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MINNESOTA STATE GOVERNMENT

ISSUES

NATURAL RESOURCES AS A BASIS FOR ECONOMIC DEVELOPMENT

Energy and Environment Subcabinet

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Executive Branch Policy Development Program 1984–1985

NATURAL RESOURCES AS A BASIS FOR ECONOMIC DEVELOPMENT

Energy and Environment Subcabinet

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NATURAL RESOURCES AS A BASIS FOR ECONOMIC DEVELOPMENT Steven Thorne, Leader Energy and Environment Subcabinet

I. Abstract

Over the last several years, the state's role in natural resource development has changed. Early efforts were oriented primarily toward resource inventory, supply and demand estimation, sales or leasing, and permitting. Lately, more effort has been placed on packaging and promotion. While much of the latter work has be done on an ad hoc basis, the promotion of the Hibbing area as the location for a medium-density fiberboard plant was more organized and comprehensive. The apparent success of that venture has prompted the issue team to recommend creation of a general program to promote the economic development of natural resources. The process suggested relies heavily on top management involvement, interagency cooperation, early integration of environmental and economic concerns, and a sound business-like approach to assessment of development opportunities. This paper provides a general description of a long-term program, and a more detailed description of an interim program, which could be expected to produce results in the next one to three years.

II. Background

A. History

The economic development of natural resources, such as timber and minerals, has been accomplished largely by private interests, while state agency efforts have been directed towards resource assessment, supply and demand estimation, and management of state lands. A comprehensive program to address economic, social, and environmental issues in a development strategy has been applied only recently with respect to development of minerals, forest products, and tourism. For example:

1. Forest Products. While the state has worked closely with the forest products industry for many years, more concentrated promotional efforts have been made during the last eight years.

In 1977 the DNR completed a state-wide inventory of forest resources for all lands and ownerships. The inventory has been a major factor in the construction of six major new forest products processing plants, which rely on state-administered lands for about twenty-five percent of their raw material supply. In addition, three large forest products companies are planning major expansions in the next three years. These developments occurred without major environmental consequences, because of the interaction among resource protection and development interests. Although some 750 million dollars of successful development has occurred, potential exists for new development through the use of the systematic strategies addressed in this report.

2. Minerals and Peat. In the past, the Department of Natural Resources (DNR) and the Iron Range Resources and Rehabilitation Board (IRRRB) have promoted the use of mineral resources and peat by working closely with potential mineral developers. DNR has leased state-administered mineral rights for exploration and development through either competitive bidding basis or negotiations with private interests. IRRRB has promoted development through grants and loans.

In recent years, the state has accelerated the identification of areas with non-ferrous mineral potential through an active exploration program on state lands. In addition, national and international minerals industry publications were used to promote the development of non-ferrous minerals. Increased promotion of mineral development in the state has also been initiated through a Governor's Executive Order.

The Peat Energy Program and research on the direct reduction of iron ore represent major existing initiatives which use a comprehensive technical, economic, social, and environmental approach to economic development. This program is carried out in conjunction with the Peat Information and Peat Inventory programs. Among these programs' activities are inventory of peat resources, site-selection, leasing, and environmental review directed in part towards development of horticultural and fuel-grade peat.

3. Tourism: Development of tourism has traditionally involved state promotional efforts, e.g., preparation of informational publications, advertising for use in journals, newspapers, and television, and support for person-to-person information centers. The development of tourism opportunities on state lands has been directed toward increasing the use of state-owned or controlled recreational facilities, such as parks, forest areas, trails, and public accesses to lakes and streams. In addition, the state mounts major programs to protect the quality of recreational environments, such as fish stocking, and lake and forest management. B. Issue Charge

The original charge to the Issue Team reads as follows:

"The state needs to develop a process which integrates environmental and natural resources factors with economic development, so that economic development can occur expeditiously once opportunities are identified."

The issue team believes that the process used must balance economic development goals with resource availability, environmental impacts, and social factors, so that government becomes an active, helpful partner in the development process.

- C. Analysis Method
 - 1. Issue Team Members

Issue team members represent agencies which have major responsibilities for the development, administration, regulation, and use of Minnesota's natural resources. The members are:

Steven G. Thorne MN Department of Natural Resources

John Armstrong MN Department of Energy and Economic Development

Jack Ditmore MN State Planning Agency

Jay Heffern Pollution Control Agency

Gary Lamppa Iron Range Resouces and Rehabilitation Board

The team met several times to analyze past and current efforts by state agencies relating to the promotion and development of natural resources, and directed its analysis toward selecting the better portions of the past work to guide future efforts. The team developed a process-oriented economic development strategy, which is described in a working paper, which may be obtained by contacting the DNR Minerals Division. The effectiveness of this type of approach to economic development has already been tested in an ad hoc fashion on several projects: Great Lakes Peat Company, Peatrex, Louisiana Pacific, and Northern Energy Conversion, Inc. The promotion of the Hibbing area for a medium-density fiberboard (MDF) plant is a more complete example of a development process in which the state takes the The MDF proposal was developed initiative. contemporaneously with this report by representatives of the same agencies, and can be viewed as a trial of many of the recommendations contained herein. A copy of the MDF proposal is attached.

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Although some problems were encountered in these efforts, results were generally good. However, a more comprehensive approach to environmental and economic analysis of projects and better coordination between government and the private sector could yield excellent results.

