

Arrowhead Regional Development Commission

2013 CEDS Annual Performance Report

Northeast Minnesota Economic Development
District



June 30, 2013

Introduction

The 2013 Northeast Minnesota Comprehensive Economic Development Strategy (CEDS) Annual Performance Report communicates the Arrowhead Regional Development Commission's (ARDC) accomplishments in economic development in the past year and fulfills its obligation to annually report to EDA on the state of the region and progress made implementing the CEDS.

Adopted in June 2010, the CEDS was developed to set the Northeast Minnesota Economic Development District's (NEMEDD) vision for economic development and to maintain the region's federal designation as an Economic Development District (EDD). Designation as an EDD allows communities in the region to be eligible for funding opportunities through the Economic Development Administration (EDA), a division of the United States Department of Commerce.

The 2013 Annual Report will show that ARDC has made significant progress advancing several goals identified in the CEDS.

This report is a supplement to the complete CEDS. More detailed information on the region and its economy can be found in the complete CEDS which is available for download at: www.arrowheadplanning.org/ceds

About ARDC and NEMEDD

The Arrowhead Regional Development Commission (ARDC) is the designated planning organization for the Northeast Minnesota Economic Development District (NEMEDD). ARDC receives an annual planning grant from EDA to conduct economic development planning activities in the district which includes maintaining the CEDS, developing regionally based economic development goals and strategies, identifying and prioritizing EDA eligible projects, and assisting communities seeking EDA funding.

NEMEDD's service area is identical to ARDC's. The region consists of the seven Counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis.

Regional Overview

Northeast Minnesota's economy continues to recover from the recession. Natural and economic disasters have created obstacles to long-term planning and investment in initiatives, projects, and infrastructure needed to prepare the region for the next generation of industries and jobs.

Aitkin, Carlton, Cook, Itasca, Lake, and St. Louis received major disaster declarations by the President of the United States following severe storms and flooding events during the period of June 14-21, 2012. More than \$50 million in damage was done to the region's public infrastructure. Tens of millions of dollars in additional damages from lost businesses, business interruptions, lost wages, private property damage, and losses the tax base also occurred. ARDC Interviews with affected communities show that many long-term economic impacts are just starting to emerge. Communities will need significant investments to not only restore their losses but plan for a more resilient future.

The region's traditional economy has been built around a resource-based economy of the four "Ts" – timber, taconite, transportation, and tourism. Many residents continue to work in natural resources-related jobs, although the character and influence of these core industries have changed dramatically. High-quality education, health care, and services have more recently become important economic sectors and the region's largest employers. Advanced manufacturing, engineering, and technology enterprises are emerging industries with potential to transform the region.

Iron ore mining has continued to rebound after the Great Recession, though Northshore Mining announced permanent layoffs of 125 employees in Silver Bay and Babbitt in January. Traditional and new mining technologies are the basis of several large scale projects in the region. Planning for non-ferrous mining also continues.

In addition to natural disasters the region has experienced economic distress resulting from sudden economic dislocations in forestry products and logging. In November of 2012 a hardboard manufacturing plant in Duluth shuttered laying-off 140 workers. In May of 2013 a paper plant in Koochiching County announced layoffs of 265 workers, about 4% of the county's total workforce. At 9.7% in March 2013, Koochiching County previously had the highest unemployment rate in the region. Adding 265 workers to the unemployment rolls would raise the county's unemployment to 13.7%. These figures do not include indirect and induced impacts.

An aging workforce and skills gap amongst replacement workers is a challenge. In the coming decade this will require employers to recruit and train a highly skilled workforce in many industries. The industries with the highest share of employees over 45 are mining (62.4%), utilities (54.6%), and paper manufacturing (51%). The rebounding aviation manufacturing industry and other manufacturers have identified a skills gap that is delaying hiring and business expansion.

Unemployment and Income Indicators						
	24 Month Unemployment Rate (June 11 – May 13)		Per Capita Income (ACS 2007-2011)		Average Weekly Wage	
	Rate	+/- national pp	\$	% national	2011 \$	% national
Aitkin	8.0 %	-.2	\$24,696	88 %	\$561	71 %
Carlton	7.1 %	-1.1	\$24,808	89 %	\$677	85 %
Cook	6.2 %	-2.0	\$30,501	109 %	\$544	69 %
Itasca	7.8 %	-.4	24,067	86 %	\$679	86 %
Koochiching	8.4 %	.2	24,829	89 %	\$769	96 %
Lake	6.0 %	-2.2	26,675	96 %	\$728	92 %
St. Louis	6.8 %	-1.4	25,586	92 %	\$758	96 %
Region	7.1 %	-1.0	N/A	N/A	\$731	92 %
Minnesota	5.8 %	-2.4	\$30,310	109 %	\$920	116 %
US	8.2 %	---	\$27,915	100 %	\$792	100 %

