

GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

Thursday, February 28, 2019
4:00pm
Grand Rapids City Hall

NOTICE IS HEREBY GIVEN, that a regular meeting of the Grand Rapids Economic Development Authority will be held in Conference Room 2A in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, February 28, 2019 at 4:00pm.

AGENDA

1. Call to Order
2. Call of Roll
3. Setting of the Regular Agenda - *This is an opportunity to approve the regular agenda as presented or add/delete by a majority vote of the Commissioners present an agenda item.*
4. Approval of minutes from the February 14, 2019 regular meeting.
5. Consider approval of claims
6. Consider approving a letter of support for an IEDC grant application to the Federal EDA.
7. Comprehensive Plan Update work session – Janna King, Economic Development Services
 - The role of GREDA
 - Review of data
 - Discuss survey results
 - Interview process
 - Issues and key areas of focus
8. Updates:
 - a.
9. Adjourn

GREDA Members/terms:

Dale Christy – 12/31/2020 (with council term)
Rick Blake– 12/31/2022 (with council term)
Mike Przytarski – 3/1/21
Cory Jackson – 3/1/23
Mike Korte – 3/1/22
Chris Lynch – 3/1/19
Sholom Blake – 3/1/19

**GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING
THURSDAY, FEBRUARY 14, 2019
4:00 P.M.**

**GRAND RAPIDS CITY HALL – CONFERENCE ROOM 2A
420 NORTH POKEGAMA AVE., GRAND RAPIDS, MINNESOTA**

CALL TO ORDER: Pursuant to due notice and call thereof, a Regular Meeting of the Grand Rapids Economic Development Authority (GREDA) was called to order on Thursday, February 14, 2019 at 4:00 p.m. in Conference Room 2A of City Hall, 420 North Pokegama Avenue, Grand Rapids, Minnesota.

CALL OF ROLL: On a Call of Roll the following members were present: Commissioners: Sholom Blake, Chris Lynch, Mike Korte, Dale Christy. Absent: Mike Przytarski, Cory Jackson, Rick Blake.

SETTING OF REGULAR AGENDA: **Approved without addition.**

APPROVAL OF MINUTES:

MOTION BY COMMISSIONER KORTE, SECOND BY COMMISSIONER LYNCH TO APPROVE THE MINUTES OF THE JANUARY 10, 2019 REGULAR MEETING. The following voted in favor thereof: S. Blake, Christy, Korte, Lynch. Opposed: None, passed unanimously.

APPROVAL OF CLAIMS:

MOTION BY COMMISSIONER LYNCH, SECOND BY COMMISSIONER CHRISTY TO APPROVE CLAIMS IN THE AMOUNT OF \$87,463.04.

Blandin Foundation	\$19,871.16	Chad B Sterle	\$465.00
City of Grand Rapids	\$2,765.56	Grand Rapids Herald Review	\$59.00
Itasca County HRA	\$60,555.64	Minnesota Energy Resources	\$555.85
Miners Inc	\$4.99	MN DEED	\$2,000.00
Northern Star Cooperative	\$649.15	P.U.C	\$394.47
United Parcel Service	\$142.22		

The following voted in favor thereof: S. Blake, Lynch, Jackson, Korte. Opposed: None, passed unanimously.

Review and consider approval of the GREDA 2019 Work Plan.

Community Development Director Mattei reviewed the proposed 2019 Work Plan with the Commissioners.

MOTION BY COMMISSIONER LYNCH, SECOND BY COMMISSIONER KORTE TO APPROVE THE 2019 GREDA WORK PLAN. The following voted in favor thereof: Korte, Lynch, Christy, S. Blake. Opposed: None, passed unanimously.

Updates:

Comprehensive Plan 2019 Update- Janna King will be at the next GREDA Meeting and has set up interviews with local stakeholders.

Sawmill Inn Redevelopment-The sale has been completed and once the asbestos abatement is completed the demo can take place.

Proposed subdivision of City property on Golf Course Rd. (Great River Acres)- Mr. Mattei provided a layout of the proposed subdivision.

Arrowhead Regional Development Commissioner Brownfields Assessment Grant Coalition- Mr. Mattei is hoping to be able to benefit from this coalition in the future for redevelopment.

Thank you to departing Commissioner Chris Lynch.

Mr. Mattei and the Commissioners thanked Mr. Lynch for his years of service.

There being no further business the meeting adjourned at 4:44 p.m.

Respectfully submitted:

Aurimy Groom, Recorder

DRAFT

EDA BILL LIST - FEBRUARY 28, 2019

DATE: 02/25/2019
 TIME: 12:32:00
 ID: AP443000.CGR

CITY OF GRAND RAPIDS
 DEPARTMENT SUMMARY REPORT

PAGE: 1

INVOICES DUE ON/BEFORE 02/28/2019

VENDOR #	NAME	AMOUNT DUE

CHECKS ISSUED-PRIOR APPROVAL		
PRIOR APPROVAL		
1621130	P.U.C.	488.99
TOTAL PRIOR APPROVAL		488.99
TOTAL PRIOR APPROVAL ALLOWED IN THE SUM OF:		\$ 488.99
TOTAL ALL DEPARTMENTS		488.99



CITY OF
GRAND RAPIDS
IT'S IN MINNESOTA'S NATURE

ECONOMIC DEVELOPMENT AUTHORITY

420 NORTH POKEGAMA AVENUE, GRAND RAPIDS, MINNESOTA 55744-2662

February 25, 2019

Jeannette Tamayo
Regional Director
Chicago Regional Office
U.S. Department of Commerce
Economic Development Administration
230 S. Dearborn Street, Suite 2380
Chicago, IL 60604-1512

Dear Ms. Tamayo:

The Itasca Economic Development Corporation (IEDC) located in Grand Rapids, Minnesota and serving Itasca County is seeking Federal Economic Development Administration (EDA) funding to respond to the declining economic trends, distress and major business dislocations, which have been occurring for the past several years in the Itasca County area. An EDA Economic Adjustment Assistance Grant totaling \$304,000 as part of a total \$380,000 project would be used over the next two years to help IEDC and its Long-term Economic Strategy Team deliver a coordinated and professional economic response effort. This work plan is multi-faceted, including hiring of an Economic Response Coordinator (ERC) that is actionable and widely supported in Itasca County and by other economic development partners in Northeast Minnesota.