III. Findings/Conclusions

A. Program Justification

The vast and varied natural resources of Minnesota provide major opportunities for the future growth and development of three of Minnesota's largest natural resource-dependent industries: forest products, mining, and tourism. Improving the economic viability of industries which rely on the land and water resources of the state can be assured by a coordinated and balanced state program. A balanced program must stress the importance of integrating economic development with protection of the state's environmental quality. Mounting a successful program depends on cooperation among high-level management in state agencies.

The findings contained here must be differentiated from development goals in other economic sectors, such as agriculture, computers, insurance, or commerce. This paper addresses methods of increasing the utilization of those resources which the state, at least partially, manages and from which the state could derive direct income in the form of leases, royalties, admissions, or permits.

Before 1980, proposals and projects for using natural resources usually were initiated by private interests, and the state's role related mainly to environmental review and regulation. A more productive process for developing natural resources calls for the state to actively initiate and evaluate projects. This active process will provide for early and continuing interaction among potential developers, government officials, and other public or private interests to resolve economic and environmental issues, so that regulatory actions can occur in a timely and cost-effective manner.

- B. Long-term Program Description In the long run, state economic development goals within a sound environmental framework can be achieved through creation of a coordinated and enhanced program of data collection, analysis, and distribution coupled with a process for project evaluation and selection. The areas which require assessment are:
 - the natural resources base and its characteristics,
 - the supply and demand for the resources,
 - the environmental effects of development, and
 - the legal, institutional, and regulatory mechanisms which affect economic development.

The data base thus created could be used in a comprehensive development program, the elements of which are outlined below.

- Assessment of natural resource availability including quantity, quality, relative worth, and limits of development potential based on environmental protection and preservation.
- 2. Assessment of present and future demands for outputs of natural resources-based industries.
- 3. Assessment of available economic development and environmental protection tools.
- 4. Selection and quantification of resource development objectives.
- 5. Packaging resource development opportunities for presentation to private sector investors.
- 6. Marketing resource development opportunities.
- 7. Expeditious environmental review and processing of permits and applications for financial assistance.
- Review of projects for consistency with selected objectives before the state's financial and other resources are committed.

The program outlined above is necessarily long-term, because it requires the collection and analysis of data. Therefore, a short-term (1-3 years) interim program could be started, while the more comprehensive, longer-range program is being developed.

C. Interim Program Description

An interim program would focus on previously identified resource bases to achieve short-term results. The development and implementation of an interim program would provide valuable experience and a basis for establishing a more comprehensive longer-term program. An interim program could be instituted without changing existing legal and institutional mechanisms. Additional staffing would not be required, but a source of funds for preparation of promotional materials and environmental review documents may be necessary.

A key element of the interim program is the establishment of a Governor's Natural Resources Economic Development Council, consisting of Commissioner or Deputy-level representatives of the Departments of Natural Resources, Energy and Economic Development, and Transportation; the Pollution Control Agency; and State Planning Agency. The council would manage the program using appropriate existing staff. In addition, a regional perspective could be obtained by adding the IRRRB and/or regional development commissions when matters within their areas of responsibility are involved. The council, chaired by the SPA, DNR, or on a rotating basis, would be responsible for managing the process outlined below. DNR will reallocate one position as a permanent Natural Resource Marketing Coordinator to report directly to the Commissioner and/or Deputy Commissioner. Other agencies will be encouraged to provide similar support for their activity appropriate to the nature of their involvement.

Major elements of an interim program would include:

- Preparation of a series of papers which use existing data to analyze market opportunities for forest products, mineral resources, and tourism.
- 2. Establishment of a process to support development involving state-owned or controlled natural resources including leasing, permitting and financing aspects.

The steps described below are based on past experience with resource development and follow a common business development sequence. The major differences are the emphasis on state initiative and the incorporation of environmental factors at an early stage in the process. While the emphasis in the process is on state initiative, private initatives can be easily integrated.

The process suggested to implement the interim program is:

Step 1. Project Identification

Resource-based development opportunities will be identified in this step. A short development opportunity paper will be written which describes the resource, its general location, the market to be served, processes which could convert the resource base into a commercial enterprise, and any expected environmental effects.

Step 2. Project Feasibility Analysis

In this step, a business plan as described in the working paper will be written or modified to integrate technical, environmental, and economic issues. The data cannot be site specific, and estimates will be used since detailed design data will not be available.

Step 3. Project Selection

In this step, the council will review and screen proposals to select those which will be processed further. If a project proceeds, the state will become an advocate for the development. The project will be publicized in this step to obtain reactions to the proposals from government agencies and members of the general public who would be affected by the project. Project publicity should provide input on conflicts and concerns so that the state can seek early resolution of any problems discovered. Technical, environmental, social, and economic factors will be considered, so that a decision to proceed will be based on the broadest possible input.

Step 4. Project Promotion

In this step, the proposal will be marketed to potential project developers. The marketing will likely entail creation of brochures, advertising, and videos, and much travel. While the marketing effort will be directed primarily to businesses, local units of government and the general public will not be overlooked, as it will be important to create a favorable development climate before a specific site is selected.

Step 5. Develop Site Specific Project Details

In this step, the identified developer, working with affected agencies, will prepare a site-specific business plan. The detail contained in the plan will be sufficient for project financing and permitting. The plan will be similar to the one described in the working paper, but it will be site-specific.