Population					
	2000	2010	2020	2000-2010 % Change	2010-2020 % Change (Projected)
Aitkin County	15,301	16,202	17,545	5.9%	8.3%
Carlton County	31,671	35,386	37,325	11.7%	5.5%
Cook County	5,168	5,176	5,603	0.2%	8.2%
Itasca County	43,992	45,058	46,435	2.4%	3.1%
Koochiching County	14,355	13,311	12,537	-7.3%	-5.8%
Lake County	11,058	10,866	10,847	-1.7%	-0.2%
St. Louis County	200,528	200,226	202,370	-0.2%	1.1%
Source: MN State Demographic Center, 2012					

Adjustment to the Strategy

EDA Guidance: The CEDS is meant to be a flexible document and may be adjusted to respond to changing economic conditions. The first section of the CEDS Performance Report must describe any necessary adjustments in the strategy that the EDD and the region have made or are in the process of implementing. Additionally, this section must document changes in the composition of the CEDS committee and staff or capacity of the District Organization to support the development or implementation of the CEDS.

The CEDS project list has been updated after a survey of local jurisdictions. ARDC identified two projects as Priorities. The remaining projects are vital to the region.

Economic Distress Criteria

Northeastern Minnesota's economy has improved from the depths of the Great Recession but still trails the State in important benchmarks. The region's economic recovery is threatened by natural and economic disasters.

Unemployment					
	24 Month Unemployment Rate (June 11 – May 13)		Distress Rank	Unemployment Rate (May13)	Distress Rank
	Rate	+/- state pp			
Aitkin	8.0 %	2.2	2	7.0 %	3
Carlton	7.1 %	1.3	4	5.9 %	7
Cook	6.2 %	.7	6	6.1 %	5
Itasca	7.8 %	2.0	3	7.4 %	2
Koochiching	8.4 %	2.6	1	9.0 %	1
Lake	6.0 %	.2	7	6.0 %	6
St. Louis	6.8 %	1.0	5	6.6 %	4
Region	7.1 %	1.3	--	6.7 %	--
Minnesota*	5.8 %	--	--	5.3 %	--
US*	8.2 %	2.4	--	7.6 %	--

* Seasonally adjusted

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		% national	Distress Rank		% national	Distress Rank
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Carlton	\$24,808	89 %	3	\$677	85 %	3
Cook	\$30,501	109 %	7	\$544	69 %	1
Itasca	24,067	86 %	1	\$679	86 %	4
Koochiching	24,829	89 %	3	\$769	96 %	6
Lake	26,675	96 %	6	\$728	92 %	5
St. Louis	25,586	92 %	5	\$758	96 %	6
Region	N/A	N/A		\$731	92 %	
Minnesota	\$30,310	109 %		\$920	116 %	
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Source: MN State Demographic Center, 2012

Priority Projects

1. Koochiching County / International Falls Economic Adjustment Assistance

On May 02, 2013, Boise Inc. announced plans to shut down two of four machines at its International Falls paper plant. As a result 265 layoffs were announced. Koochiching County has the highest 24 month unemployment rate in the region at 8.4%. The unemployment rate in May 2013 was 9.0%. Adding 265 people to the unemployment rolls would raise the unemployment rate to 13.7%. Koochiching County is highly dependent on manufacturing with 20% of its workers employed in the industry compared to 8.6% statewide. Koochiching County is also the only county in the region projected to lose population through 2020. International Falls and Koochiching County have formed an Economic Recovery Team to organize a response. An Economic Adjustment Assistance investment will be explored to help this distressed community.

2. Applied Research Innovation Center Public Works Investment

The development of the Applied Research and Innovation Center for Hydrometallurgical Processing of non-ferrous minerals and Development of New Renewable Energy Technologies is a priority project for the distressed community of Coleraine in Itasca County and a critical element for developing the potential of the region's non-ferrous mining opportunities and biomass potential of the state's forests and agriculture lands. The project is an important example public and private sector collaboration to strengthen industry clusters; increased research and development and technology transfers to improve industries and expand use of the region's resources; and value added opportunities and new uses for forest biomass and minerals. The project can also contribute to local efforts to finding new uses for forest resources.

Vital Projects					
Project Name	Location	Description	Projected Jobs	Sources of Funding	Lead Entity
Southgate Area Redevelopment	Aitkin, Aitkin County	Revitalization of declining business area.		Undetermined	City of Aitkin
Public Works	Chisholm, St. Louis County	Demolition and site preparation of former public works facility clearing the way for assisted living facility.		Local, state, private, EDA	City Of Chisholm
Industrial Park Expansion	Chisholm, St. Louis County	Expansion of current industrial park and city services to meet need for industrial property on Central Iron Range		Undetermined	City of Chisholm
LaPrairie Industrial Park	La Prairie, Itasca County	Infrastructure extension to a new business park.		Undetermined	City of LaPrairie
Brokings Expansion	LaPrairie, Itasca County	Site and infrastructure improvements for an expanding business.		Undetermined	City of LaPrairie
Silver Bay Eco-Industrial Park Infrastructure Project	Silver Bay, Lake County	Expand infrastructure to serve additional areas of eco-industrial park		Undetermined	City of Silver Bay