Under the leadership of the IEDC Team and ERC, this well-planned project will set a long-term strategic direction as well as move immediately on business development initiatives based on targeted clustering and emerging opportunities as well as accelerated business retention/expansion and attraction efforts. The current economic situation needs to change and needs new direction and broader area commitment to finding solutions and turning around the negative trends affecting jobs, investment and limiting area growth potential in Itasca County.

The Grand Rapids Economic Development Authority strongly supports IEDC's efforts, its financial and resource commitments, and leadership in addressing these problems and challenges. We would encourage your agency to continue to step up in these systemic distress situations and support economic adjustment assistance funding for IEDC and the Itasca County area as soon as possible.

Sincerely,

Sholom Blake
President

Cc: Itasca Economic Development Corporation

----- AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER -----

B.2. Describe and outline the scope of work for the proposed EDA investment.

As charged by the Itasca Economic Development Corporation Board, the Itasca Area Long Term Strategy Team was formed in early 2018 as a direct response to the dislocation trends of the past three years and new challenges on the horizon and has developed a scope of work and budget designed to:

- Leverage and coordinate existing economic development efforts and partners
- Invest in professional economic recovery specialist capacity for a sustained two-year period
- Engage in a recovery process that is shared, communicated and delivers results

The intent is to seek a federal Economic Development Administration - Economic Adjustment Assistance investment to supplement and implement the following major work tasks of a Resiliency and Recovery Strategy for Itasca County.

Itasca Area Recovery Coordinator

Itasca Economic Development Corporation has hired its new President and will engage in an organizational strategic planning process within the next three months. In addition, Itasca Economic Development Corporation will be the applicant for a federal EDA grant with submittal in February 2019 that is expected to begin in the second quarter of 2019. Proposed is a \$380,000 total project with unencumbered matching funding committed by Itasca Economic Development Corporation on November 13, 2018 in the amount of \$76,000 as 20% local match pending final EDA match determination.

Upon approval, Itasca Economic Development Corporation will have its new President lead the immediate hiring of a contracted Economic Recovery Coordinator who will be responsible for leading and facilitating a 24-month recovery process. Given the proposed scope of work we envision, the President and Economic Recovery Coordinator, with guidance by the Long Term Strategy Team, will initiate a phased process that will include the immediate facilitation of a County-wide forum to coordinate this strategic effort with the broader community, accelerate business retention and expansion program and initiate a targeted external headquartered business engagement initiative with a team of select development partners, hiring of a consultant by the third quarter to complete an economic cluster analysis and targeted opportunities initiative within 2019. This work will supplement and support BR&E targeting as well as the strategic focus of the Economic Recovery Coordinator's second year's work. Finally, the Economic Recovery Coordinator will lead and facilitate a "Preferred Place to Do Business" initiative to improve service and leverage business investment and job creation.

Specifically, this scope of work includes:

- **Coordination and Facilitation**

Economic Recovery Coordinator will design, initiate, and facilitate an assessment/engagement/ongoing communication process to bring existing local and regional economic development partners together with business, public and non-profit leaders in a facilitated process. We need to better understand and recognize work that is under way and identify ways we can leverage our strengths and collective resources and rebuild relationships in moving a shared plan of action to a successful outcome over the next twenty-four months.

Itasca Economic Development Corporation, its President, and Long Term Strategy Team will play an important supporting role communicating the importance of the economic recovery process and reaching out to area leaders both at the onset and throughout implementation to guide, sustain and celebrate positive outcomes and achievements. The Chamber, Blandin Foundation and other area partners will also need to demonstrate this same level of support and communicate the need for broader engagement and leverage of resources. We need to be on the same page and move priorities forward.

Economic Recovery Coordinator will lead and facilitate this work with support by the Itasca Economic Development Corporation President and staff.

- **Accelerated Business Retention and Development Initiative**

Recognizing that up to 90% of net new job growth comes from existing businesses in the area, we have placed major emphasis on a two-pronged retention and development initiative calling on existing businesses in the area and researching and calling on targeted company headquarters outside of the area as follows.

First, working closely with key partners including the Grand Rapids Area Chamber and Grow Minnesota, Area Partnership for Economic Expansion, Itasca Economic Development Corporation, SBDC, area business leaders and others, Economic Recovery Coordinator will lead and facilitate a coordinated and accelerated BR&E initiative. This process will bring existing BR&E efforts to a higher level and make BR&E a major county-wide priority for 2019 through 2021. This effort will:

- Target and make quality business calls that are meaningful and can build trust through a defined and coordinated formal process.

- Engage in disciplined follow-up as a high priority and critical ingredient to address immediate and longer-term needs and opportunities, build trust, demonstrate real results and retain and grow businesses;
- Build relationships and synergies among businesses that can leverage their strengths, particularly with supply chain opportunities;
- Leverage the array of available public, non-profit and private resources that can be helpful if better understood and connections made through the process, including Area Partnership for Economic Expansion recruiting efforts, Business Assistance Fund and NRR's product development matching resources, Department of Iron Range Resources and Rehabilitation and other state and regional resources, the broad capabilities of the SBDC and University of Minnesota Duluth, Itasca Community College, Blandin Foundation, Chamber, and others in the area; and
- Recognize and communicate successes when possible.

