



House Before



House After

*“We couldn’t be more happy with the work done on our home. Everyone involved was so friendly, professional – EXCELLENT! Thank you!”*

*– Bagley SCDP participant*



### *City of Gonvick*

As noted on the cover page, the City of Gonvick was awarded \$600,000 in SCDP funds, which they paired with an award they received from USDA-Rural Development to bring their waste water treatment facility into compliance with EPA regulations. The City of Gonvick contracted with the Headwaters RDC to administer their SCDP award. The work on the waste water treatment facility is nearly completed!

### *City of Mahnomen*

The City of Mahnomen was recently awarded \$552,000 in SCDP funds! The funds are to be used to rehabilitate 6 commercial buildings and 12 owner occupied homes. The City of Mahnomen has contracted with the Headwaters RDC to administer their SCDP award. Staff are in the process of completing the early requirements of the award, including an Environmental Assessment. It is anticipated that we will begin accepting full applications from business owners and home owners by late summer. HRDC staff developed the grant application for the City of Mahnomen.

### *City of Akeley*

The City of Akeley was recently awarded \$345,000 in SCDP funds! The funds are to be used to rehabilitate 15 owner occupied homes. The City of Akeley has contracted with the Headwaters RDC to administer their award. Similar to the Mahnomen award, staff are currently working to complete the early requirements of the award and anticipate accepting full applications from home owners by late summer.

### *Future Initiatives*

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!

## **HRDC Introduces Region to MN Housing's Rehabilitation Programs**

In the spring of 2012, the Headwaters RDC entered into an agreement with MN Housing to administer their Rehabilitation Loan Program (RLP). This program provides up to \$27,000 in deferred financing to make necessary improvements to owner-occupied homes. To date, the Headwaters RDC has funded four loans for a total of \$93,557 through this program. The Headwaters RDC has also funded four emergency loans through the Emergency Loan

Program for a total of \$28,526. RLP is an ongoing program and we are continually accepting applications for both the regular RLP and the Emergency Loan Program.

In addition to the Rehabilitation Loan Program, the Headwaters RDC is now an approved Fix Up Lender. The Fix Up program provides rehabilitation funds to households with a higher income than the Rehabilitation Loan Program serves. There are a variety of loan options available through the Fix-Up Fund that borrowers will have the ability to choose from. To date, the Headwaters RDC has funded three Fix Up loans for a total of \$21,998.

In 2014 the Headwaters RDC was also awarded Targeted Home Improvement Pilot (THIP) funds from Minnesota Housing. THIP funds are used to write down the interest rate on Fix Up loans to as low as 1%, based on household income. The THIP funds are currently segregated by each county in the Region. The hope is that we can serve at least one household in each county with the THIP funds. To date the Headwaters RDC has funded one loan for a total of \$15,245.95 using the THIP funds.

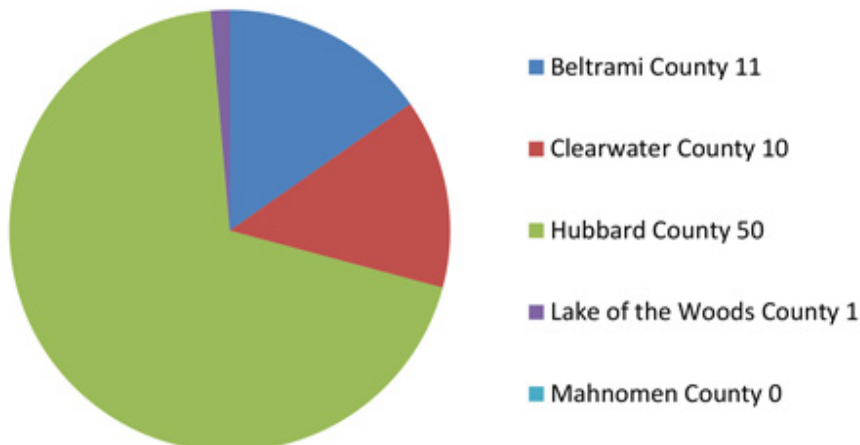
**Impact of Owner Occupied Rehab Throughout Headwaters Region**

Program	Households Served	Financing Provided
Rehabilitation Loan Program (RLP)*	4	\$93,557.54
Emergency Loan Program (ELP)*	4	\$28,526.62
Fix Up*	3	\$21,998.10
THIP Fix Up*	1	\$15,245.95
Bagley SCDP Award	9	\$189,217.00
Beltrami HRA In-House Rehab	1	\$6,066.35
Hubbard HRA RLP*	6	\$133,269.34
Hubbard HRA ELP**	9	\$92,165.35
Hubbard HRA GMHF	31	\$210,401.49
Hubbard HRA MHFA CRV	4	\$40,000.00
Grand Total	72	\$830,447.74

\*Includes numbers served since 2012

\*\*Includes numbers served since 2010

**Number of Units Per County**





## Beltrami County HRA Activities

HRDC has provided staff support to the Beltrami County HRA since 1999. Since that time, the HRA has played an active role in several different housing related initiatives, including but not limited to construction of new single family homes, rehabilitation of substandard housing units, and the development of Conifer Estates.