Renewable Energy Project – Combined Heat and Power Plant	Silver Bay, Lake County	Developing a Combine Heat and Power plant to supply the current and future tenants of the 110 acre eco-industrial park heat and power using biomass.		Undetermined	City of Silver Bay
Island View Sewer Project	Koochiching County	Provide sewer service to approximately 200 homes and 8 businesses on Rainy Lake. Open the door for economic expansion of existing businesses and new development by providing a means of wastewater treatment.		Local, state, EDA	Koochiching County EDA
Floodwood Business Park	Floodwood, St. Louis County	Install municipal utilities, electrical distribution, an updated access road, and other utilities to serve a new business park		Local, EDA	City of Floodwood
Carlton Public Utilities Extension	Carlton, Carlton County	Extension of sewer and water to serve business and industrial properties. Carlton’s existing business and commercial areas were damaged in the 2012 flood.	Unknown	Local, EDA	City of Carlton

2013-2014 CEDS Committee			
Member	Organization	Position	Category
Dan Larson	Arrowhead Manufacturers and Fabricators Association	President	Advanced Manufacturing, Aviation
Lars Kuehnow	Entrepreneur Fund	Senior Business Advisor	Management Consulting
Wayne Brandt	Minnesota Forest Industries	President	Timber, Wood, Paper, Spinoffs
Mary Somnis	Iron Range Resources	Community Development Representative	Tourism
Bryan Anderson	Minnesota Department of Transportation	District Planner	Transportation
Allen Rasmussen	Rainy River Community College	Administrator	Higher Education, Workforce Training
Dick Brenner	Carlton County Board	Commissioner	County Commissioner
Jason Hollinday	Fond du Lac Reservation	Planning and Development Director	Tribal Representative
Gordy Anderson	Two Harbors Area Chamber of Commerce	Executive Director	Chamber of Commerce
Paul Nevanen	Koochiching County EDA	Director	Economic Development
Vacant	To be filled at August meeting	-	-

Report on Economic Development Activities

EDA Guidance: In this section, the District Organization should provide a brief narrative describing the activities that were undertaken to help support the development or implementation of the CEDS.

1. CEDS Strategy: Work collaboratively with public and private sector leaders from the industry clusters identified in the CEDS.

- a. Northern Aero Alliance: ARDC continues to assist the Northern Aero alliance (NAA), a group of private and public sector aviation industry stakeholders founded in 2009 to promote and improve the industry. NAA has evolved into a powerful forum addressing workforce, infrastructure, communications and other important issues. In the past year:



- ARDC was able to help secure external funding from local partners to redesign www.northernaeroalliance.com and develop marketing materials.
- ARDC helped NAA secure the assistance of the University of Minnesota-Duluth Bureau of Business and Economics Research, University of Minnesota-Extension Service, and EDA Center at University of Minnesota-Crookston to complete an economic impact analysis in the region.
- NAA is working with regional economic development partners to address a workforce shortage by attracting veterans to aviation jobs and aligning local higher education programs with aviation needs.

2. CEDS Strategy: Prepare the region's communities to lead in the green economy.

- a. Duluth Local Energy Action Plan (LEAP): ARDC is working with the City of Duluth to facilitate the development of the Duluth LEAP. According to the plan's executive summary, "the Duluth Community-wide Local Energy Action Plan, LEAP, is phase one in fulfillment of the Duluth City Council's 2001 pledge to develop and implement a local action plan to reduce GHG and air pollution emissions. LEAP is also a multi-faceted green jobs project and economy builder. Local energy production will add new regional and local jobs, stimulate home ownership, and increase local spending for goods and services. Investments in energy efficiency will employ more workers in building energy auditing and skilled trades. Less money spent for energy will mean more money available for needed goods and services."

Goals to improve the local economy include helping businesses to lower operating costs through energy planning, attracting and fostering sustainable businesses, and exploring an eco-industrial park concept. The plan has been

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recommended by the project steering committee and will be presented to the City Council for adoption.

3. Prepare the region's communities by expanding and maintaining critical infrastructure.

- a. Ranier Land Use and Transportation Plan: ARDC helped develop land use, zoning, and transportation recommendations for a Foreign Trade Zone that includes the nation's busiest rail port. The City and County will use these strategies to enhance efforts to develop freight, logistics, and related businesses in the FTZ. ARDC also conducted land use analysis of other properties within the City to determine their best future uses. The process has been designed as a model for other communities with similar needs.

Ranier neighbors International Falls, the city where a paper manufacturer recently announced 265 layoffs. Development of the FTZ may be part of an economic recovery plan for the region.