Secondly, Economic Recovery Coordinator will lead a team focused on targeted headquarters of existing businesses that are located outside of Itasca County and could be prospects for future expansions. These could be in-state or out-of-state businesses with ties to the Itasca County economy and could leverage our strengths. The Economic Recovery Coordinator will target, profile and engage in a coordinated call program involving key development partners and business leaders. We can build on the Economic Cluster work being proposed as part of this plan of action as well as some existing outreach work already underway by Area Partnership for Economic Expansion, Department of Iron Range Resources and Rehabilitation and Itasca Economic Development Corporation. A target of 15-20 key businesses would be the measure with two or three opportunities moved on in the next two years.

Economic Recovery Coordinator will lead and facilitate this work with support of key development partners and businesses.

- **Economic Cluster Analysis and Targeted Opportunities Initiative**

Part of the 2003 EAA grant awarded to Itasca Economic Development Corporation was the completion of a target industry analysis for Itasca County. This target industry analysis was done almost 15 years ago, and a lot has changed in the economy at many levels. Some current targets remain a viable priority but a clearer understanding of where we have strengths and can leverage new and emerging opportunities is needed to guide work over the next 2-5 years and beyond. The Economic Recovery Coordinator, working with the Itasca Economic Development Corporation President, Board and others, will prepare an

RFP, facilitate hiring, supplement, and coordinate the work of a qualified professional consultant to perform an Economic Cluster Analysis and Business Targeting.

The work will target business development opportunities that are based on area strengths and reasons we've been successful, as well as understand the barriers and challenges we need to address to be more successful. Elements of the analysis will include engaging our existing businesses in business development, offering competitive sites and buildings, leveraging Opportunity Zones, addressing targeted talent/skill development needs, and broadening entrepreneur support, investigating co-working space and economic gardening.

The consultant would profile and build the business case for business development targets that leverage Itasca County's current and emerging economic strengths including its natural resources for value added diversification such as woody biomass utilization, supply chain development and product import substitution opportunities. It should have a major emphasis on other diversification targets that are existing, new or emerging and can be considered sustainable growth opportunities and a good fit for Itasca County. The consultant would access and work with the studies and research done both within and outside the region and rely on the Economic Recovery Coordinator and area development partners, as well as leverage their own experience and proprietary access to key information.

Economic Recovery Coordinator and Itasca Economic Development Corporation President will facilitate hiring and coordinate the work of a professional consultant with support of development partners and interested business leaders.

- **Preferred Place to Do Business Initiative**

The Economic Recovery Coordinator will lead and facilitate building the case for becoming a best in class "Preferred Place to Do Business." The Economic Recovery Coordinator will work to understand, coordinate and streamline access to key development information, and will guide the development partners in helping an existing business or new startup grow anywhere in the County. This effort will build on our existing entrepreneur support system and look for ways to improve its visibility and effectiveness. This can be accomplished by addressing things such as streamlining government permitting, sharing sites and buildings and cost information, support in attracting talent, finding affordable housing, customized training access, childcare and much more. The Initiative will explore best practices employed by other successful communities/areas and research how this information is conveyed and coordinated effectively. We may consider interviewing area

companies that have recently expanded or were startups to understand their experiences and how to improve this experience in Itasca County.

Economic Recovery Coordinator will lead and facilitate this work with support of key development partners and businesses.

Initiative Budget Estimate: \$380,000 for two-year period.

- Economic Recovery Coordinator hiring and support - \$240,000
- Economic Cluster Analysis and Targeting - \$120,000
- Travel - \$15,000
- Project Admin - \$5,000

B.3.b. Describe the economic conditions of your region and the needs that this project will address.

Itasca County is experiencing changes in its traditional economic base that are resulting in job losses and wage shrinkages focused in four interrelated industries: Natural Resources and Mining, Construction, Manufacturing, and Energy Production. Economic dislocations in these industries have an outsized effect on the local economy because they pay higher than average wages.

Health care and social services, Educational services, Accommodations and food services, and Retail trade have become the County's largest employers over the past few decades. These industries experienced growth from 2015 through 2017 between 1% in Accommodations and Food Services and 9% in Healthcare and Social Services.

However, overall employment shrank by 3% and wages shrank by 5% from 2015 to 2017 led by job losses in Construction, Natural Resources and Mining, Professional and Business Services, and Manufacturing.

Economic Adjustment Problems and Distress Eligibility

Itasca County's eligibility and case for an 80% investment rate is based on multiple, significant economic distress criteria that include the unemployment rate, and Special Needs covering closing or restructuring of industrial firms or loss of major employers, negative effects of changing trade patterns, and negative impacts from a changing coal economy.

Distress Criteria: 24-month unemployment rate

Itasca County's 24-month unemployment rate through December 2018 (the most current available data) is 6.26% which is 2.14 percentage points higher, or 152% greater, than the national average of 4.12%.

EDA Distress Criteria			
<i>Criteria</i>	<i>Itasca</i>	<i>Requirement</i>	<i>Threshold Calculation</i>
24- Month Average Unemployment Rate	6.26%	1 percentage point higher than national average (4.12%)	2.14 percentage points

Source: US Bureau of Labor Statistics via Statsamerica.org/distress, period ending December 2018, retrieved February 18, 2019

Special Need: closures, shut downs, restructuring of traditional industries and firms

Itasca County's economy has experienced multiple shocks over the past 20 years. These shocks are the result of closures, shutdowns, and restructuring of traditional industries and firms. Negative change has been concentrated in the County's traditional natural resources economic base and related industries. This long-term trend started in 2003 when UPM Blandin shutdown two of four paper machines and eliminated 300 jobs at its Grand Rapids mill and continued with Alnsworth Lumber permanently closing its Grand Rapids oriented strand board plant in 2008, eliminating 190 jobs.

For Regions with a population up to 100,000, the eligibility threshold for threatened or actual dislocation is 200 jobs, or one percent of the CLF, whichever is less. Itasca County has a population of about 45,000 and a 2017 American Community Survey Civilian Labor Force of 21,503. The layoffs in Natural Resources and Mining, Construction, Manufacturing, and Energy Production in the 24 months preceding February 2019 and those that are planned to occur total 238 workers or 1.1% of the Civilian Labor Force. The 1,800 workers covered by the State Dislocated Worker Program since 2015 represent 8.4% of the Civilian Labor Force.