### Beltrami County HRA Mobile Home Replacement Pilot Project

Through the owner-occupied rehabilitation work that Headwaters RDC staff does on behalf of all our entities, we began to recognize that there are some housing units that cannot and should not be rehabilitated through existing programs. Most of the homes that fall into this classification are mobile homes. These homes are in such disrepair that they cannot be rehabilitated to meet Housing Quality Standards within the funding limitations of various owner occupied rehabilitation programs. Staff of the Headwaters RDC began looking for opportunities to still assist the households living in these homes without sending good money after bad.

As a response to this need, the Beltrami County HRA Board initiated a Mobile Home Replacement Pilot project. The Northwest Minnesota Foundation provided funding for the planning phase of the Pilot. The Pilot project is in its very early stages; however, the intention is to create an Initiative that can be replicated throughout the Region.



### Funds to Preserve Existing 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. To date one loan has been funded from this program for a total of \$6,066.35. We expect the program to be quite popular over the coming year.



## **Beltrami County HRA Continues to Support Home Purchases**

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 May 2013, the Beltrami HRA funded 11 loans and provided over \$61,219 in assistance!

## **Single Family New Construction**

The Beltrami County HRA recently decided to build single family homes to sell to low income households! This is an initiative that the HRA was involved in several years ago; however, when the housing market bottomed out, the HRA stopped building single family homes. With the housing market making a comeback, the Beltrami County HRA recognized that there is a niche of potential home buyers that is not being served by the current housing stock for sale on the market. The HRA is currently working on developing the first single family home through this initiative. The home will be located in Lincoln South, behind the Sanford Center. The goal is to be able to sell the home for \$145,000 or less to an income eligible household.

## Hubbard County HRA Meets a Variety of Housing Needs

HRDC has provided staff support to the Hubbard County HRA since 2009. 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 continues to work to stabilize the home sale market in a post housing bubble environment. The Hubbard HRA has purchased two single family houses utilizing loan funds provided by the Greater Minnesota Housing Fund. Both houses were rehabilitated and are for sale to low-to-moderate income 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.

### 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 2 loans through this program since October 2013 at a total cost of over \$26,653. The HRA is also an approved lender for the MN Housing Emergency Loan Program.

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. To date, two households have been assisted with \$14,326 in rehabilitation funds from this new award.

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 intent is to recycle funds in order to support additional lending activity in the long term.

MN Housing recently awarded the Hubbard HRA \$40,000 to complete owner-occupied rehabilitation through their Impact Fund (formerly CRV). Four households were assisted with this award.

*“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*



## **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!

## **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. Two loans have been closed to date with a total assistance of \$12,000. 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.

## **Headwaters RDC Becomes a HUD Approved Counseling Agency**

In January 2014, the Headwaters RDC became a HUD approved counseling agency. This provides us with extra support to provide one-on-one financial coaching sessions for individuals with a wide variety of housing issues. Items covered in these coaching sessions will include helping repair their credit for the purpose of buying a home, identifying other barriers to successful homeownership and creating an action plan to address those barriers. The HRDC applied through the Minnesota Home Ownership Center to HUD for extra funding to support these efforts. The HRDC is the only HUD approved counseling agency in the Headwaters Region.

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 success of many households.

## Homestretch

With the funding that we receive from Minnesota Housing Finance Agency through the Minnesota Home Ownership Center, we are able to provide a fun interactive class that is called Homestretch. Homestretch is a seven step process that is designed to assist individuals throughout 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 HRDC offers classes on a monthly basis. Individuals who are unable to attend the class in person can take it from the comfort of their own homes through Framework which is offered online. You can sign up for Framework through our website [www.hrdc.org](http://www.hrdc.org). The HRDC has provided 40 households in fiscal year 2014 with the homestretch class.

## Pre-Purchase Coaching

Throughout our Region we also offer pre-purchase coaching. Coaching consists of one on one sessions with a certified professional to help individuals prepare for the home buying process. Topics include budgeting, reviewing credit reports, correcting potential errors in those reports and mortgage qualification. Nikki Clancy is available to assist through the entire process of buying a home. The HRDC has served 50 individuals in fiscal year 2014 through pre-purchase coaching.

Studies have shown that individuals that participate in pre-purchase education and/or coaching are 34% less likely to experience delinquency, which can lead to foreclosure. As a commitment to successful home ownership, the HRDC provides these services to households throughout the Headwaters Region through funding provided under the Homebuyer Education Counseling and Training (HECAT) grant program. This program is funded on a competitive basis each year with funds supplied by Minnesota Housing Finance Agency, Minnesota Home Ownership Center, Greater Minnesota Housing Fund and Family Housing Fund. Local support is provided by Beltrami County HRA, Headwaters Housing Development Corporation and Hubbard County HRA.