- b. Hermantown Planning Assistance: ARDC is providing city planning assistance to the City of Hermantown. Hermantown, part of the Duluth-Superior Metropolitan Area, experienced a 26% increase in population from 2000 to 2010. ARDC is currently working with the City to identify infrastructure, transportation, zoning, and funding needs for key development and redevelopment areas within the city.
- c. Minnesota Intelligent Rural Communities: ARDC was awarded a \$25,000 grant over a two year period through the Blandin Foundation's Minnesota Intelligent Rural Communities program. The funding was primarily for outreach services and building awareness of the need for broadband in rural areas. Two regional demonstration communities, Grand Rapids and Grand Marais, also received funding to facilitate broadband deployment in rural areas. The funding comes through the Broadband Technology Opportunities Program (BTOP) of the U.S. Department of Commerce, under the auspices of the American Recovery and Reinvestment Act (ARRA). ARDC hosted a forum for elected leaders from cities, counties, and townships to discuss regional broadband needs. A group of regional partners that included ARDC held a follow-up forum in the fall. ARDC contributed a Geographic Information Systems based research paper of provider networks in the region. ARDC successfully ended its grant contract in December 2012.
- d. Economic Benefits of Transportation Projects: ARDC is developing a project to evaluate the economic benefit of transportation projects in the region for the purpose of improving transportation project decisions. Issues that are being addressed include the impact of transportation projects on land use and development potential, long-term maintenance costs of projects, the benefits of using local connections to populate dense areas of businesses, and the economic benefits to housing values through improving local attractiveness and economies.

4. CEDS Strategy: Improve the region's entrepreneurial environment by supporting initiatives that improve networks, provide business operation assistance, expert advisors, entrepreneur and employee training, access to finance and markets, and raises the awareness of the entrepreneurial culture of the region.

- a. Go Cook County: Leaders in Cook County, the region's northeastern most and smallest county, have recognized growing challenges to their economic base. Public, private and non-profit leaders have come together as a county-wide leadership steering committee to assess and understand this situation, forge new partnerships and engage in a process to define a shared economic development vision, and the strategies and actions necessary to positively drive the area economy for the 21st Century. The development of a new economic development strategy for the County is in the final stages.



ARDC developed an in-depth analysis of the local economy. The analysis, survey of business, government, and non-profit leaders, and a community survey show the importance of small businesses and entrepreneurs to the County's economy. Strategies to leverage Cook County's natural amenities and quality of life with programs to support small businesses to enhance existing businesses and support entrepreneurs are among the top priorities.

The project is scheduled to come to a close in the fall with a strategy retreat after a series of public engagement meetings.

5. CEDS Strategy: Support tourism projects that build upon a community's existing strengths including proximity to outstanding natural resources; historic and cultural areas; national, state, and county parks; retirement community status; recreation destination status; and other similar factors.
- a. Trails as Economic Development: Staff facilitated a discussion of regional trails and economic impacts of same during an ARDC Commission meeting in October 2012. Participants recommended that ARDC work with citizens and others in the region to offer a trail mapping service to communities and determine a measurement for the economic impact of trails. ARDC staff is currently working on several key trails projects in the region and tentatively plan to organize a regional trails conference in 2013, pending other trail priorities.
- b. Lake Vermilion Trails: ARDC is currently assisting the Lake Vermilion Resort Association and a local Steering Committee in advancing implementation of the Lake Vermilion Trail Plan. This project will determine the scope of preliminary engineering for a first segment of trail.

In April, ARDC and the Lake Vermilion Trail Plan Steering Committee released a Request for Proposals and selected an engineering consultant. Between June and October, the consultant will work in collaboration with the Steering Committee and the University of Minnesota's Geographical Sciences Information Laboratory to evaluate the optimal and alternative route for the first trail segment. With this information the Steering Committee will conduct outreach to affected land owners to discuss the project.

The Lake Vermilion Resort Association and Trail Steering Committee finalized the Lake Vermilion Trail Plan in September 2011 with ARDC's assistance. The plan is an effort to continue to make the area a destination by adding to the future recreational and economic assets of the area.

- a. Lake County Trails Plan: ARDC is working with Lake County to develop a comprehensive trails plan. The county is interested leveraging trails to help local economies. The plan will improve Lake County's status as a recreation destination for tourists and regional residents. Increasing these opportunities will enhance the County's local business environment and improve the quality of life for residents. The draft plan is nearing completion.
- b. International Falls Area Gateway Corridor: ARDC is working with the City of International Falls, Koochiching County, and Voyageurs National Park to improve the Park's contribution to the area economy. ARDC has helped plan and secure funding for an improved bike trail between the City and the Park, highway signage improvements, and highway landscaping. ARDC is now working with local and state agencies to rehabilitate a fire tower in the area in order to make it usable by the public. The tower offers a commanding view of Rainy Lake, Voyageurs National Park, and Canada.
- c. City of Orr Downtown Improvement Design: The City of Orr is currently wrapping up its Downtown Design Improvement Project. Residents, elected officials, business owners, and individuals interested in the future of the Orr area have played an integral role in the progression of this project through public meetings, which were held in October, February, and April. The designs feature a pedestrian trail and walkways, a more defined parking situation in the downtown, decorative lighting, landscaping, informational kiosks, and a large city entry sign. The City is currently determining priorities for initial projects as it moves forward with implementation.