The Minnesota State Dislocated Worker Program, which tracks layoffs by employers with 50 or more employees, demonstrates the continued dislocations taking place in the local economy. 1,800 workers were affected by layoffs covered by the Dislocated Worker Program in Itasca County from 2015 through 2018. Nearly 1,700 of those impacted were workers from the mining, construction, manufacturing, and energy production industries. Nearly 1,150 of those layoffs were Trade Adjustment Assistance related.

Workers Affected by Plant Closings/Mass Layoffs in Itasca County, 2015-2019				
Year	Company	Industry	TAA Related	Workers Affected
2015	Magnetation Plant 2	Mining	Y	145
2015	Keetac	Mining	N	412
2015	Magnetation Plant 1	Mining	Y	41
2015	Hammerlund	Construction	Y	300
2015	Rapids Process Equipment	Manufacturing	Y	2
2016	Northern Industrial Erectors	Construction	Y	300
2016	Industrial Lubricant	Wholesale	Y	12
2016	Magnetation Plant 4	Mining	Y	20
2016	Schwartz Redi Mix	Construction Materials	Y	28
2016	Magnetation - Remaining	Mining	Y	198

	Sites			
2017	MNStar	Manufacturing	N	28
2017	UPM Blandin	Manufacturing	Y	150
2017	Sawmill Inc	Accommodations	N	104
2018	Boswell Energy	Power Generation	Y	50*
2019	Rapids Energy	Power Generation**	N	10*
Total				1,800

Source: mn.gov/deed/programs-services/dislocated-worker/reports/, retrieved 12/11/2018
 *-Provided by Minnesota Power.
 ** - Bio-Mass powered plant transitioning to gas.

Economic dislocations in these industries have a significant effect on the local economy because they pay higher than average wages and benefits. In 2015, employment in the Natural Resources, Mining, Construction, Manufacturing, and Energy Production industries accounted for 20.5% percent of employment in Itasca County and 34.5% percent of total wages. The average wage paid in these industries paid more than 1.6 times as much as the average wage in the county. By 2017 (the most recent annual data available), overall employment was down in the county by 464 jobs but these industries employment was down by more than 700 jobs. As a result, total wages paid in the county were \$47 million less in 2017 than 2015.

Economic Impact Summary		
Natural Resources and Mining, Construction, Manufacturing, and Energy Production		
	2015	2017
Total # of Jobs	16,293	15,829
Private Sector Jobs	12,920	12,329
NRMCMPEP Jobs	3,346	2,620
% of Total	20.5%	16.6%
% of Private	25.9%	21.3%
Total Wages	\$658,777,183	\$638,369,507
Private Sector Wages	\$518,725,182	\$489,712,311
NRMCMPEP Wages	\$226,721,983	\$178,827,289
% Total	34.4%	28%
% Private	43.7%	37%
Avg Weekly Wage - All	\$778	\$775
Average Weekly Wage - Private	\$772	\$763
NRMCMPEP Average Weekly Wage	\$1,401	\$1,391
Wage Ratio - All	1.80	1.79
Wage Ratio - Private	1.81	1.82

Source: Minnesota Department of Employment and Economic Development, Quarterly Census of Employment and Wages, <https://mn.gov/deed/data/data-tools/qcew/>, Retrieved December 2018

Special Need: changing trade patterns

Iron mining has traditionally been a cyclical industry and Itasca County's mines and supporting industries have not been immune from this feature. Beginning in 2015, the global iron and steel markets began responding to a perfect storm of market changes. Taconite prices dropped to historical lows as China, the world's largest customer for steel products, entered a construction and economic slowdown at the same time as the world's largest iron mining companies were increasing production creating a cheaper source of ore from other parts of the world. Second, domestic steel had to compete against illegal steel dumping of foreign steel in the United States. Even without the steel dumping, cheap foreign steel imports were squeezing domestic steel prices. Despite the recent positive turn in American iron mining and steel fortunes, direct, lasting damage was done to the economy in Itasca County. The two mining companies based in Itasca County, Magnetation and Essar Steel of Minnesota, went bankrupt and shut down production and construction. New groups are vying for ownership of both mining operations in some form, including possible liquidation of assets, but specific projects and timelines remain uncertain. Trade Adjustment Assistance petitions were also approved for 642 workers at five construction and manufacturing companies since 2015 for economic dislocations that were direct impacts of changes in the area mining industry.

The forest products industry in Itasca County and Northeast Minnesota is made up of Forestry and Logging, Wood and Paper Product Manufacturing, and Energy Production. The industry in Northeast Minnesota has been as hard-hit as any industry since the Great Recession of 2008-2009, starting with the staggering drop in housing construction nationwide. During the past ten years the rise of Asian, especially Chinese, paper manufacturing and the effect of the digital revolution have negatively affected North American paper manufacturers. American paper and wood product manufacturers have also been negatively impacted in recent years by the ongoing Canada – United States softwood lumber dispute.

The negative impacts of these challenges have been stark. In the ten-year period from 2008 to 2017 the forest products industry in Northeast Minnesota covered by QCEW data lost 1,138 jobs (27% of industry total), 32 establishments (19%), and \$19,000,000 in wages (8%).

In the case of the 2017 layoff of 150 people and shutdown of a paper machine at UPM's paper mill in Grand Rapids, the Department of Labor found that Section 222(a)(2)(B) (Trade Adjustment Assistance) has been met because the workers' firm has shifted to a foreign country the production of an article like or directly competitive with the article produced by the workers which contributed importantly to worker group separations at UPM Blandin Paper Company.

As confirmed by the Department of Labor's decision to extend Trade Adjustment Assistance to workers, this decision was the result of changes in the global markets for the graphic paper produced in Itasca County coupled with the European-based firm's decision to focus new investments in its European plants.