*“I think it would be a good idea for any first time home buyer to make this class the first step of the process.”*

*- Homestretch Participant*



## Bringing Down the House(s), Acquisition Demolition Takes Off!

This was an exciting year for the acquisition demolition initiative in Bemidji. After completing a planning process with funding from the Minnesota Housing Partnership and Northwest Minnesota Foundation we were able to begin the implementation phase of this program. So far we have razed six units in one of the oldest core neighborhoods of Bemidji.

The first three houses were torn down late in the summer of 2013. These homes were bank owned “foreclosures” held by First National Bank of Bemidji. 1st National took a substantial loss in the transfer of these properties because they believe in the program concept and outcome. The City of Bemidji stepped up huge and provided \$12,000 to pay for the demolition and debris removal of these units as they also saw the potential long term benefits of the initiative. And finally, Northwoods Habitat for Humanity came through as the back end partner to develop the three newly created vacant lots. In June 2014, Habitat started construction on the first of the lots and has plans to finish a second home later in the summer. This partnership was a tremendous way to kick this program off and we could not be more proud of the collaboration. All partners deserve a great deal of credit for their contribution to the effort.

The second wave of demolitions came early this spring with three more homes being razed as a result of a partnership with Bi-Cap and the City of Bemidji. Once again the City stepped up and provided \$22,500 for the demolition and debris removal. Bi-Cap will be the back end partner and utilize their Youth Build program to build affordable housing on the new lots. When the dust settles we will have removed six dilapidated and blighted structures from the City and replaced them with brand new affordable housing.



Groundbreaking ceremony for the first Habitat project on the newly created lots, June 2014.

*“We’ve struggled in the past to find lots to build on, when this package came up we were like ‘Wow this is a great opportunity for us.’”*

*- Geri Hickerson,  
Northwoods Habitat for  
Humanity Executive  
Director*



## High School Carpentry Program Continues to Impress!

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 flourish.

The students built the same two floor plans as the previous year with some minor adjustments. We welcome feedback from the students and our customers so we can keep evolving our home designs to make them better. We feel confident in our two primary base plans that have been working well for us.

Support for the building trades program continues to grow as our nation is reemphasizing the importance of a skilled workforce as construction activity is starting to surge once again. The partnership with the High School is one way that we can engage in that conversation and help the effort. There is no better “lab environment” in our opinion than what is provided with the site built home. Students are learning real skills that can inspire their future careers. This partnership will continue with the construction of two homes in the same location for the 2014-2015 school years. Come check us out!



Exterior fo 1240 Averi Circle, built by the High School.



Interior fo 1240 Averi Circle, built by the High School.

*“The High School Carpentry Program is something that the HHDC is very proud of. I am blown away every year with the quality of construction and inspired by the passion of the students and instructor.”*

*- Aaron Chirpich,  
HRDC Development  
Director*

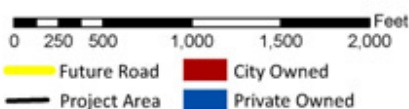
## Rail Corridor Redevelopment Project Kicks Off

The City of Bemidji owns approximately 20 acres of land that was a former rail corridor between Lake Irving and downtown Bemidji. The City would like to entice private sector redevelopment of the site. However, given its history and other unique characteristics of the site itself, it would be considered a Brownfield and would not be attractive to developers without some planning, information gathering, incentive packaging, and marketing. The HRDC and Greater Bemidji have partnered to complete a planning project that will produce a redevelopment plan for the rail corridor that includes not only City owned land, but also other available adjacent parcels. A successful project will lay the foundation for long-term redevelopment of the rail corridor site. By redeveloping the site, the City will be increasing tax base through new housing and commercial development.



View of downtown Bemidji and Rail Corridor.