Step 6. Establish a Coordinated Environmental Review and Regulatory Action Program

> A state agency will be designated to prepare either an EAW or an EIS depending on the size and scope of the project. The content requirements for these documents are defined by state rules. The lead agency must manage the preparation of the document using some combination of consultants and existing staff. The adequacy of the documents produced will be determined in the usual fashion. The detailed, site-specific analysis, coupled with early identification of environmental concerns should result in sufficient environmental data to ensure expeditious permit processing.

Step 7. Financial Assistance

Project financing is usually complicated by the fact that a variety of sources -- private, federal, state, or local -might be used. Financing packages usually have a large impact on project economics, so a financing plan will be created during site-specific work in Step 5 by the financial consultants on the developer's team. The financial package might require several forms of assistance, so departments responsible for evaluating financial proposals should be fully informed of the work as it proceeds.

Step 8. Project Assessment

All projects will be monitored and assessed, regardless of whether they proceed to implementation or are stopped at an earlier point. The assessment will be oriented toward review and modification of the process itself and determining whether the process was effective in choosing projects. The assessment step will be a major management tool, which the council can use to improve its operation and to design the long-term program.

A more complete description of the interim program is contained in the issue team's working paper and its attachments.

IV. Alternative Options

Alternative means of acomplishing resource-based economic development include:

A. Maintain the Status Quo

This option continues recent efforts in which the state provides resource availability data and publicizes opportunities in various journals. It relies on private developers taking the initiative to contact state agencies for further discussions. Under this alternative, agencies generally work independently, and the developer usually works independently with agencies in obtaining regulatory approvals. In some cases, coordination is obtained by ad hoc staff contacts. This approach leads to fragmented, uncoordinated, time-consuming efforts, and sometimes causes considerable delays due to conflicts that arise late in the regulatory process. It is not a viable alternative because it lacks a method for overall coordination, and does not provide for early and continuous involvement by all parties.

- B. Conduct a Major Public Relations Program This would entail expanded efforts to promote the development of natural resources through use of intensive media advertising. It would be an extension of the existing DEED promotional activities. Major arguments against this approach are that it would not provide for a systematic, coordinated follow-through to ensure project development. It does not provide for early and continuous involvement of all interests and does not contain a mechanism for conflict resolution and expedited regulatory action. The costs of a public relations program are indeterminate.
- C. Develop a New State Agency Charged With Development of Natural Resources This alternative would require establishment of an independent agency charged with identifying and promoting development of natural resource-based industries. In so doing, there would be considerable overlap with existing agency programs and authorities. It would require legislative action and new funding and staff, and could lead to interagency conflict and dispute. Also, it could disrupt the balance between the need to create new industries and the need to protect the environment. It is not a practical alternative because it would be duplicative and costly.
- V. Recommendations

The recommendations of the issue team are:

- 1. Form the Governor's Natural Resources Economic Development Council.
- 2. Implement the interim program described above.
- 3. Plan for implementation of the long-term program.





An Opportunity For The Development of a MEDIUM DENSITY FIBERBOARD Plant in WOOD INDUSTRIAL PARK, HIBBING, MINNESOTA



IRON RANGE RESOURCES AND REHABILITATION BOARD WOOD INDUSTRIAL PARK EVELETH, MINNESOTA 55734 PHONE 218-744-2993

FALL 1984



STATE OF MINNESOTA

OFFICE OF THE GOVERNOR

ST. PAUL 55155

RUDY PERPICH GOVERNOR Fall, 1984

TO: Wood Processing Businesses

Minnesota is seeking to aggressively market wood resources through a unified government initiative known as "Wood Industrial Park," in Hibbing, Minnesota.

The Iron Range Resources and Rehabilitation Board (IRRRB) is seeking private investment for the establishment of wood processing facilities in Wood Industrial Park. The park concept could include a Medium Density Fiberboard (MDF) plant.

We believe an MDF plant is ideally suited to the forest resources available in northeastern Minnesota. And the location of Wood Industrial Park is well-suited to tap this resource. Labor, city utilities, city facilities and custom financing is available, along with land, transportation and supporting industries. The City of Hibbing is proposing conversion of boilers at its steam plant to burn wood waste, thus creating a market for wood residue generated by an MDF plant.

For more information, please contact any of the agencies involved in the preparation of this booklet: Iron Range Resources and Rehabilitation Board, Minnesota Department of Natural Resources, Minnesota Pollution Control Agency, Minnesota Department of Energy and Economic Development, Minnesota Department of Economic Security, Duluth Port Authority, City of Hibbing, St. Louis County, and the Office of Governor.

I am proud of this team effort, and of the expertise available in state and local governments. We stand ready to assist those interested in Wood Industrial Park.

Please let us know if we can be of further assistance. We look forward to meeting you.

Sincerely,

serpich RUDY PERPICE

Governor



iron range resources and rehabilitation board

Fall, 1984

To: Wood Processing Businesses

In view of the interest that has been expressed by your business in the potential of locating part of your operation at our newly created Wood Industrial Park, we have compiled this handy reference booklet. The Iron Range Resources and Rehabilitation Board is providing for you this synopsis for location of a Medium Density Fiberboard (MDF) plant in northeastern Minnesota at Hibbing, Minnesota.

We would like to meet with you and the principals of your firm to make a complete presentation regarding the numerous advantages to your company in considering location at Wood Industrial Park. These advantages include custom financing at below market rates available through the attractive packages we can design utilizing the financial tools and expertise of our Board.