Special Need: Impacts of changes in the coal economy

Itasca County and other areas of the surrounding Northeast Region have been significantly impacted by reductions and repurposing of base load coal-fired generation units over the past three years. Minnesota

Power, a division of ALLETE, Inc., is an investor-owned utility regulated by the Minnesota Public Utilities Commission. Minnesota Power serves about 144,000 retail electric customers and 16 municipal systems across a 26,000-square-mile service area in central and northeastern Minnesota. According to its current Integrated Resource Plan approved in 2015, about 54 percent of Minnesota Power's kilowatt-hour ("kwh") sales in 2014 served large power customers, primarily in the taconite mining, iron concentrate, paper, pulp, refining and pipeline industries. Many of these industrial customers operate 24/7, which gives the utility a unique high load factor featuring a power supply with less variation in demand than most utilities. The Company's execution of EnergyForward, its long-range resource strategy, is systematically lowering the ratio of coal used to produce energy at Minnesota Power and dramatically lowering emissions from the baseload coal units that remain. The plan is designed to supply Minnesota Power customers with a safe, reliable, and affordable power supply while improving environmental performance, reducing emissions, sustaining the company's high-quality energy conservation program and adding renewables in the near-term and natural gas in the long-term. The overall goal by 2030 is to achieve an energy mix of approximately one-third renewable resources such as wind, water, wood and solar, one-third natural gas/other and one-third coal for its long-term energy production portfolio consistent with state emission reduction policies and national goals. Diversification of the company's fleet is already well underway and has its impacts on area employment.

The transformational EnergyForward plan is being implemented today and its impacts have been felt in Itasca County and two other locations in Northeast Minnesota. In 2015, Minnesota Power repurposed the Laskin Energy Center from a coal fired system to an on-call, peaking natural gas operation which meant the permanent loss of 30 positions in the East Range area, specifically in the City of Hoyt Lakes in St. Louis County. In 2016-17 the Taconite Harbor Energy Center closed its three coal-fired units located on the North Shore of Lake Superior in the Town of Tofta, resulting in the permanent loss of 39 employees. More recently, at the Boswell Energy Center in Cohasset, located in Itasca County, Boswell Units 1 & 2 will permanently close on December 26-27, 2018 with the permanent loss of 57 employees. Lastly, Rapids Energy Center, a bio-wood fired energy facility directly serving UPM Blandin Paper company located in Grand Rapids, will be repurposed in early 2019 as a gas-fired system in response to the loss of Paper Machine #5 in late 2017 and Minnesota Power's efforts to provide UPM Blandin Paper with a long term, more cost-effective source for its ongoing operating needs. The net impact is a direct loss of 23 employees at Rapids Energy Center. The other supply chain impact is on the loggers and truckers providing wood resources to Rapids Energy. This is not a direct coal impact but is all part of the economic dislocation going on in Itasca County.

These direct employment losses at coal fired units have also meant other employee reductions at Minnesota Power related to changing needs of its overall operations as a utility. We do not have the total impacts of these changes at that this time.

The Northeast Region, and Itasca County specifically, have been directly impacted by the transformation of and reduction in power generation by smaller coal-fired generation units in the Minnesota Power Fleet. The total impact in Itasca County has been the permanent reduction of 57 employees related to coal and the loss of an additional 23 employees at Rapids Energy Center tied to woody biomass fuels. Fortunately, Boswell Energy Center Units 3 & 4, the flagship units, will remain online as key base load coal-fired

generation facilities and have seen significant new investments made over the past five years to sustain these operations for the foreseeable future consistent with the current EnergyForward Strategy.

In addition to the loss of these high paying union and salaried jobs with benefits at the generation facilities in Itasca County and other areas of the region, Northeast Minnesota has also experienced the loss of supply chain positions and a loss of household buying power and associated indirect job and investment implications for other supporting businesses in the county and region. We do not have current numbers of other employment losses to document/estimate these impacts for Itasca County.

Support of Economic Development Needs and CEDS

The project helps Itasca County's economy recover from recent economic dislocations and helps to create a more resilient and diversified economy and communities in the County. The project addresses several goals of the Northeast Minnesota CEDS. It aligns with three of the top economic development priorities identified in CEDS including Diversification, Job Creation, and enhancing Traditional Economic Development activities.

The project will primarily address the CEDS Economic Competitiveness Cornerstone including supporting value-added opportunities and new uses for resources, and technological and market transformations in natural resource industries; and diversification through improving the health of traditional industries and support emerging industries to create new businesses and jobs.

The project also addresses the CEDS concept of economic resiliency—defined as an area's ability to prevent, withstand and quickly recover from major disruptions (i.e., 'shocks') to its economic base. The project also supports CEDS goals in childcare, workforce housing, and supporting entrepreneurship and small business growth.

80% Match Justification

As detailed above, Itasca County's economic distress situation and the project's alignment with CEDS priorities justify an EDA investment rate of 80%. This is based on multiple, significant economic distress criteria that include the elevated 24-month unemployment rate, and specifically Special Needs covering closing or restructuring of industrial firms or loss of major employers including 15 events dislocating 1,800 employees, negative effects of changing trade patterns and TAA certifications, and negative impacts from a changing coal and energy economy with the loss of 57 jobs directly tied to small-scale coal-powered generation in Itasca County and another 92 positions related to other fleet dislocations or repurposing by Minnesota Power.

Nearly 1,700 of those impacted were workers from the Natural Resources and Mining, Construction, Manufacturing, and Energy Production Industries. Nearly 1,150 of those layoffs were Trade Adjustment Assistance related. The layoffs in Natural Resources and Mining, Construction, Manufacturing, and Energy Production in the 24 months preceding February 2019 and those that are planned to occur in 2019 affect 238 workers or 1.1% of the Civilian Labor Force. The 1,800 workers covered by the State Dislocated Worker Program since 2015 represent 8.4% of the Civilian Labor Force.