### Rail Corridor Redevelopment Project



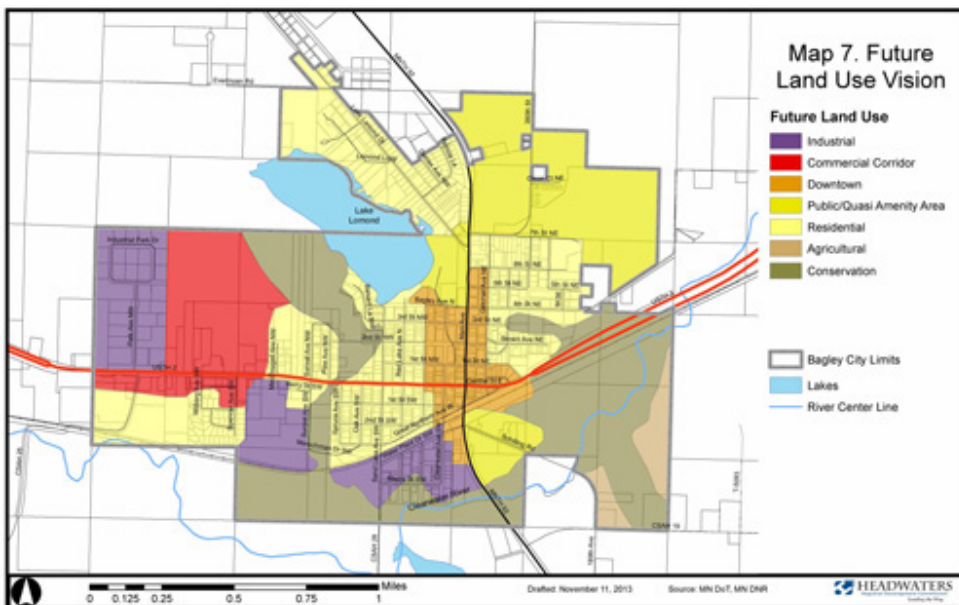
## Bagley Land Use Plan and Zoning Ordinance Update

As HRDC staff was providing assistance to Bagley on a local zoning issue it was discovered that the City's Land Use Plan was more than thirty years old and not consistent with contemporary policy direction of the Council. With financial assistance from the Northwest Minnesota Foundation the City contracted with the HRDC to help them complete a new Land Use Plan and amend the Zoning Ordinance in order to influence development in a manner consistent the current environment in which they work.

During the winter of 2013-14, HRDC staff reached out to the community to get input and develop a future land use vision for the City. The HRDC invited the public at-large to participate, but also met with specific groups, like the Planning Commission, the Chamber and the Lions. Community members were concerned about the need for quality housing, creating land use regulations that are conducive to businesses, and opportunities to walk and bike in town.

After developing a Land Use Plan and vision for future land use the HRDC worked closely with the Planning Commission to review and revise their existing Zoning Ordinance. The Zoning Ordinance needed to be effective at creating the future vision, but also fair to community members. Most importantly, it had to be something the Planning Commission can effectively enforce.

By the spring of 2014, HRDC staff were able to help the City adopt both their new Land Use Plan and their Zoning Ordinance. See the new City of Bagley Future Land Use map below. Much of this reflects what is now, but more importantly reflects the development trends that the community sees happening and what they would like to see going forward.





## Turning Up the Heat on the Wood Products Industry: Woody Biomass for Thermal Energy

Forestry, logging, and milling are basic industries in the Headwaters Region—that is, these industries bring wealth and jobs to the Region. With numerous small mills, a few larger operations like Potlatch and Norboard, and a long history of logging in our communities, we all know someone whose livelihood is dependent on healthy forests and a lively forestry industry. Unfortunately, the recent housing crisis and the digital age have impacted the demand for wood products like lumber and reduced the markets available for milling and logging residues that have long been used to make paper or orientated-strand-board.

The HRDC has been working to develop markets for logging and milling residues, chiefly as a clean, reliable, local, and renewable source of heat. We have been working with communities like Blackduck and Kelliher to explore wood heating options. The timing of this effort has been tremendous, with an increase in propane prices last winter and a decrease in markets for wood residues, we have found a real opportunity in our communities to use advanced wood combustion technology for heating.

We have not been working alone. Numerous partners are working locally—Greater Bemidji and Bemidji State University—while a team of stakeholders is working statewide as the Statewide Wood Energy Team (SWET). The HRDC is working as the Northwestern Minnesota Regional SWET Manager to help coordinate our SWET partners—the MN Department of Natural Resources, the Agricultural Utilization Research Institute, the Natural Resource Research Institute, the Clean Energy Resource Teams, and the University of Minnesota Forestry, to name only a few—to bring expert resources and grant dollars to local institutions and businesses to explore the use of advanced wood combustion for heating applications.

Wood energy is a great example of where the HRDC has been able to apply our strengths to help promote an effort that can positively impact the economic, environmental, and social qualities of life in our Region and beyond. See an advanced wood combustion system below. This system is installed in Hackansack, MN at the Deep Portage Learning Center.

They use it to burn cord wood, but it can also burn wood chips or wood pellets. The Deep Portage Learning Center saves 10's of thousands of dollars every year, allowing them to offer more scholarship money to their students.



## Public Safety Communications in Northwestern Minnesota

The Headwaters Regional Development Commission (HRDC) has been working with the Northwest Regional Radio Board (NWRRB) for several years. The HRDC provides the NWRRB with a package of services that include: grant management, strategic planning, organizational development, board and committee management, and administrative functions. Simply put, we help the NWRRB make sure their train is on the right set of tracks, has the right passengers, and is moving forward.

