

# Progress Report 2011 Minnesota



USDA Rural Development



# MESSAGE FROM THE STATE DIRECTOR



**Colleen Landkamer**  
Minnesota State Director  
Rural Development

Thanks to numerous partners and a talented staff that went the extra mile to meet the needs of rural Minnesotans, USDA Rural Development had another successful year in 2011.

Rural Development delivers over 45 programs throughout Minnesota. We have 13 offices in the state, including a state office in St. Paul. In addition to a staff that understands the unique challenges facing rural Minnesota, we work with partners such as lenders, nonprofits and Native American tribes to address the unique needs of each community.

The commitment of Rural Development staff to building a thriving rural Minnesota is shared by myself and all of our partners. By now, I'm sure you have heard that we experienced some changes and staff reductions. I want to assure each of you that in 2012, our commitment to rural Minnesota remains as strong as ever.

We will continue working to ensure that rural Minnesota remains a healthy, safe and prosperous place to live.

As you review our 2011 progress report, I want you to remember one thing: Every dollar that we invest has a direct impact on people living and working in rural communities. Rural Development investments build homes, improve infrastructure and create jobs. Our investments help people - rural people.

Sometimes it's easy to focus too much on raw funding numbers, budgets and other issues. We should never overlook the good things that our programs do for *people*.

In conclusion, I want to sincerely thank all of you for your partnership in 2011. We have a lot of work left to do in 2012, and I look forward to collaborating with all of you going forward.



## WORKING TOGETHER: A WORD FROM THE NATIONAL OFFICE



**Tom Vilsack**  
Agriculture Secretary

Strong rural communities are key to a stronger America. President Obama has acknowledged as much in his travel to rural communities and through the creation of the first-ever White House Rural Council, and at USDA we share his conviction.

Over the decades, USDA has enhanced the vital contributions of rural America to our nation's prosperity, security and success. With the current economic challenges, USDA has responded by focusing on efforts that maximize the use of program funding, streamlining processes and promoting thriving economies and job creation in rural America.

Through Rural Development programs USDA continues to work alongside farmers, ranchers, homeowners, businesses, nonprofits, cooperatives, Tribes and local governments to effectively enhance the country's economic climate. These partnerships allow us to leverage private and public funding to promote local and regional business development, infrastructure build-out and access to affordable credit in rural areas. During the last fiscal year, the cumulative results of these efforts have helped save or create thousands of jobs in rural America and beyond.



**Dallas Tonsager**  
Under Secretary for  
Rural Development

In addition to generating jobs today, Rural Development investments are creating ongoing economic opportunities in rural America that will pay benefits for years to come.

Our programs help modernize essential water systems, build clinics and hospitals, support renewable energy systems, energy conservation, and ensure affordable housing for credit-worthy limited income rural residents. Our efforts boost the reliability of the electric grid, improve educational opportunities, ensure clean water, and provide affordable, reliable Internet service to rural homes and businesses. These are all building blocks needed to grow businesses, add housing, attract employers, and develop a skilled workforce.

As in urban areas, this kind of civic infrastructure provides the capacity necessary for private sector jobs to flourish in rural areas.

In 2011, Rural Development allocated a total of \$29 billion nationwide to maximize private investments in rural communities. Of this, 28.6 percent was directed in the form of direct loans that get paid back with interest. Another 64.8 percent funded fee-generating loan guarantees that make it possible for private lenders to work within the banking system to safely increase the pool of capital available in rural areas for credit-worthy businesses, communities and home-buyers. Just 6.6 percent of Rural Development funding was directed in the form of strategically selected grants.

# Year in Review

The use of biofuels needs to expand throughout the United States. That's what Agriculture Secretary Tom Vilsack told an audience of producers, stakeholders and agency leaders when he visited Minnesota in the spring. Gov. Mark Dayton and Sen. Amy Klobuchar joined Sec. Vilsack at the event.

Vilsack shared how USDA Rural Development's Rural Energy for America Program (REAP) reduce America's dependence on foreign oil. He also highlighted how a new provision in the program finances the installation of flex fuel pumps at convenience stores and fuel filling facilities throughout rural America.