B.6. Describe the investment (project) impact and fit with EDA funding priorities

The project will address the following EDA Investment Priorities:

- 1. Recovery & Resilience: Projects that assist with economic resilience (including business continuity and preparedness) and long-term recovery from natural disasters and economic shocks to ensure U.S. communities are globally competitive.**

Itasca County's economy has experienced multiple shocks over the past 20 years. These shocks have been concentrated in the County's traditional natural resources economic base and related industries. The project scope of work outlines the steps that will help the County's economy recover from recent economic dislocations and help to create a more resilient economy by:

Coordinating and facilitating development of an understanding and alignment of economic development needs and efforts in the County.

- Launching an Accelerated Business Retention and Development Initiative with the goal of assisting recovery by completing two to three projects in the next two years.
 - Completing a Cluster Analysis and Targeted Opportunities Initiative that will identify the County's economic strengths and best opportunities for short- and long-term sustainable business and job growth.
 - Launching a Preferred Place to Do Business initiative with the goal of identifying and reducing obstacles to growing a business in the County thereby making future business and job growth more sustainable.
- 2. Critical Infrastructure: Projects that establish the fundamental building blocks of a prosperous and innovation-centric economy and a secure platform for American business, including physical (e.g., broadband, energy, roads, water, sewer) and other economic infrastructure.**

The project scope of work outlines the steps that will help the County invest in physical and other economic infrastructure by:

- Completing a Cluster Analysis and Targeted Opportunities Initiative that will identify the County's economic strengths and best opportunities for short- and long-term business and job growth. This analysis will help identify the types of infrastructure investments the County will need to make to capitalize on its economic strengths and opportunities.

- 3. Workforce Development & Manufacturing: Projects that support the planning and implementation of infrastructure for skills-training centers and related facilities that address the hiring needs of the business community – particularly in the manufacturing sector – with a specific emphasis on the expansion of apprenticeships and work-and-learn training models. Also includes projects that encourage job creation and business expansion in manufacturing, including infrastructure-related efforts that focus on advanced manufacturing of innovative, high-value products and enhancing manufacturing supply chains.**

The project scope of work outlines the steps that will help the County support manufacturing by completing a Cluster Analysis and Targeted Opportunities Initiative that will identify the County's economic strengths and best opportunities for short- and long-term business and job growth. This analysis will address the County's current and future opportunities and strengths in manufacturing.

The findings of the analysis will be shared with workforce and educational partners to aid them in planning for skills and career pathways development.

4. **Exports & FDI: Primarily infrastructure projects that enhance community assets (e.g., port facilities) to support growth in U.S. exports and increased foreign direct investment—and ultimately the return of jobs to the United States.**

The project scope of work outlines the steps that will help support exports and FDI in the County by including internationally based companies and companies with foreign investment in the Accelerated Business Retention and Development Initiative and identifying any FDI or export markets opportunities in the Cluster Analysis and Target Opportunities Initiative.

B.8.a. Please describe the economic impacts of the project.

The key economic impacts of this project will be a strong, diversified business environment. The accelerated BR&E program will identify and assist with retention and expansion opportunities of businesses with operations in Itasca County. We expect to leverage existing, new and emerging opportunities identified and profiled in the Cluster and Targeting Analysis and improvements in business climate that results from the Preferred Place to Do Business Initiative to expand economic recovery, job creation, and investment.

We will conduct at least 50 visits in Itasca County and expand upon the actionable five follow-ups being completed annually to 15 follow-ups each year. Follow-ups typically focus on succession planning, retention, and expansion of small businesses. Second, we will profile, and target 15-20 key businesses headquartered outside of Itasca County with the goal of two or three opportunities moved on in the next two years.

The Cluster and Target Industry Analysis will provide a fresh look at our strengths and key business sectors, both for existing and new, emerging and innovative opportunities, and build a proactive expansion and attraction strategy to augment current efforts by Itasca Economic Development Corporation and its development partners. We expect to leverage several promising opportunities over the next several years and a fresh look at our current targets and cluster opportunities as well as new and emerging opportunities, all of which will be a critical part of building an effective strategy for the next five to ten years.

Current attraction and development efforts have been targeted on capitalizing on new uses of our natural resource strengths – woody biomass and innovative wood building products such as Mass Timber and new value-added opportunities. In early 2018, the Minnesota Department of Natural Resources increased its 10-year sustainable timber harvest by 8.75%. This shift, which reflects both industry demand for timber and a management of forest ecology, illustrates the growth potential of the forest products industry, particularly in new opportunities beyond the traditional paper mills that predominate northern Minnesota.

There is considerable growth opportunity in the biochemical industry, which uses woody biomass as its feedstock. This biomass, which comes from tops and limbs of currently harvested trees, accounts for 20% of timber currently harvested in Minnesota, but only 30% of that volume is currently used by the forestry

industry. According to an analysis from the University of Minnesota Duluth's Bureau of Business and Economic Research (BBER), full utilization of this otherwise underused resource would create 109 direct jobs and an additional 354 indirect and induced jobs for a total 464 jobs and a total increase in economic output of \$155.3 million. This resource growth opportunity is concentrated in and around Itasca County. This study is attached as Attachment B.B.a. North Central Forest Economic Impact Analysis

Additional opportunities abound in the forest products industry. Area Partnership for Economic Expansion, a regional economic development partner, will complete a study on the potential of the mass timber industry in the first half of 2019. If the forest industry stagnates, Itasca County runs the risk of further economic distress, as the BBER report indicates that a 25% decline in production from major forest sector employers will cost an area in north central Minnesota approximately 694 jobs and \$190.6 million in total economic output. The regional focus on creative new uses of the region's substantial timber stock will tap into new markets with a demonstrated demand and help insulate the economy from any future declines in traditional paper products manufacturing.

We estimate the following potential impacts of projects that could be brought about with the EAA project that fit with the County's economic development position. These numbers are based on prospective projects that are being pursued in Northeast Minnesota and academic and market research of markets in the region. These estimates describe existing opportunities in currently targeted areas. Actual targets and strategies may be adjusted as new information becomes available; as such, these reflect our current best knowledge about the type and scale of economic impacts.