The NWRRB is comprised of the 14 Northwestern Minnesota Counties, the City of Moorhead, and the White Earth Tribe. It is the structure through which the State of Minnesota works with local stakeholders to develop, maintain, and operate public safety communications systems. The regional radio board structure was born out of federal mandates to bring public safety communications technology into the 21st Century.

The Board is soon changing their name and structure to the Northwest Regional Emergency Communications Board (NWECEB) to meet the new technological evolution in public safety communications—the development of a nation-wide public safety wireless broadband network. This new network will bring the functionality of mobile applications to public safety personnel.

We are excited to continue serving the soon-to-be NWECEB. It is a great opportunity to connect with the entire Northwest Region of the State by providing local emergency personnel the tools necessary to safely serve the citizens of the Region.

## Transportation Reaches a Higher Gear

2013 and 2014 have been busy years for transportation work at the HRDC. Our organization advised MNDOT Districts 2 and 4 on trail project selections and on planning future reconstruction projects. We connected local engineers and staff to planning projects both local and statewide. We even conducted regional mileage verification and are starting a functional classification project for MNDOT!

These are the core duties in transportation planning at the HRDC, but the real progress in our region lies elsewhere. Due to recent partnerships between the Minnesota Department of Health and MNDOT, the HRDC has made significant progress this year in promoting transportation as physical activity. Many elected officials and residents in our region are pressing for safer and more

convenient biking and walking as viable modes of transportation, and the HRDC is responding.

## Nice Ride MN

In 2013, Nice Ride Minnesota made the decision to bring their bike sharing system to Bemidji from the Twin Cities. Nice Ride's mission is to provide an easy and affordable biking option for visitors and residents alike, and the HRDC was happy to help. Since that time, the HRDC has been assisting Nice Ride in a number of areas, including securing funding, working with the city council, reaching out to local partners, and providing input on how the bike system can work.

As Nice Ride prepared to launch the system, they and Bemidji recognized a need for more bicycle signage around the lake and bike parking downtown. Our organization took the lead on quickly planning and implementing these improvements. The HRDC is working with the City of Bemidji and Nice Ride to implement more bike parking and way finding signage in preparation for more bicycles on our roads and trails. Expect to see these improvements in Bemidji in the coming weeks.



*“As a meeting facilitator, Kurt encouraged input from all the participants and showed he valued different perspectives. I left the meeting feeling like my contributions were important.”*

*– Melinda Neville, Nice Ride Bemidji*

## Bike Bemidji

Early in 2014, a group of advocates in Bemidji decided to host an event to further promote bicycling as a healthy, everyday activity. They hosted Bike Bemidji: Loop the Lake Festival on June 21st this year, which was a casual, organized ride around Lake Bemidji. The event promoted biking as an easy way to stay active as well as promoting local businesses and attractions to a larger audience of people. The HRDC played an active role in the development of this event through planning, mapping, coordination, and accounting for the committee. This is the first time this encouragement event has taken place in Bemidji, and the steering committee hopes that it becomes an annual celebration of biking and our region.

## Regional work with SHIP

Not all of the HRDC's work in active transportation was focused on Bemidji in the past year. Our organization partnered closely with the Statewide Health Improvement Program in a number of



communities. In Baudette, SHIP and the HRDC worked closely to complete a Bicycle Friendly Community Application and analyze the “bikeability” of the town. In Park Rapids, the HRDC and SHIP are supporting complete streets initiatives and providing bike education for adults. Region-wide, the HRDC is assisting local SHIP teams on active living decisions, including where and how to add bike parking and with advice on encouragement and educational opportunities.

## Safe Routes to School

The cities of Blackduck and Kelliher benefitted from Safe Routes to School planning work in the past 12 months. The purpose of this program is to create safe ways for students to walk or bike to school, including encouragement, safety campaigns, and better streets and sidewalks. For each school district, the HRDC facilitated input from teachers, parents, city staff, and others on what would work best to create safer routes in their communities. Using this input and data collected on walking and biking, the HRDC compiled plans for both communities to promote physical activity for children.



## What’s happening next year for transportation at the HRDC?

- A new Safe Routes to School plan in Park Rapids, and an update to a plan in Bemidji.
- Follow-up with school districts on implementing Safe Routes strategies
- Integrating our transportation needs better with MNDOT’s needs and funding sources
- A Blackduck Sidewalks and Trails Planning process
- Continuing to help local engineers and public works with their transportation needs
- Scenic Byways planning updates for three different byway groups
- Other projects as the need arises

*“I enjoy working with the HRDC. Without the HRDC, we would have difficulty knowing where to go to get many of our activities [in active transportation] done. Helping to connect MNDOT, county engineers, and public health is no easy task, but you are doing it. Thanks for all you do.”*