6. CEDS Strategy: Expand access to capital or businesses.

- a. ARDC RLF: ARDC supports business development through its revolving loan fund (RLF). In 2010, ARDC received recapitalization of its revolving loan fund (RLF). EDA approved \$1.4 million in federal funds matched by \$770,000 from the region. The maximum loan size was been increased to \$250,000 and the eligibility area expanded to include the City of Duluth Industries supported by RLF loans include manufacturing, aviation, alternative energy, construction, and

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high quality tourism. ARDC and its partner, the Northspan Group, have begun marketing the program through community meetings with lenders, economic developers, small businesses, and local government officials.

In February ARDC's RLF was featured in an EDA outreach booklet describing the agency's work. ARDC and Northspan Group assisted EDA in creating the following information:



Northstar Aerospace, Duluth Airpark

Loan Fund Supports Diversification of Minnesota Economy

Northeast Minnesota is home to some of the most economically distressed counties in the state. For generations, the region relied on mining, wood products, and tourism. These industry sectors have always demonstrated erratic economic behavior, and have led to dramatic population declines for the region. Local officials recognized an opportunity to diversify and build a new manufacturing/innovation cluster in the field of general aviation aircraft development.

*EDA was an instrumental partner in supporting this transformation. The region's aviation cluster has been the beneficiary of EDA support. EDA has invested more than \$8 million to develop the region's aviation cluster in such projects as Duluth based Cirrus Design. In addition, the **Arrowhead Regional Development Commission (ARDC)**, which serves the seven-county area of Northeast Minnesota as the Economic Development District, has used an EDA-funded revolving loan fund to support new and expanding aeronautics-related manufacturers. The revolving loan fund has a long history of providing funding that leverages private and public funding sources. ARDC has a long time successful relationship with the Northspan Group in providing administrative services to the revolving loan fund. According to the commission, by leveraging its funds it has created 893 and retained 1802 jobs and generated more than \$80 million in total project financing since its inception in 1987. The revolving loan fund has helped assist aviation and non-aviation businesses with their financial needs. One such business has been Northstar Aerospace located in Duluth's Airpark.*

With the continued support of the aviation cluster, the region is now home to two new recent significant aviation sector investments that include AAR Aircraft Services, a world class provider of aircraft maintenance services and Kestrel Aviation Company, a general aviation aircraft manufacturer. These two projects represent another \$131 million in private investment in the region.

7. CEDS Strategy: Promote and support statewide and inter-Economic Development District economic development strategies by seeking partnerships with state agencies and other EDDs through increased collaboration and alignment of goals and strategies.

ARDC continues to work with Minnesota's other Economic Development Districts to make the case for a Greater Minnesota Economic Development Strategy to increase collaboration across EDD boundaries, enhance organizational resources, and position regional CEDS as more effective building blocks for statewide and local strategies. Goals include:

- Create a common framework for regional economic plans, including a template for data collection, assessment, and strategies, and measures of success;
- Develop regional strategies that address the special challenges and opportunities of each part of the state;
- Create a framework for state action that will enhance and support economic development efforts at the local and regional level;
- Develop and implement an approach that effectively engages state partners; and
- Raise the bar on what constitutes effective rural economic development in Minnesota.

8. Other Economic Development Activities:

- a. Northeast Minnesota Flash Flood Disaster Economic Development Impact Study: ARDC received supplemental planning grant funding from EDA to assist the counties in Northeast Minnesota with disaster recovery planning following the severe flooding in the region which culminated on June 21, 2012. In an effort to assess how the 2012 Northeast Minnesota flood change economic development needs and strategies and how the impacts from the flood continue to affect local economies, ARDC completed a study with the cooperation of several communities impacted by the 2012 disaster. The resulting "Northeast Minnesota Flash Flood Disaster Economic Development Impact Study" report is attached.

The report provides an overview of information gathered from one-on-one interviews with local cities and county governments highlighting the immediate and longer-term post-flood impacts on local and regional economic development; including businesses, local government operations and planning, and tourism. In addition, the study reviews the successful local, regional, and State/Federal response to assist businesses, as well as where gaps existed or needs were not met. The report concludes with recommendations for communities, government agencies and non-profits to consider as they plan for greater economic development resiliency when faced with future disasters.

- b. Koochiching County Economic Response and Recovery: In early May, Boise Inc. announced plans to shut down two of four machines at its International Falls paper plant. As a result 265 layoffs were announced. The affected about 7% of the workforce in International Falls. ARDC immediately connected with local leaders in International Falls and Koochiching County to offer assistance. ARDC

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was able to connect officials with the University of Minnesota Extension Service to conduct an emergency economic impact analysis. The analysis was presented at a county-wide leadership meeting on June 03. At the meeting ARDC offered to help the City and County develop economic recovery plans, identify funding, including EDA funding, and implement their plans. ARDC staff also attended a meeting with elected officials from the state and federal delegations.