In reading this booklet, you will note that Hibbing, Minnesota not only offers plentiful raw materials and skilled labor resources, but also assurances of the utmost in cooperation from all regulatory agencies and an excellent industrial park plant site complete with utility and power service installation, with superior transportation.

Please contact me or any of the key personnel for Wood Park listed on the last page of this MDF booklet at any time. We would be pleased to meet with your business group to make a detailed analysis of your needs and questions regarding the Wood Industrial Park site at Hibbing, Minnesota.

I look forward to hearing from you.

Gary Lamppa COMMISSIONER



AN EQUAL OPPORTUNITY EMPLOYER

highway 53 south-p.o.box 441 eveleth, minnesota 55734 (218) 744-2993

GL/ks

Fall, 1984

TO: Wood Processing Businesses

The Minnesota Department of Natural Resources (DNR) strongly supports the continued expansion of the forest products industry in Minnesota. For several reasons DNR believes that the development of an MDF plant at the Hibbing Wood Industrial Park is a logical part of this expansion.

First, forest inventory data gathered by DNR reveals substantial surpluses of birch and other hardwoods in the Hibbing area. This data is accurate, reliable and usable.

Second, not only is an adequate timber resource currently available, but it will remain available in the long run. Minnesota has one of the most aggressive forest management programs in the nation with revenues from state and county lands being reinvested in reforestation, timber stand improvement, road building and other forest development.

Third, a skilled and well-equipped logging community already exists in the area. These established loggers have the capacity to deliver the raw material for a plant of this type and capacity.

Finally, the timber industry in Minnesota recognizes that surpluses exist in birch and other hardwoods. It supports the utilization of this surplus.

For all of these reasons as well as others described in Governor Perpich's and Commissioner Lamppa's letters and the text of this booklet, an MDF plant in Hibbing makes sense. The DNR stands ready to assist in any way it can to turn this opportunity into reality.

Sincerely,

Steven G. Thorne Deputy Commissioner

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I. INTRODUCTION

A. OBJECTIVE

We believe that the Hibbing, Minnesota area offers definite advantages for the construction and operation of a Medium Density Fiberboard (MDF) facility including:

- A developed site.
- Available steam and electricity at competitive rates.
- A surplus of relatively low-cost hardwoods.
- Custom financial packages.
- Highway and rail access.
- Available water and sewer.
- A surplus of skilled and semi-skilled labor.

Our objective is to outline these advantages so that consideration will be given to locating a MDF facility at the Hibbing site.

B. EXISTING MDF PLANTS AND MARKETING AREAS

Figure I. shows the location of existing MDF facilities and facilities under construction along with a listing of approximate plant capacities. In addition, a new MDF facility will be constructed 150 miles from Edmonton, Alberta, Canada and one has been constructed in Mexico. About one-half of the existing plants are concentrated in the southeast where they are close to the region's furniture industry in the United States.

MDF is used in the manufacture of furniture, cabinets and other "interior" products. A Minnesota MDF facility would have a competitive advantage in selling products to manufacturing facilities in neighboring states who desire a MDF product manufactured from a mixed hardwood, primarily birch, furnish. Potential markets would include furniture and cabinet manufacturers in the Great Lakes Region, the Midwest, and Central and Eastern Canada. Shipment to overseas markets through the Port of Duluth could also be possible.







	PLANT	(MM-FT ² , 3/4″ Basis)
1.	CELOTEX, Deposit, New York (shut down)	30
2.	BASSET FURNITURE, Basset, West Virginia	20
3.	WEYERHAEUSER, Moncure, North Carolina	60
4.	MASONITE, Spring Hope, North Carolina	65
5.	WEYERHAEUSER, Craig, Oklahoma	65
6.	PLUM CREEK LUMBER, Columbia Falls, Mont.	75
7.	CELOTEX, Marion, South Carolina	60
8.	MEDFORD CORPORATION, Medford, Oregon	80
9.	LOUISIANA PACIFIC, Rocklin, California	70
10.	HOLLY HILL LUMBER CO., Holly Hill, So. Carolina	60
11.	LOUISIANA PACIFIC, Eufaula, Alabama	60
12.	WILLAMETTE Industries, Malvern, Arkansas	40
13.	MONTANA DE FIBRE, Las Vegas, New Mexico	70
14.	LOUISIANA PACIFIC CORP., Newberry, Michigan	40
	TOTAL	795

C. EXECUTIVE SUMMARY

The City of Hibbing has set aside an industrial park for forest products industries and has land available, at minimal cost, for a MDF facility. The park will be serviced by water, sewer, electricity, steam, and natural gas and extension of these lines to industries in the park will be paid by the city. The Hibbing Public Utilities Commission presently can provide the firm electrical demand required by a MDF facility and can provide significant quantities of low pressure (15 psi) steam. They will negotiate the construction of additional boiler capacity, if required, to supply all the high pressure steam needed by an MDF facility. In addition, new boiler facilities can be designed to burn wood residue supplied by the MDF plant.

Significant surplus hardwood exists within a 50 mile radius of the plant site. The surplus is primarily white birch (approximately 40%) and can be delivered to the plant site for \$30-\$35/cord. In addition, a proposed sawmill and existing sawmills in the area could supply up to 25% of the raw material needs of a MDF facility at \$12-\$20/green ton for debarked ships and \$5-\$12/green ton for other sawmill residue.

Custom financing packages will be made available through the City of Hibbing and the Iron Range Resources and Rehabilitation Board (IRRRB). Most of the financing could be through the IRRRB Bond Program.