*- Donna Schroeder,  
North Country SHIP  
Coordinator*

*“We found working with the HRDC to be a very positive experience. Kurt led the process by helping us brainstorm solutions and collaborating in ways that would not have been possible without his facilitation and input.”*

*– Tim Lutz, Kelliher  
School Superintendent*



# HEADWATERS

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## ANNUAL REPORT 2014

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Program Areas : Talent & Prosperity

## *Talent & Prosperity*

### **IMPACT 20/20 Continues to Develop Community-School Partnerships**



## IMPACT 20/20

Growing Tomorrow's Economy

IMPACT 20/20 is a 12 county regional leadership initiative, championed by the Northwest Minnesota Foundation (NMF). The agenda for IMPACT 20/20 is set by its Leadership Council, an influential group of northwest Minnesota decision makers representing diverse interests and working together for the region's economic success. To accomplish its goals, IMPACT 20/20 has created smaller task forces, each of which is charged with implementing one of IMPACT 20/20's principal goals.

Over the course of the last four years, the HRDC has partnered with the IMPACT 20/20 Education Taskforce to develop pilot projects in eight northwest Minnesota communities. The education taskforce has chosen to focus on college and career readiness in an effort to develop a pool of talent that is sufficient to meet the region's needs. While there is no shortage of challenges, IMPACT 20/20's education taskforce has designed an approach that promises to provide a solution.

Over the past year working with the education taskforce, the Headwaters RDC has aimed its efforts on generating pilot efforts in the school/communities of Bagley and Blackduck. While in various stages of development, each effort is crafted to address the unique circumstances and take advantage of the special strengths in each community.

To help students make decisions and begin to plan for their future, the Blackduck High School is developing an initiative that will

connect students with local businesses and organizations with short-term mentoring/job shadowing experiences. This will provide an opportunity for students to learn more about careers they have interest in.

The Bagley School District will be implementing Ramp Up to Readiness programming during the 2014-15 school year. Ramp Up to Readiness is a school-wide guidance program designed to increase the number and diversity of students who graduate from high school with the knowledge, skills, and habits necessary for success in a high-quality college program. The Bagley School District anticipates that an IMPACT 20/20 pilot, focusing on linking outside the classroom experiences that reinforce the lessons learned in Ramp Up, would be very valuable.

## **Armory Square: A game changer in Park Rapids**

Thanks to the hard work of a number of committed community members, in May 2014, the Minnesota Legislature allocated funds to the redevelopment of the Park Rapids Armory in the State Bonding Bill. With redevelopment resources in place and a talented and passionate board of directors, the Upper Mississippi Center for the Arts (UMCA) is on its way to providing the Park Rapids Lakes Region a centralized location to grow the capacity of local arts groups and host events and conferences.

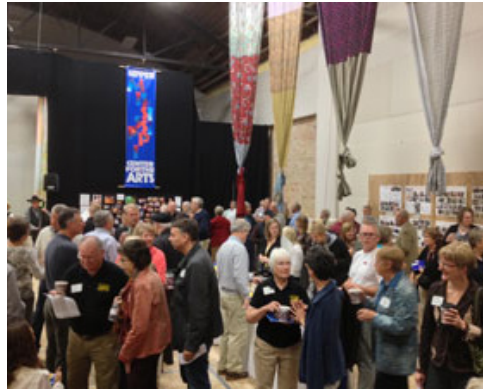


The Park Rapids Armory is located in downtown Park Rapids, at the crossroads of Park Avenue and Second Street. The former National Guard Armory building was constructed in 1922, and an annex building was added on in 1941. The building was in use until 1992, at which time the State closed several armory locations including the one in Park Rapids.

*By its very nature and location, Armory Square provides a rare opportunity to create a very special place in Northern Minnesota, a true community art center that provides art experiences, teaching, and learning about the arts.*



Over the past year, stakeholders from the Park Rapids Area representing various arts groups, the City, and business went through a series of discussions on the potential for redeveloping the former National Guard Armory into a center for the arts. By its very nature and location, Armory Square provides a rare opportunity to create a very special place in Northern Minnesota, a true community art center that provides art experiences, teaching, and learning about the arts.



HRDC staff worked with stakeholders to create a development proposal focused on repurposing the building into the UMCA. The development plan included a vision, governance, staffing and operations models, technical assistance on renovation and construction tasks, and a sustainable business model and projections.

Once complete the Armory will serve as the anchor development in a broader economic revitalization effort. Located at the junction of Highways 34 and 71 and on Park Rapid's Historic Main Street, the Center will become a regional attraction. This will create positive "spill-over" effects into the adjacent neighborhoods, improve the business climate, and create new opportunities for employment and downtown housing.

## Find your True North in Bemidji Minnesota

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 needs 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.