The new flex fuel provision in the REAP program is another step toward meeting President Obama's goal of reducing America's dependence on foreign oil by one-third.

"We need to keep working to get E-85 pumps more conveniently located," Vilsack said.

## Growing Rural Minnesota in 2011



Housing (Single- & Multi-Family Housing)	\$416,481,073
Business Programs	\$44,423,052
Community Facilities	\$42,473,210
Water and Wastewater	\$32,889,000
Electric Loans	\$117,168,000
Broadband	\$22,477,220
<b>Total</b>	<b>\$675,911,555</b>

- Investments in rural businesses created or saved hundreds of jobs.
- 3,495 rural individuals and families became homeowners.
- 15,000 rural Minnesotans received clean water and safe wastewater treatment.
- 125 farmers and small rural businesses were able to install renewable energy systems or make energy efficiency improvements
- 37 rural Minnesota communities built hospitals, nursing homes, fire halls and other essential community facilities.
- Hundreds of rural businesses had access to credit through loan guarantees and gap financing.



# BUSINESS & COOPERATIVE PROGRAMS



USDA Rural Development’s Business and Cooperative Programs create jobs, spur local economic development and increase the use of renewable energy sources. Investments through these programs created or saved about 1,000 jobs in rural Minnesota in 2011.

Business and Industry (B&I) loan guarantees provide working capital for rural businesses using private lenders. The lender makes a loan to a business, and Rural Development “guarantees” the loan against default. B&I loans increase access to valuable capital in rural Minnesota and help local businesses grow and create jobs.

Through our Rural Energy for America Program (REAP), we helped 125 farmers and rural small business owners in Minnesota install renewable energy systems or make energy efficiency improvements. Examples include grain dryers, geothermal heating and cooling, wind turbines, refrigeration, lighting and insulation. The REAP program also financed the installation of 11 flexible fuel pumps at convenience stores and fuel-filling stations in the state.

Programs like the Intermediary Relending Program, Rural Business Enterprise Grants and Rural Economic Development Loans and Grants work through intermediaries, such as utility cooperatives or nonprofits, to provide gap financing and technical assistance to rural businesses. This type of gap financing is a tremendous boost to small rural businesses that are working to grow and create jobs in the region.

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<b>MN Business &amp; Cooperative Programs</b>	<b>2011</b>
Business and Industry Loan Guarantee (B&I)	\$11,375,000
Energy Grants and Loans	\$10,649,987
Rural Economic Development Loans and Grants	\$3,695,228
Intermediary Relending Program	\$1,446,000
Rural Business Enterprise Grants	\$771,000
Value Added Producer Grants	\$300,000
<b>Total</b>	<b>\$28,237,215</b>



# Rural Energy Means Rural Jobs

## USDA's Rural Energy for America Program Finances Flex Fuel Pumps in Minnesota

The line of cars stretched out of the parking lot and onto the street at the Glencoe Co-op Association on a warm afternoon in August. With financing from USDA's Rural Energy for America Program (REAP), the co-op recently installed the first flex fuel pump in McLeod County, and several flex fuel vehicle owners in the area wanted to be among the first to fill up.

"We're glad to help stimulate the economy and support clean air and agriculture. That's what the co-op is all about," said Dale Heglund, Co-op Director.

USDA Rural Development State Director Colleen Landkamer joined officials from the American Lung Association of Minnesota, the Minnesota Clean Air Choice Team, the Corn Growers Association of Minnesota and the McLeod County Corn and Soybean Growers to cut the ribbon on the new pump that dispenses E15, E20, E30, E50 and E85. After the ribbon-cutting, flex fuel vehicle owners were able to fill up at a discounted rate.

The REAP program financed the purchase and installation of 11 flex fuel pumps in Minnesota in 2011. In addition to the Glencoe Co-op, other recipients included Viking Petroleum in Frost, Severson Oil in Rochester and Farmers Cooperative Oil in Renville.

There are more than 360 flex fuel stations in Minnesota and with the help of some key partners, USDA is working to increase that number.