Existing and proposed road access is available to the site which is located near Highway 169, the major east-west highway connecting the Mesabi Iron Range Cities. Regional trucking firms currently provide service to forest products industries in the area and have the necessary equipment to transport the MDF product to markets. Burlington Northern has a track siding which runs through the site which can be used for rail shipment of products throughout most of the country.

A significant labor surplus in the area currently exists including unskilled laborers, skilled tradesmen, and professionals. The City has a population of approximately 21,000, and 45,000 people live within a thirty mile radius of the site.

Air quality, solid and hazardous waste, and water quality considerations will have to be addressed before an MDF facility can be constructed. The Minnesota Pollution Control Agency will provide utmost cooperation for the granting of the necessary permits.

II. INDUSTRIAL SITE

A. SITE DESCRIPTION

The industrial site is located north of the City of Hibbing's urban center as shown in Figure II. and is bounded by mining property on the north and west. The site is well drained with a gentle slope (1-3%). The underlying soil consists primarily of very stiff, silty clay with a bearing capacity of 3,000-5,000 pounds/square foot.

The site is part of a 200 acre wood industrial park which could include a number of related processing facilities including a sawmill operation, dry kilns, solid wood panel/remanufacturing facility and secondary wood products such as furniture manufacturing. The goal would be to provide a synergistic relationship between the facilities within the park by efficiently utilizing raw materials, providing supporting services, and combining marketing efforts. For instance, the MDF facility could separate sawlog material from the incoming wood supply, sell the sawlogs to the sawmill, purchase residue from the sawmill and sell panel products to the secondary manufacturing facilities within the park.

Figure III. illustrates a conceptual layout of the wood industrial park site. The proposed MDF facility, including round wood storage, could be located in the northwest corner of the site on 50-70 acres of land. The total site area is approximately 200 acres. Other locations within the site boundary could also be considered.

B. SERVICES

1. Power — The site is serviced by the Hibbing Public Utilities Commission which maintains a steam and electrical generating facility about 3/4 mile south of the site. A 13.8KV electrical service is presently available at the site. The Hibbing Public Utilities can meet the electrical demand required by MDF facilities.

2. Steam — Significant quantites of low pressure steam (15 psi) are available from the generating facility. The Hibbing Public Utilities Commission will negotiate the contruction of additional boiler capacity to supply all the high pressure steam required by an MDF facility. The Hibbing Public Utilities Commission will construct steam lines to facilities within the park.

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HIBBING, MINNESOTA WOOD INDUSTRIAL PARK SITE



FIGURE II. LOCATION MAP



FIGURE III. LAYOUT OF SITE

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3. Water — Existing water mains are located near the southwest and southeast corners of the site and an elevated storage tank is located near the southwest corner. The city will extend water service to facilities located in the industrial park and can provide all the water required by an MDF facility. Alternative water resources are located in the Scranton Mine pit directly west of the site.

4. Sewer — An existing sanitary sewer line is located near the southeast corner of the site. The city will extend sewer service to facilities within the industrial park. Sanitary wastewater from the MDF facility can be discharged directly into the sewer system. Process wastewater, if any, will have to be treated to meet the existing City of Hibbing Sewer Use Ordinance before discharge to the sewer system.

5. Natural Gas — If required, a natural gas line can be extended to the industries in the park by the Hibbing Public Utilities Commission.

6. Transportation — The industrial park site is within 1/2 mile of Highway 169 which is the major east-west highway connecting the Mesabi Iron Range Cities. Existing roads connect the industrial site with Highway 169. The City will construct roads within the site and additional road access to Highway 169 as required.

The City of Hibbing is serviced by the Duluth-Mesabi & Iron Range Railroad and by the Burlington Northern Railroad, and BN has a track siding running through the industrial site. The City of Hibbing is also serviced by Republic and Mesaba Airlines.

C. CONTACTS:

Gary Lamppa Commissioner Iron Range Resources & Rehabilitation Board P. O. Box 441, Highway 53 South Eveleth, MN 55734 Phone: 218/744-2993

Clyde Busby Hibbing City Engineer Hibbing City Hall 21st & 4th Avenue East Hibbing, MN 55746 Phone: 218/262-3486

III. ENERGY RESOURCES

A. ELECTRICITY

The Hibbing Public Utilities Commission maintains a coal fired power plant about 3/4 mile south of the industrial park site. The commission can also purchase electricity, as required, from Minnesota Power and Light. A 13.8KV electrical service is presently available at the site and the commission can meet all the projected electrical demand and electrical energy requirements of a MDF facility.

B. STEAM

Through grant funding, the city will extend steam lines from the Hibbing Public Utilities facility to the center of the industrial site. Significant quantities of low pressure steam (15 psi) are available from the Hibbing Public Utilities Plant. To supply all the necessary high pressure steam, the Hibbing Public Utilities Commission will negotiate the construction of additional boiler capacity which may result in lower steam costs than would be obtained if boiler facilities were constructed at the MDF facility. Negotiations with the Hibbing Public Utilities Commission could also result in the conversion of existing boilers or the construction of new boilers to burn wood residue. This would provide a market for the bark, sander dust, and panel trim residue generated by a MDF facility.

C. NATURAL GAS

If required as back-up fuel, natural gas can be extended to the MDF facility at the site.