In Partnership with Greater Bemidji, the City of Bemidji, and many more, HRDC staff helped to develop a brand strategy that leverages the unique features of Bemidji. The primary goal of this project is to develop a clear and consistent message about Bemidji that everyone can use to share information about the 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.

Ultimately the group selected the brand "True North," both for its simplicity and complexity. It is simple because it's an easy name to remember, but is it wonderfully complex not only in its literal meaning but in its metaphorical meaning as well. "True North" not only identifies geography, but separates Bemidji from competition in other lakes areas such as Alexandria and Brainerd. Moreover, it tells our audience that Bemidji is a community moving in the right direction.

## **Mahnomen Leadership**

Experience shows that when civic leaders learn how to cross boundaries, they come to understand the power of "linking and leveraging" their assets to define new opportunities. The HRDC has been a strong advocate of this strategy and has worked to bring together community leaders to develop a common destiny and strategies to get there.

Over the last 12 months, the HRDC has provided staffing assistance to community leaders in Mahnomen working on the community's most important issues. Identifying what issues to address wasn't difficult; the challenge was to develop and execute action plans for how to address them. The Community is addressing this goal by, defining clear measurable outcomes, working across sectors, bringing resources together, and holding each other accountable for progress.

Mindful that changing community culture doesn't seem to work very well without having it start at the grassroot, project level. Leaders in the City of Mahnomen were convinced that in order to take the next step, they need to bring community leaders together to work on specific projects. Currently the group has identified over a dozen specific initiatives that leverage time and resources from individuals and groups from across the community. Success on these projects will raise hope, thereby encouraging other initiatives. At least that's the plan!

## HRFC – A Tool in our Economic Development Tool Box

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. The EDA revolving loan fund currently has \$2.3 million in principal outstanding among 24 active loans. This RLF helps to leverage other loan dollars in the region including public and private investments; an impressive \$32 million has been leveraged by the current loan portfolio. We have also aided in saving and/or creating 868 jobs through our active loans and 4,013 throughout the fund's history.

In January 2014, the HRFC was awarded an additional \$100,000 through DEED for our Emerging Entrepreneurs Fund targeting assistance to women and minority-owned businesses. This fund has two active loans. Also, managed by the HRFC is the Federal monies previously lent out to businesses for flood recovery efforts in the early 2000's. The funds have fully revolved and are now designated for economic and community development/housing projects with a balance of \$353,000 available.

### ***Loans funded and/or committed in fiscal year 2014:***

<b>Borrower/ applicant</b>	<b>Location</b>	<b>Purpose</b>	<b>Loan Amount</b>
Wayzata Bemidji Hospitality Associates, LLC	Bemidji	Land Purchase for South Shore hotel	\$350,000 funded
Greater Bemidji, Inc	Bagley	Soft costs for Sanford Bagley Clinic building	\$250,000 funded
LaValley Industries, LLC	Bemidji	Product Development	\$100,000 partially funded
Peppermint Creek Enterprises, LLC	Baudette	Purchase of the Walleye Inn	\$41,500 funded
Black Swan Cooperage, LLC	Park Rapids	Equipment	\$21,250 funded
Greater Bemidji, Inc.	Bemidji	Building purchase for a business accelerator	\$100,000 committed

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



## Highlighted Borrowers:

### **Black Swan Cooperage, LLC**

*Park Rapids, MN \$21,250 from Emerging Entrepreneur Fund*

Black Swan Cooperage, LLC is a wooden barrel manufacturer located in the Park Rapids Industrial Park. The business relocated to Park Rapids from Osage in December 2011 and has been in existence since 2009. The products produced are toasted and charred white oak wooden barrels ranging from 5 to 53 gallons primarily marketed to craft whiskey distillers. This market of 'micro-distilleries' has grown similar to the micro-brewery industry. Currently, there are approximately 22 barrel manufacturers in the country and Black Swan is one of the largest small barrel manufacturers. The business is owned by Heidi Karasch who comes from a sales and marketing background and brings with her deep industry experience of her father Master Cooper, Russ Karasch. They have shown real innovation with their unique honey comb process inside the barrels, as well as, wood inserts, which increase surface area and extract the wood's flavors, significantly reducing the aging time for whiskey. Patents are pending. The HRFC was happy to assist Black Swan Cooperage when they sought financing for a stave machine to replace an older machine and increase production efficiencies.



## **Greater Bemidji, Inc**

*Bagley (Sanford Clinic Bagley) \$250,000 from the EDA RLF*

Greater Bemidji, Inc. with the assistance of the City of Bagley, a coalition of local lenders, and the HRFC provided the Bagley community with a new building to house a 'Super Clinic' leased by Sanford Health. The \$1.5 million building is easily accessible right on Highway 2 and is 3 times larger than their former space.