Retention: A key goal of the BR&E efforts will be long term retention of the 120-paper manufacturing and 130 energy industry employees in the County. Measurable efforts to support his goal include:

- Increase local visits to 50 per year with 30 total actionable follow-ups
- Call on 15 to 20 existing Itasca County businesses with headquarters outside of the County.
- Target two to three new expansions with new job growth in the range of 40-80 positions over the next two years.

New Jobs: Job estimates for innovative manufacturing include:

- 50 direct and 30-40 indirect jobs for a medium sized Mass Timber facility
- A large non-wood products manufacturer suited for the Itasca Eco-Industrial Park (Old Ainsworth Site) in Grand Rapids could create 180-240 direct jobs
- A Biomass (biofuel, biochemical) facility could create 100-150 direct jobs

Total Investment estimates include:

- A Mass Timber Facility could be a \$30-\$50 million investment
- A large non-wood products manufacturer would be a \$50-\$60 million investment
- A Biomass Facility could be a \$150-\$300 million project
- Other targeted call program expansions could leverage new investment approaching the \$30 - \$50 million range.



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February 20, 2019

**Darrin Fleener, Economic Development Representative
US Department of Commerce
Economic Development Administration
Chicago Regional Office
230 South Dearborn Street, Suite 3280
Chicago, IL 60604-1512**

Re: Non-Federal Local Match Commitment and Source Documentation

Dear Mr. Fleener,

The purpose of this letter is to document local non-EDA funding being committed by the Itasca Economic Development Corporation (IEDC) as local non-federal match for the proposed EDA Economic Adjustment Assistance Grant request, titled Itasca County, Minnesota Economic Adjustment Assistance Project.

IEDC is proposing a two-year, total EDA project cost of \$380,000 and is seeking an 80% grant from EDA totaling \$304,000, and IEDC has committed by Board Resolution on November 13, 2018 to provide non-federal funding from IEDC's General Fund of \$76,000 (20% of the total project cost). These local IEDC funds are available and dedicated for this project and are not conditioned or encumbered in any way to preclude their use for this project as proposed. The funds are currently retained in IEDC's General Savings Account at Wells Fargo Bank in Grand Rapids. The Board action was moved by Mr. Bud Stone, seconded by Mr. Mike Youso and the motion carried. This is attested by Teri Heikkila, Board Administrator.

We appreciate EDA's support for this important project and IEDC is prepared to move ahead with the project upon approval. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Tamara Lowney".

Tamara Lowney

President, IEDC

"Focused on Business"

C.2.b. The most recent other federal data for the region in which the project is located (e.g., U.S. Census Bureau or the Bureaus of Economic Analysis, Labor Statistics, Indian Affairs, etc.).

Itasca County's 24-month average unemployment rates is 2.14 percentage points higher than the national average over the same period for most current available data.

DISTRESS CRITERIA STATISTICAL REPORT

Reference Date: 12 / 2018 (All data elements refer to this date or earlier.)
 Region Covered: Itasca Co. MN
 Report Date: 2/16/2019 3:43:00 PM

Economic Distress Criteria—Primary Elements

	Region	U.S.	Threshold Calculations
24-month Average Unemployment Rate (BLS) period ending December 2018	6.28	4.14	2.14
2017 Per Capita Money Income (BEA) ACS	\$27,467	\$31,177	\$3,710
2017 Per Capita Personal Income (BEA)	\$40,225	\$51,542	\$11,317

Economic Distress Criteria—Geographic Components

	24 Month Unemp Calculation	Threshold Calculation	BEA PCPI Calculation	Threshold Calculation	Cross PCPI (2008)	Threshold Calculation	ACS 5-Year PCPI Calculation	Threshold Calculation
Itasca County, MN	6.28	2.14	\$40,225	77.9	\$17,717	\$2.1	\$27,467	\$5.2

Source: U.S. Bureau of Census, Labor Statistics, and Economic Analysis; Calculations generated by StateAmerica.

Retrieved from: <http://www.statsamerica.org/distress/distress.aspx> on February 19, 2019

Source: 24-Month Average Unemployment Rate, U.S. Bureau of Labor Statistics, December 2018

C.2.d. Other data to substantiate regional eligibility based on a "Special Need" as defined in 13 C.F.R. § 300.3.

Itasca County's Special Need Distress eligibility is laid out in B.3.b. and with news articles attached under C.3.c. Special Need Distress Includes:

- Closing or restructuring of an industrial firm or loss of other major employer;
- Negative effects of changing trade patterns; or
- Other circumstances set forth in the applicable FFO (please explain below).

For Regions with a population up to 100,000, the eligibility threshold for threatened or actual dislocation is 200 jobs, or one percent of the CLF, whichever is less. Itasca County has a population of about 45,000 and 2017 American Community Survey Civilian Labor Force of 21,503. The layoffs in Natural Resources and Mining, Construction, Manufacturing, and Energy Production in the 24 months preceding February 2019 and those that are planned to occur in 2019 affect 238 workers or 1.1% of the Civilian Labor Force. The 1,800 workers covered by the State Dislocated Worker Program since 2015 represent 8.4% of the Civilian Labor Force.

The Minnesota State Dislocated Worker Program, which tracks layoffs by employers with 50 or more employees, demonstrates the continued dislocations taking place in the local economy. 1,800 workers were affected by layoffs covered by the Dislocated Worker Program in Itasca County from 2015 through

2019. Nearly 1,700 of those impacted were workers from the mining, construction, manufacturing, and energy production industries. Nearly 1,150 of those layoffs were Trade Adjustment Assistance related.