D. CONTACT:

Karl Marietta General Manager Hibbing Public Utilities P. O. Box 249 Hibbing, MN 55746 Phone: 218/263-7515

IV. WOOD RESOURCES

A. COMMERCIAL TIMBER SUPPLY NEAR HIBBING, MINNESOTA:

An annual surplus of over 266,000 cords of commercial hardwood timber is available within 50 miles of Hibbing. Over 56,000 cords of this is available within 25 miles of Hibbing.

COMMERCIAL HARDWOOD TIMBER WITHIN 25 MILES AND 50 MILES OF HIBBING (in thousands of cords)

Species	Recom Annual	mended Harvest	Actual Har	Annual vest	Available Surplus				
	0-25 mi.	0-50 mi.	0-25 mi.	0-50 mi.	0-25 mi.	0-50 mi.			
Birch	30.4	136.4	5.4	25.7	25.0	110.7			
Balsam Pop lar	15.2	73.4	1.5	7.5	13.7	65.9			
Ash	7.3	38.7	.6	3.9	6.7	34.8			
Other Hardwoods*	12.7	67.1	1.8	11.7	10.9	55.4			
Total	65.6	315.6	9.3	48.8	56.3	266.8			

*Oak, Maple, Basswood, Elm

B. COMMERCIAL TIMBER AVAILABILITY:

Fifty-eight percent of the commercial forest land within 50 miles of Hibbing is publicly owned. The agencies controlling this land are committed to sustained yield forest management. Experience indicates that the 33% under private ownership provides its proportionate share of the total timber harvest.

Landowner	Percent
County State National Forest Other Public Forest Industry Other Private	26% 20% 10% 2% 9% 33%
Total	100%

COMMERCIAL FOREST LAND OWNERSHIP WITHIN 50 MILES OF HIBBING

C. WOOD RESIDUE AVAILABILITY:

Debarked sawmill residue available within 50 miles of Hibbing could supply 25% of the raw material needs of an MDF facility.

D. WOOD RESOURCE PRICES:

Delivered wood prices have a history of relative stability in NE Minnesota.

CURRENT PRICES FOR WOOD RESOURCES DELIVERED TO HIBBING

Product	Price							
Hardwood Pulpwood	\$30-\$35 per cord							
Sawmill Residue Chips (debarked) Other Residue	\$12-\$20 per ton \$ 5-\$12 per ton							

E. CONTACTS:

Harry Fisher St. Louis County Forestry Dept. St. Louis County Courthouse Duluth, Minnesota 55802 Phone: 218/726-2608

Ray Hitchcock, Director Minnesota Department of Natural Resources Division of Forestry Box 44, Centennial Bldg. St. Paul, Minnesota 55155 Phone: 612/296-4484

NOTE: One cord of hardwood pulpwood produces approximately 4,000 pounds of debarked wood on a green weight basis and 2,000 pounds of debarked wood on a dry weight basis. Prices for sawmill residue are based on a green weight.

V. PROJECT FINANCING

The Iron Range Resources and Rehabilitation Board's Economic Development Division can provide experienced custom financial packaging for projects of this magnitude. The IRRRB has a close working relationship with Miller & Schroeder Municipals, Inc., and Dain Bosworth, Inc., for issuing Industrial Revenue Bonds, and with the Arrowhead Regional Development Commission for developing quality applications for State and Federal Programs. The following is a brief synopsis of financial tools that could be utilized for a custom financial package for this project.

A. LOCAL PROGRAMS

- 1. The City of Hibbing has established a tax increment financing district encompassing the proposed site. This program allows the City to offer site acquisition, site improvements, and utility installation, at little or no cost to the project.
- In addition, the City of Hibbing has applied for and expects to receive a State of Minnesota Enterprise Zone designation. This potential Enterprise Zone would include the proposed project site and would enable the City to offer State of Minnesota tax credits, such as: (1) sales tax exemption for construction materials and operating equipment; (2) credits against Minnesota State Income Tax; (3) credits for interest paid on debt; and, (4) property tax relief. The components are provided as a negotiated package to qualifying industries based on corporate needs.

B. IRON RANGE RESOURCES & REHABILITATION BOARD'S PROGRAMS

1. IRRRB Bond Program — The IRRRB Bond Program offers qualified borrowers fixed rate financing at rates currently 9-10%, for terms of 10-20 years. Bonds for any one project can be issued for amounts up to \$10,000,000. In addition, tax exempt bonds can also be issued in excess of the \$10,000,000 limitation to finance pollution control equipment.

All bonds issued by the IRRRB through its Bond Program will be insured by Continental Insurance Company, and will be rated AAA.

2. Another program offered by the IRRRB may offer negotiated credit enhancements such as interest rate "buy-downs" to assist in the financing of project costs not covered by bond proceeds or other government programs.