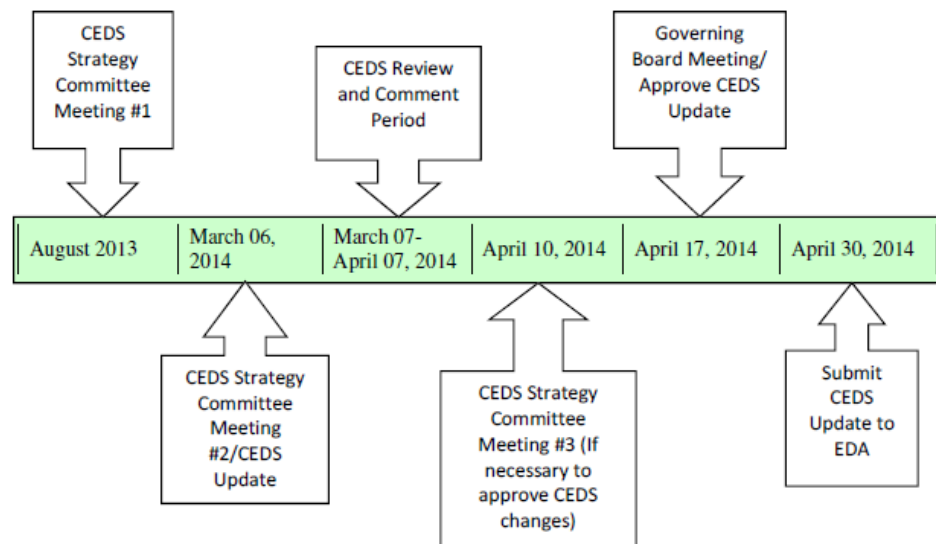
Evaluation of Progress on Action Plan and Goals

EDA Guidance: In this section, the District Organization should analyze its progress toward achieving the specific goals based on the Action Plan and Performance Measures contained within the CEDS, as well as goals set out in previous CEDS Performance Reports. If specific goals for the year were not met, the report should discuss what factors contributed to the goals not being met, and how the District Organization plans to address these factors so that goals will be met in the future.

The evaluation of action plan and goals discussed in this section relates to the work plan items approved in the FY 2012 planning investment awarded to ARDC as it relates to the CEDS and ARDC's economic development program.

1. Update the Comprehensive Economic Development Strategy (CEDS); work to implement and promote the CEDS goals, objectives, and significant economic development projects; and assess and readjust current CEDS goals and strategies for opportunities to collaborate with State and regional development agencies to better leverage economic development resources in the region.
 - ARDC updated to include a Disaster Resiliency Strategy component.
 - ARDC continues to work with other Economic Development Districts to pursue a CEDS plan for Greater Minnesota.
 - ARDC missed the deadline for submitting the CEDS update. ARDC will insure this does not happen in the future by setting timelines for CEDS Strategy Committee meetings and tasks to gather and develop the necessary information for the CEDS and improving communications with EDA.

2014 CEDS Update Timeline



2. ARDC will work collaboratively with public and private sector leaders from the industry clusters identified in the CEDS. Efforts will be focused at strengthening existing and emerging clusters by increasing the understanding of clusters' economic impact, identifying needs in the areas of infrastructure, workforce training, and financing, and identifying supply chain connections and gaps in the industrial makeup of the region's cluster. Other actions that access each regional industry cluster and identify specific actions that help improve cluster competitiveness will be supported. This is exemplified by ARDC's work with the Northern Aero Alliance, an emerging trade group of the region's aviation industry members.
 - ARDC successfully helped Northern Aero Alliance secure funding to create a new website to better market its mission and members.
 - ARDC successfully helped Northern Aero Alliance secure the assistance of the University of Minnesota-Duluth Bureau of Business and Economics Research, University of Minnesota-Extension Service, and EDA Center at University of Minnesota-Crookston to complete an economic impact analysis in the region.
 - Northern Aero Alliance expanded its membership by 20% to 22 members.
 - ARDC's work with Go Cook County includes a focus on strengthening the County's nationally recognized tourist economy through capital investments, diversifying activities and services, expanding the season, improving employee skills, and attracting new customers. The group is also working with the local arts and crafts scene to improve its contribution to the local economy.
3. ARDC will participate in the Arrowhead Growth Alliance initiative that grew out of the Northland Works Partnership: Prosperity Networks to enhance the Region's entrepreneurial environment.
 - ARDC has continued to participate in the Arrowhead Growth Alliance (AGA), a coalition of public and private organizations committed to advancing regional economic development.
4. Assist communities and organizations in identifying EDA, state funding, and other federal funding and assistance programs to develop regionally significant economic development projects that leverage private sector investment and job growth. This will be exemplified by efforts directed toward communities in Aitkin County, the county currently with the greatest overall distress ranking in the region.
 - ARDC continues to monitor regional economic development opportunities and work with communities to develop strategies that could be translated into future projects eligible for EDA and other funding. Many of the communities that ARDC is working with on other planning projects are potential development project locations.
 - ARDC began working with communities of International Falls and Koochiching County to recover from the current economic disaster. ARDC has offered to assist by providing recovery strategy development assistance, matching fund

identification, EAA grant writing and administration, and strategy implementation assistance.