### **The clinic will include:**

- Family Medicine
- Internal Medicine
- Occupational Medicine
- Sleep Medicine
- Mental & Behavioral Health
- Lab Services
- Radiology Services
- Physical Therapy
- Occupational Therapy
- Cardiac Rehab
- Pulmonary Rehab
- Specialty Services
- Additional opportunities for outreach services are being analyzed



Currently 25 Sanford employees work in the new clinic with potential for growth. The new clinic will integrate services and health care professionals, such as physical therapy, occupational therapy and cardiac rehab to one central location, enhancing the coordination of patient care. Sanford Bagley Medical Center will continue to provide inpatient services to those requiring surgery and hospitalization. The current clinic space will be used for other outpatient visits and ancillary services.



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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  
 Rod Nordberg – Hubbard County Small Cities  
 Kenneth Moorman – Lake of the Woods County  
 Greg Nelson – Natural Resources  
 Jean Nelson – Mahnomen Count 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  
 Mike Triplett – White Earth Reservation  
 Dennis Zeto – Beltrami County Townships

### Transportation Advisory Committee

Craig Collison	Bruce Hasbargen	Jim Lucachick	Dan Sauvé
Kent Ehrenstrom	Darren Laesch	Ken Moorman	Shiloh Wahl
Tim Erickson	Jonathan Large	David Olsonawski	Dan Walker
Craig Gray	Greg Larson	John Peterick	

### Headwaters Housing Development Corporation

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

### Headwaters Regional Finance Corporation

Tim Flathers*	Rick Rone, Chair*
Louella Fraser*	Roger Stewart*
Ron Johnson	Steve Newby
Bruce Meade*	Dennis Zeto, Secretary
Ken Raw, Treasurer	

*\*Loan Committee*





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**Governing the HRDC : Staff**

## *Our Staff Team*

The HRDC staff team consists of nine 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 many 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 includes:



**Nikki Clancy**  
**Housing Support Specialist**  
[nclancy@hrdc.org](mailto:nclancy@hrdc.org)  
218-333-6544

Nikki joined the HRDC in May 2010. She provides homebuyer education and counseling services as well as manages the Hubbard HRA rental properties. Nikki also conducts payroll and various clerical duties.



**Tiffany Fettig**  
**Business Loan Consultant**  
[tfettig@hrdc.org](mailto: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. She also manages several additional loan funds on behalf of local customers.



**Tim Flathers**  
**Executive Director**  
[tflathers@hrdc.org](mailto:tflathers@hrdc.org)  
218-333-6532

Tim has been with the HRDC since 1983. Prior to becoming Executive Director in 2013, Tim served as Community Development Director for more than 20 years. Tim continues to be involved in housing and community/economic development activities in addition to his leadership responsibilities.



**Marcus Grubbs**  
**Development Specialist**  
[mgrubbs@hrdc.org](mailto: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' professional passion is to help communities encourage long-term vitality.



**Jackie Meixner**  
**Financial Analyst**  
[jmeixner@hrdc.org](mailto:jmeixner@hrdc.org)  
218-333-6530

Jackie has been with the HRDC since January 2006. Jackie primarily focuses her time on owner-occupied rehabilitation programs throughout the Region. Jackie also 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 loan servicing for our various loan pools.



**Ashley Shongo**  
**Administrative Support Specialist**  
[ashongo@hrdc.org](mailto:ashongo@hrdc.org)  
218-333-6542

Ashley joined the HRDC in May 2014. She focuses her time on receptionist and secretarial work.



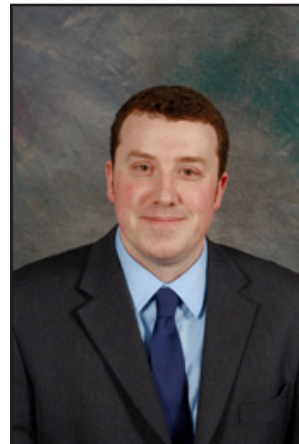
**Mary Thompson**  
**Operations Director**  
[mthompson@hrdc.org](mailto:mthompson@hrdc.org)  
218-333-6537

Mary has been with the HRDC since 1992. Mary is responsible for the ensuring organizational effectiveness by providing leadership for the operational and financial functions of the HRDC, Headwaters Regional Finance Corporation and Headwaters Housing Development Corporations. She also partners closely with the Executive Director to develop and implement the organizational strategies, policies and practices. Mary also provides the lead staff services to both the Beltrami County HRA and Hubbard County HRA, oversees the housing education and counseling program and assists in housing development.



**Kurt Wayne**  
**Development Specialist**  
[kwayne@hrdc.org](mailto: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.



**Ryan Zemek**  
**Economic Development Director**  
[rzemek@hrdc.org](mailto:rzemek@hrdc.org)  
218-333-6541

Ryan has been with HRDC since 2008. Ryan primarily focuses his time on economic development projects, but also provides development assistance on a number of functional areas including leadership development, natural resource, community development, and transportation planning.