C. STATE PROGRAMS

- 1. SCDG Small Cities Development Grant. This program, available through the State of Minnesota, may be appropriate for this project in dollar amount of approximately \$250,000. The program is similar to the UDAG, in that a sponsor city or county applies for and received a grant that is in turn loaned to the project at flexible term and interest rate.
- Opportunities Minnesota (OMNI) OMNI will finance small businesses wishing to acquire or expand their fixed assets (land, buildings, equipment) on the following basis: 50% of their eligible cost financed by a local bank at market interest rate, 40% of eligible cost financed by OMNI in a second lien position with a fixed interest rate of 3/4% over T-bonds of equal maturity, with a term of 10-25 years and 10% cash or equity by the small business.
- 3. Minnesota Fund The State of Minnesota will finance small businesses wishing to acquire or expand their fixed assets (land, buildings, equipment) on the following basis: 70% of eligible cost financed by local bank at market interest rate, 20% of eligible cost financed by the State of Minnesota in a second lien position with a fixed interest rate of prime to 4% below prime, with a term of 7-15 years, and 10% cash or equity by the small business.
- 4. Minnesota Small Business Development Loan The State of Minnesota will finance small businesses wishing to acquire or expand their fixed assets (land, buildings, equipment) on the following basis: 75%-80% of eligible cost in a first lien position, with a fixed interest rate equal to or less than T-bond yields, for a term of 10-20 years by issuing IDB's which are partly insured by a common bond reserve fund.

D. FEDERAL PROGRAMS

1. UDAG — Urban Development Action Grant. This program, available through H.U.D., whereby a city applies and receives a grant from the federal government, which in turn will be loaned at low interest and flexible terms.

E. FINANCIAL CONTACTS:

Mark Philips Financial Advisor Iron Range Resources & Rehabilitation Board Box 678, Highway 53 South Eveleth, MN 55734 Phone: 218/744-2993

Bob Benner, Deputy Director Minnesota Department of Energy and Economic Development 980 American Center Building 150 East Kellogg Blvd. St. Paul, MN 55101 Phone: 612/297-3184

Dave Mocol, Director Financial Management Division Minnesota Department of Energy and Economic Development 980 American Center Building 150 East Kellogg Blvd. St. Paul, Mn 55101 Phone: 612/297-1170

John Powers Arrowhead Regional Development Corporation 200 Arrowhead Place Duluth, MN 55802 Phone: 218/722-5545

Tim Long Miller & Schroeder Municipal Bonds 7900 Xerxes Avenue South Minneapolis, MN 55431 Phone: 612/831-1500

VI. TRANSPORTATION

Highways

The Hibbing, Minnesota Wood Industrial Park site is within one-half mile of Highway 169 which is the major east-west highway connecting the Mesabi Iron Range Cities of Northeastern Minnesota. Highway 169 is a multi-lane divided highway with a nine ton/axle weight limitation. Existing roads connect the industrial site with Highway 169. The city will construct roads within the site and additional road access to Highway 169 as required.

Regional trucking firms currently provide service to forest products industries in the area and have the necessary equipment to transport the MDF product to market.

Railroads

The City of Hibbing is serviced by the Duluth-Mesabi and Iron Range Railroad and by the Burlington Northern Railroad. BN has a track siding running through the industrial site which can be used for rail shipment of products throughout most of the country.

Airlines

The City of Hibbing has a first-class commercial airport facility just south of Highway #37, south of the city. The airport is serviced by Republic and Mesaba Airlines with daily flights to other urban centers.

Port of Duluth

The Seaway Port Authority Duluth, Clure Public Marine Terminal, offers full service on all types of commodities, from bagged goods, to pre-utilized cargoes, to containers. They have over 60 forklift trucks ranging in capacity from 2,000 pounds to 65,000 pounds. Sufficient inside and outside storage space is available.

The Port of Duluth is an international seaport serving the Indian Sub-Continent, Africa, South America, Mediterranean, Europe and Scandinavia.

CONTACTS:

Mr. Al Nelson Burlington Northern Railroad 176 East 5th Street St. Paul, MN 55101 Phone: 612/298-7263

Mr. Alan Johnson Seaway Port Authority of Duluth P. O. Box 6877 Duluth, MN 55806 Phone: 218/727-8525

Mr. Clyde Busby Hibbing City Engineer Hibbing City Hall 21st & 4th Avenue East Hibbing, MN 55746 Phone: 218/262-3486

Mr. Harry Fisher St. Louis County Forestry Department St. Louis County Courthouse Duluth, MN 55802 Phone: 218/726-2608

VII. LABOR RESOURCES

A. LABOR AVAILABLE — QUANTITY

Approximately 45,000 people live within a 30 mile radius of Hibbing, Minnesota. Of this total population, the estimated labor force is 15,000 and the unemployment rate is 13% or approximately 2,000 people.

B. LABOR AVAILABILITY — QUALITY

Significant worker surplus exists for a number of professional, skilled, semiskilled and unskilled categories. These include office clerks, sales clerks, managers, sheet metal workers, general laborers, skilled and unskilled truck drivers, construction laborers, welders, carpenters, pipefitters, engineers, mechanical drafters, millwrights, auto mechanics and diesel mechanics.

An analysis of the Hibbing Labor Market is being undertaken by the City during the summer of 1984 and will be available by early fall.

C. CONTACTS:

Peter J. Oppel, Research Analyst Minnesota Department of Economic Security Regional Labor Market Information Center Room 205, 320 West Second Street Duluth, MN 55802 Phone: 218/723-4768

Joseph W. Dougherty, Research Analyst Gibeau Research and Development Hibbing City Hall East 21st Street & 4th Avenue East Hibbing, MN 55746 Phone: 218/262-3486

John Svigel Manager, Employment Services Minnesota Department of Economic Security Mesabi Mall P. O. Box 3009 Hibbing, MN 55747 Phone: 218/262-6777

VIII. LICENSURE

In general, an MDF facility will have to comply with a number of environmental regulations regarding air quality, solid and hazardous waste, and water quality. However, these concerns can be effectively and efficiently addressed through the necessary permitting processes. The Minnesota Pollution Control Agency (MPCA) will provide utmost cooperation for the granting of the necessary permits. The following may be required for an MDF facility:

A. ENVIRONMENTAL ASSESSMENT

An Environmental Assessment Worksheet (ERW) will have to be completed if any of the following are applicable:

- 1. The MDF facility constructs boilers to supply process steam.
- 2. The particulate levels in the air emissions exceed 100 tons per year.
- 3. The capacity of the sewer system from the entire industrial park exceeds 50,000 gallons per day.