Workers Affected by Plant Closings/Mass Layoffs in Itasca County, 2015-2019				
Year	Company	Industry	TAA Related	Workers Affected
2015	Magnetation Plant 2	Mining	Y	145
2015	Keetac	Mining	N	412
2015	Magnetation Plant 1	Mining	Y	41
2015	Hammerlund	Construction	Y	300
2015	Rapids Process Equipment	Manufacturing	Y	2
2016	Northern Industrial Erectors	Construction	Y	300
2016	Industrial Lubricant	Wholesale	Y	12
2016	Magnetation Plant 4	Mining	Y	20
2016	Schwartz Redi Mix	Construction Materials	Y	28
2016	Magnetation -- Remaining Sites	Mining	Y	198
2017	MNStar	Manufacturing	N	28
2017	UPM Blandin	Manufacturing	Y	150
2017	Sawmill Inc	Accommodations	N	104
2018	Boswell Energy	Power Generation	Y	50*
2019	Rapids Energy	Power Generation**	N	10*
Total				1,800
Source: mn.gov/deed/programs-services/dislocated-worker/reports/ , retrieved 12/11/2018				
*-Provided by Minnesota Power.				
**- Bio-Mass powered plant transitioning to gas.				



Feedback FAQs Contact Help

Community Profile - Find popular facts and frequently requested data about your community



DP03

SELECTED ECONOMIC CHARACTERISTICS
2013-2017 American Community Survey 5-Year Estimates

Table View

Actions



Although the American Community Survey (ACS) provides population, demographic and housing unit estimates, it is the Census Bureau's Population Estimates Programs that produce and disseminate the official estimates of the population for the nation, states, counties, cities, and towns and estimates of housing units for states and counties.

View Community Profile

View Table Rows

Year	Population 15 years and over in labor force	Employed	Unemployed	Armed Forces	Not in labor force	Rate of Employment	Rate of Unemployment	Rate of Armed Forces	Rate of Not in labor force
2017	29,873	21,583	8,290	0	13,310	72.3%	27.7%	0.0%	44.6%
2016	29,716	21,583	8,133	0	13,310	72.8%	27.2%	0.0%	44.6%
2015	29,716	21,583	8,133	0	13,310	72.8%	27.2%	0.0%	44.6%
2014	29,716	21,583	8,133	0	13,310	72.8%	27.2%	0.0%	44.6%
2013	29,716	21,583	8,133	0	13,310	72.8%	27.2%	0.0%	44.6%

**Office of the Minnesota Secretary of State
Certificate of Good Standing**

I, Steve Simon, Secretary of State of Minnesota, do certify that: The business entity listed below was filed pursuant to the Minnesota Chapter listed below with the Office of the Secretary of State on the date listed below and that this business entity is registered to do business and is in good standing at the time this certificate is issued.

Name:	Itasca Economic Development Corporation
Date Filed:	08/21/1981
File Number:	U-1
Minnesota Statutes, Chapter:	317A
Home Jurisdiction:	Minnesota

This certificate has been issued on: 12/04/2018



Steve Simon

Steve Simon
Secretary of State
State of Minnesota



Janna King, CEcD, EDFP | Role: Economic Services and Downtown Specialist (Economic Development Services, Inc.)



Janna brings more than 30 years of community and economic development planning and implementation experience to the SRF team. Since founding Economic Development Services in 1994, Janna has worked with clients in 10 states. She started her career in economic development working with Region 5 Regional Development Commission in Staples in North Central Minnesota and went on to lead Community Development of Little Falls/Morrison County, the St. Cloud Area Economic Development Partnership and the 1,600-member Midland Texas Chamber of Commerce. Janna headed the St. Cloud Downtown Development Corporation during a period of significant transformation and revitalization throughout the downtown area.

Janna understands the dynamics of regional centers and the businesses, institutions, amenities and strategies that keep them vibrant. She's also deeply familiar with the economic forces that affect areas that are dependent on natural resources and tourism. She has contributed to the Economic Development Chapters of Comprehensive Plans for the communities of Big Lake, Edina, Hastings, and Carver County Minnesota and Eau Claire, Franklin, Green Bay and Marathon County (Wausau), Wisconsin. In addition, she teaches economic development strategy and planning for the International Economic Development Council, University of Minnesota, Duluth and the MN Economic Development Foundation Academy at Hamline University.

Project Experience

Economic Development strategies for Regional Centers. This work has included the communities of Alexandria, Brainerd Lakes, Cambridge, Owatonna and Red Wing.

Twin Cities Local Initiatives Support Corporation (LISC) Commercial Corridor Revitalization. Janna led the three-year engagement for the evaluation and recommendations for four commercial corridors based on an adaptation of the Mainstreet revitalization model.

City of Roseville Twin Lakes Redevelopment, MN. Economic development consultant for a 275-acre area dominated by truck terminals adjacent to I-35W. Responsible for addressing fiscal implications of development scenarios; integrating workforce and transportation considerations; preparing a communication strategy for four critical audiences - developers, residents, funders/policy makers and property owners; and preparing of a successful application to the US EPA for a Brownfield Cleanup Revolving Loan Fund.

City of Green Bay Economic Development Analysis and Strategy - Comprehensive Plan, WI. Responsibilities included: analyzing economy; interviewing major employers and the development community; identifying key development areas, issues and opportunities involving the port, rail area redevelopment and the need for sites with excellent transportation access capable of supporting 1.1 - 1.3 million square foot warehouses for the paper industry; identifying an opportunity to redevelop a blighted corridor for high tax base medical offices; developing policy recommendations to support downtown and commercial corridor revitalization; recommending establishment an enterprise fund to capture profits from greenfield industrial park to support redevelopment of extensive brownfields.

City of New Brighton Old Highway 8 Corridor Revitalization. Provided economic development and market related insights. Interviewed property owners, employers, brokers and developers. Prepared development strategy for a "cut off" commercial corridor including enhancements to an existing industrial park, development opportunities adjacent to a regional park; and brownfield redevelopment strategies.

Awards

- Numerous state, regional & national economic development marketing awards
- President's Award for innovation & leadership - Economic Development Association of MN

Certifications

- Certified Economic Developer, International Economic Development Council
- Economic Development Finance Professional, National Development Council