- ARDC is working the City of Hermantown to identify planning, infrastructure, and funding needs for several development and redevelopment properties.
 - Initiation of economic development planning efforts in Aitkin County was postponed due to changes in priorities brought on the regional flooding of summer 2012 and participation in development of an economic development strategy in Cook County. The economic situation brought on by layoffs at a paper plant in Koochiching County and completion of the Go Cook County planning process will continue to be priorities in 2013-2014.
5. Implement strategies and programs to promote national strategic priorities including development of green and renewable energy industries and uses, advance communications and information technology, natural disaster mitigation and resiliency, and alternative fuel technologies.
- ARDC successfully facilitated the creation of the Duluth Local Energy Action Plan. ARDC's role in the process is completed and the plan awaits adoption by the City Council.
 - ARDC was awarded a contract to facilitate the update of the Itasca County Hazard Mitigation Plan. ARDC expects to work with more counties in the coming year.
 - Following the June 2012 flooding ARDC participated in the Grantors Alliance, a group of both public and private donors that wanted to help. The partnership formed an innovative model for philanthropic disaster response to help residents and businesses recover.
 - Leveraging the new fiber optic broadband network in Cook County to drive future economic growth is a focus of Go Cook County.
6. Assist development of community and multi-jurisdictional strategies and comprehensive plans that complement the regional CEDS, facilitate business attraction and retention, and prepare communities for the long term effects of increase private investment and population growth.
- The Go Cook County planning process was expected to end before June 30 but has been extended due to reasons involving a greater complexity of issues and difficulty scheduling meetings in a tourist economy with many small business owner-operators. Despite the delay, the project is successfully developing a compelling economic development strategy.
 - ARDC has successfully helped several communities plan for trails and community development improvements over the past year. ARDC is working with these communities to turn concepts into reality and boost their local economies.
 - ARDC assisted the City of Two Harbors by updating their industrial zoning ordinances and rezoning areas of the city that are situated for development. The new zoning ordinances reflect the City's vision for industrial development

and make permitting simpler while providing better abatement of potential nuisances. Sites included in the rezoning included a greenfield zoned for Light and Advanced Manufacturing and a unique waterfront site on Lake Superior that is situated for port and rail activities.

7. Administer and assist communities under the regional JOBZ economic development incentive program.

- ARDC continued its role as regional JOBZ administrator by assisting communities, Minnesota Department of Employment and Economic Development, businesses, developers and the media with JOBZ related questions and tasks. ARDC monitored the development of a new State Job Creation Fund which will replace JOBZ when it expires in 2015.

8. Assist business and economic development through prepackaging of development financing through ARDC's revolving loan fund.

- ARDC and its partner, the Northspan Group, began marketing the RLF through community meetings with lenders, economic developers, small businesses, and local government officials.

9. Coordinate and participate in national, state, and regional organizations and activities, including training affecting the Economic Development District:

- ARDC's Executive Director and economic development planner participate in several regional and national economic development organizations including Iron Range Economic Alliance (IREA), National Association of Development Organizations (NADO), and Arrowhead Growth Alliance.
- ARDC staff actively participates in meetings of the Minnesota Association of Development Organization economic developers and executive directors. The meetings are an opportunity for economic development planners and executive directors from Minnesota's Economic Development Districts to discuss issues that affect all Districts.
- ARDC's Executive Director and economic development planner attended the EDA sponsored Midwest Training seminar held in September. ARDC's Executive Director attended the NADO legislative conference in 2013.

10. Disaster Recovery Planning:

- ARDC received supplemental planning grant funding to assist the counties in Northeast Minnesota with disaster recovery planning following the severe flooding in the area which culminated on June 21, 2012. In an effort to assess how the 2012 Northeast Minnesota flood changed the economic development needs and strategies and how the impacts from the flood continue to affect local economies, ARDC recently completed a study with the cooperation of several communities impacted by the 2012 disaster. The report provides an overview of information gathered from one-on-one interviews with local cities

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and county governments highlighting the immediate and longer-term post-flood impacts on local and regional economic development; including businesses, local government operations and planning, and tourism. In addition, the study reviews the successful local, regional, and State/Federal response to assist businesses, as well as where gaps existed or needs were not met. The report concludes with recommendations for communities, government agencies.

Schedule of the Goals for the Next Year

EDA Guidance: The final section of this report should set achievable goals for the CEDS development or implementation for the upcoming year. The program of activities, both construction and non-construction, should be described in a format that mirrors the Action Plan in the CEDS document. This should include a schedule which is as detailed as possible to set the baseline for evaluating the CEDS performance in the next year.

In 2013 – 2014 ARDC's economic development work plan will address the following:

1. Koochiching County Economic Recovery: ARDC is committed to assisting the communities of International Falls and Koochiching County to recover from the sudden economic disaster by providing recovery strategy development assistance, matching fund identification, EAA grant writing and administration, and strategy implementation assistance.