The City of Hibbing could complete the required EAW and the review process will require approximately three months.

B. AIR EMISSION FACILITY PERMIT

The Minnesota Pollution Control Agency (MPCA) would have to be provided with the characterization of expected air emissions. The facility would have to comply with the following:

- 1. Clean Air Act and Amendments 1970, 1977
 - Prevention of Significant Deterioration (PSD)
 - New Source Performance Standards (NSPS)
- 2. Minnesota Air Pollution Control Regulations
 - Standards of Performance for New Indirect Heating Equipment
 - Standards of Performance for Post 1969
 - Industrial Process Equipment

If boiler facilities are upgraded by the Hibbing Public Utility Commission to supply high pressure steam to an MDF facility, they will be required to modify their existing air quality permit.

C. SOLID AND HAZARDOUS WASTE

Permits may be required depending upon the quantity and type of solid wastes which are generated. Estimates of waste quantities as well as chemical properties of these wastes will have to be provided to the MPCA to determine if a hazardous waste permit is required.

D. WATER QUALITY

Sewer service will be extended to industries within the industrial park by the city. The city will need to obtain a sewer extension permit from the MPCA. The MDF facility could discharge treated process wastewater to the sewer system as long as it meets the City of Hibbing Pretreatment Requirements. In-plant control methods such as evaporation, treatment and reuse could be used to eliminate or reduce discharges to the sewer system. The MDF could also elect to land apply treated effluents instead of discharging to the sewer system.

E. APPLICATION PROCEDURES

The necessary information to obtain permits could be submitted to the MPCA during the design phase of the project. Approximately six months would be required for the review and permitting process. Costs for permit application could be included with design costs for the project and should be insignificant compared with total project costs.

F. CONTACT:

Mr. Kenneth Haberman Resource Development Coordinator Office of Planning and Review Minnesota Pollution Control Agency 1935 West County Road B-2 Roseville, MN 55113 Phone: 612/296-7749

APPENDICES

APPENDIX A.

WINNIPEG 300 Miles ® CANADA MINNESOTA ARROWHEAD GRAND FORKS 240 Miles FARGO 225 Miles PIERRE @ 500 Mile: MILWAUKEE ÉTROM 400 Miles DES MOINES 325 Miles 475 Miles CLEVELAND OMAHA 500 Miles Miles FORT WAYNE 820 Miles 400 Miles 625 Miles INDIANAPOLIS BOT Miles KANSAS CITY ST. LOUIS 675 Miles 600 Miles 675 N DALLAS 1100 Miles

BACKGROUND — CITY OF HIBBING — SOCIAL, CULTURAL

Hibbing, located in northeastern Minnesota's scenic "Arrowhead" region, offers a rich quality of life to its residents.

A tradition of strong support for quality education has always existed in the community. Hibbing High School is the most recent Minnesota winner of the Bellami Award, an award given to a state's high school with the strongest academic program. The high school also boasts many winning athletic teams and quality theatre and music programs. The community is also served by a community college and a vocational school.

Year around recreational activities abound in Hibbing, including golf on the city's two golf courses, racquetball, indoor and outdoor tennis, hockey, and bowling. The city is noted for over 17 km. of groomed cross country ski trails within the city as well as miles of groomed ski and snowmobiling trails in nearby state parks. The city is also located near the best walleye and northern pike fishing in the country.

Vibrant community theatre groups produce works from children's theatre to opera to original productions. A concert series brings the best of musical works to the city.

Health needs of the area residents are served by two major clinics and Minnesota's newest hospital-medical complex with a 172 bed capacity.

Hibbing serves as a center of commerce for the Mesabi Iron Range and for the "Arrowhead" region of Minnesota with two climate controlled shopping malls as well as a downtown commercial area.

Hibbing is an area rich in history and home to hard-working citizens.

CONTACT:

Mary Mathews, Executive Vice-President Hibbing Area Chamber of Commerce 303 East 19th Street Hibbing, MN 55746 Phone: 218/202-3895

APPENDIX B.

KEY PERSONNEL — CONTACT LIST:

Jack DeLuca — Consultant to Minnesota Governor Rudy Perpich IRRRB Offices Box 441 Eveleth, MN 55734 Phone: 218/744-2993

James S. Duncan — Industrial Research & Marketing 9819 - 113 Street Edmonton, Alberta Canada T5K 1N3 Phone: 1-403/482-1266

Rick Anthony — Wood Processing Engineer Rural Ventures, Inc. 2001 Killebrew Drive, #333 Bloomington, MN 55420 Phone: 612/853-6261

Kris Sanda — Program Manager Rural Ventures, Inc. 2001 Killebrew Drive, #333 Bloomington, MN 55420 Phone: 612/853-6257

John Krantz — Staff Forester Forest Product Utilization and Marketing Box 44, Centennial Building 658 Cedar St. St. Paul, MN 55155 Phone: 612/296-6491