"Minnesota has shown that it is possible to build a statewide retail infrastructure for cleaner burning fuels like E85," said Kelly Marczak, director of the Clean Air Choice Program for the American Lung Association in Minnesota. "Our experience has shown that if you offer drivers a choice at the pump, they will choose more renewable home-grown fuels."

Other renewable energy and energy efficiency improvement projects financed by REAP include wind turbines, grain dryers, solar panels, geothermal systems, refrigeration, lighting and insulation.

Minnesota farmers and small businesses have received about \$45 million through the REAP program since 2009. The REAP program is part of Rural Development's Business and Cooperative Programs.



# HOUSING PROGRAMS



Not only does safe and affordable housing lead to a better quality of life in rural Minnesota, it also creates jobs and results in economic development. According to the National Association of Realtors, the sale of a median-priced home generates over \$58,000 in economic activity. This activity supports rural contractors, realtors, furniture stores, grocery stores, and other businesses.

In 2011, Rural Development helped about 3,500 rural families and individuals buy a home or make essential home repairs. We achieved this by working with mortgage lenders through our Guaranteed Home Loan Program, and by working with very-low income and low-income borrowers through our Direct Home Loan and Home Repair programs.

In addition to home loans, Rural Development oversees the management of about 575 multi-family housing projects that provide housing for nearly 15,000 rural Minnesotans.

Finally, Rural Development continued to build and strengthen partnerships with housing organizations throughout the state. We teamed with the Minnesota Housing Finance Agency and the Greater Minnesota Housing Fund to host another series of Affordable Housing in Minnesota conferences throughout rural portions of the state.

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Housing Programs	2011
Guaranteed Single-Family Housing Loans	\$363,935,525
Direct Single-Family Housing Loans	\$24,156,758
Rental Assistance	\$19,430,785
Home Repair Loans and Grants	\$1,001,375
Direct Multi-Family Housing Loans	\$3,682,847
<b>Total</b>	<b>\$412,207,290</b>



# New Partnership, New Home

## USDA and Habitat for Humanity Partner to Build Home for Family in Mountain Iron

When the final wall was raised on Jessi Mattila’s new home, it symbolized another step toward homeownership for the mother of three in Mountain Iron. It also symbolized the strength of a new partnership between USDA Rural Development and the Habitat for Humanity.

Rural Development financed Mattila’s home through its direct home loan program, and the North St. Louis County Habitat for Humanity partnered with the Mattila family to provide support through the building process.

The nearby Mesabi Range Community & Technical College’s second-year carpentry class provided volunteer labor on the home, which was built according to the Minnesota Green Communities guidelines to make it energy efficient and sustainable for the family.

“This, I believe, is truly a blessing to my family,” said Mattila, who provided sweat equity on her home and other Habitat homes in the region. “It means so much to me, it’s hard to even describe how much it means to me and my family giving us so much opportunity.”

Mattila’s is the second home in Minnesota financed by USDA and built using support from the Habitat for Humanity. The growing partnership will result in more homeownership opportunities for people living and working in rural Minnesota.

“Habitat for Humanity will be a valuable partner for USDA,” said Colleen Landkamer, Rural Development State Director in Minnesota. “Jessi’s new home is a shining example of how home ownership builds sustainable communities and increases economic opportunities.”

Over 50 people gathered inside the frame of Jessi’s home in the fall to congratulate the Mattila’s on achieving home ownership. Jessi works as a nurse in the nearby town of Buhl.

Jessi was excited to be accepted into the Habitat for Humanity Homeownership program and to work with Rural Development on financing. She was even more excited to learn that her new home will be located next to her grandmother’s home.

“This all has really been a turning point for me and my family,” she said.



# COMMUNITY PROGRAMS



A community is not sustainable without strong infrastructure and modern facilities. USDA Rural Development Community Programs provide funding for water and wastewater treatment systems, community facilities such as hospitals, nursing homes, day cares and emergency response vehicles, rural electricity and high-speed broadband internet.