International Falls/Koochiching County will need to qualify under EDA's "Special Need" criteria since the county does not meet the threshold for unemployment rate or per capita income distress. ARDC believes that a compelling case can be made using the economic impact data, current unemployment rate, and population loss data. (See Economic Distress Criteria in the projects section of this report.)

ARDC will keep in touch with the local Economic Recovery Team to offer assistance as they get organized. ARDC has also spoken with the Region Five Development Commission about a recent paper products plant that shut down in Brainerd to learn if there are opportunities to cooperate on economic recovery strategies. ARDC will explore the possibility of applying for EAA funding in September 2013 or December 2013.

2. Go Cook County: Development of the GO Cook County economic development strategy is expected to end in the fall of 2013. Remaining major project milestones include two public meetings during the last week of August, a strategy retreat in September, and adoption of the plan by county stakeholders. ARDC will work with GO Cook County stakeholders to identify priority areas where ARDC can continue to offer assistance.
3. Northern Aero Alliance: ARDC will continue to facilitate the Northern Aero Alliance in 2013-2014. Ongoing in major initiatives include completing the update of the website, overseeing the development of an economic impact study of the aviation sector in the region, and addressing workforce needs.
4. Greater Minnesota CEDS: ARDC will continue to work with other Economic Development Districts in the state to build on the progress made in 2012 – 2013 to develop a common framework for regional economic plans, including a template for data collection, assessment, strategies, and measures of success. Progress on scope of work and identifying funding sources and partners will be discussed in July and October when the Economic Development District planners and executive directors meet.

5. Hazard mitigation and disaster recovery: ARDC anticipates working with several counties during 2013 - 2014 to update their All-Hazard Mitigation Plans. ARDC will incorporate the CEDS Disaster Resiliency priorities into this work.

6. Workforce Retention Needs: ARDC will work with its CEDS Strategy Committee to examine the issue of workforce retention in the region's communities and industries. This issue was suggested by members of the CEDS Strategy Committee and will be a central topic of discussion at CEDS meetings in 2013-2014. ARDC will try to determine if retention is significantly separate from other efforts addressing recruitment and training and identify possible solutions.

Disaster Resiliency Strategy

The disaster resiliency strategy establishes ARDC's role in pre- and post-disaster planning and recovery. In the event of a disaster, ARDC is prepared to facilitate planning and recovery efforts. This strategy is informed by the findings of the Northeast Minnesota Flash Flood Disaster Economic Development Impact Study.

Risk

Northeast Minnesota is at risk for a wide variety of disasters including, but not limited to fires, flooding, severe winter storms, drought, extreme heat, and hazardous material spills. Recovery and mitigation efforts are faced with challenges due to the following factors:

- Geographic size and location
- A small population dispersed over a large area
- Isolation of many communities and residents
- Limited financial capital
- Limited rural transportation infrastructure and options
- A large elderly population

Priorities

1. Land Use Planning: Decisions made before and after a disaster affect the resiliency and recovery of a community in the event of a disaster. ARDC will encourage and assist communities to integrate disaster resiliency into land use planning and development decisions to mitigate potential disaster impacts by:
 - a. Integrating a hazard element into Comprehensive Plans, either as a stand-alone section or in discussion of other plan sections such as housing, infrastructure, and economic development.
 - b. Assessing disaster vulnerability of sites in development plans.
 - c. Encouraging development in less hazardous areas.
 - d. Minimizing or mitigating vulnerable types of development in hazardous areas.
 - e. Reducing disaster vulnerability through land use and zoning regulations.
2. Economic Development Planning: Recovery dictates long-term success. The return of jobs, tourism, and capital investments are dependent on housing recovery, infrastructure restoration, environmental restoration, and social service provision. ARDC will encourage and assist communities to integrate disaster resiliency into economic development planning by:
 - a. Assessing the unique needs and challenges for small businesses, large employers, economic diversification, and workforce/residents in the face of disaster. (How has the market for each changed after a disaster?)
 - b. Prioritizing economic development projects that are disaster resilient and fill a need in the post disaster community.
 - c. Encouraging all physical projects to address disaster resiliency in the planning stage.

3. Infrastructure and Public Facilities: Restoration of infrastructure and public facilities is a prerequisite for recovery. ARDC will help communities prioritize long term infrastructure needs to take advantage of opportunity to upgrade, mitigate, or relocate infrastructure to improve disaster resiliency.
4. Planning and Recovery Facilitation: The mission of ARDC is to serve the people of the region by providing local units of government and citizens groups a means to work cooperatively in identifying needs, solving problems and fostering local leadership. ARDC will:
 - a. Offer a forum to convene diverse stakeholders and facilitate discussion and planning initiatives around the issues of economic resiliency and preparedness.
 - b. Offer to provide communities and businesses with regional demographic and economic data, hazard vulnerability and mitigation data, disaster impact data.
 - c. Establish familiarity with economic and community recovery funding sources and programs.
 - d. Use ARDC's revolving loan fund to assist disaster impacted businesses.

Northeast Minnesota Economic Development District

2013 CEDS Annual Performance Report

FY 2012 Planning Grant
Award Number 06-83-05757



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