Rural Development helped 59 communities in Minnesota build or improve their water/wastewater treatment system or construct community facilities in 2011. Highlights include:

- \$24 million to expand Community Memorial Hospital in Cloquet.
- \$1 million to build a packaged water treatment plant, drill two new wells, build a 500,000-gallon storage tank and install water meters in Wendell.
- \$1.5 million to replace the wastewater collection and pump system in Ashby.
- \$50,000 to purchase a fire truck in Hewitt.
- \$78,000 to make improvements to the library in Mountain Lake.

Investments connected over 60,000 rural Minnesota homes, businesses and communities to high-speed Internet and built or improved more than 1,000 miles of electric distribution lines.

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## Community Programs

2011

Electric Programs	\$117,168,000
Community Facility Loans and Grants	\$42,473,210
Water and Wastewater Loans and Grants	\$32,859,000
Telecommunications Programs	\$22,477,270
<b>Total</b>	<b>\$214,977,480</b>



# Growing Rural Healthcare

## USDA Rural Development and Agstar Provide \$24 Million for Hospital Expansion in Cloquet

Access to quality healthcare received a major boost in Northeastern Minnesota on May 20. That's when officials broke ground on a \$24 million expansion project that will add over 80,000 square-feet to Community Memorial Hospital (CMH) in Cloquet.

During the ceremony, officials highlighted how the project will create and save jobs in the region and increase access to quality rural healthcare.

About 300 local jobs are expected to be created during construction. CMH also employs about 400 people and contributes about \$40 million annually to the regional economy.

"Projects like this put people to work and further our economic recovery efforts," said Colleen Landkamer, USDA Rural Development State Director in Minnesota.

The project will expand in-patient rooms, intensive care, labor and delivery, and dietary and physician clinic space. Perhaps most importantly, the addition will add a dialysis unit, which was welcome news to the nearby Fond du Lac Band of Lake Superior Chipewewa.

The tribe donated \$200,000 toward the construction of the dialysis unit. No longer will tribal members and other area residents have to travel long distances to receive life-saving dialysis treatment.

"I tell you, it's going to be night and day what our current place looks like versus the care we're going to be able to give, the services we're going to be able to offer," said Rick Breuer, CMH CEO.

The Rural Development funding comes from a \$15 million Community Facilities direct loan and a \$9 million loan guarantee through AgStar Rural Capital Network. Rural Development and AgStar also partnered to finance major hospital expansions and renovations in Cloquet, Aitkin and Aurora over the last 18 months.

CMH is contributing about \$3 million toward the project through a capital campaign.

CMH has been providing regional healthcare services in the Cloquet area since 1958. In 2004, Rural Development financed \$10 million worth of renovations and upgrades to the facility.



# Local Foods Strengthens Rural Community

## USDA Rural Development Loan Guarantee Improves Access to Local Foods in St. Peter

The St. Peter Food Co-op has been a valuable asset to the south central region of Minnesota for over 31 years. The co-op recently moved to a new facility in St. Peter using a \$1.28 million loan guarantee through USDA Rural Development's Business & Industry loan guarantee program and Wells Federal Bank.

The new building provides more space for locally-produced food and other products. It also expands the co-op's deli, bakery and wellness services.

But the co-op is more than just a store to pick up groceries. It's a community gathering place built around locally-grown foods and a healthy lifestyle.

The co-op buys its products locally, which often requires staff to sit down with individual farmers and discuss inventory needs and pricing. That extra work pays off and results in the co-op being stocked with high quality healthy foods that boosts the regional economy since everything is purchased locally.

"The new store allows us to expand our products," said general manager Margo O'Brien. "The community has responded great so far. We're very happy."

The project addresses two major goals of the Obama administration: Increasing access to locally grown foods and creating or saving jobs in rural areas. Of course, Rural Development had several partners that helped make the project happen.

The city of St. Peter and the Northcountry Cooperative Development Fund provided financing. The co-op raised about \$900,000 by selling shares to existing and new members. And Wells Federal Bank provided the \$1.28 million financing guaranteed by the USDA.

"This project, without the USDA, wouldn't have happened for our bank," said Matt Zebro of Wells Federal.

And the USDA was more than happy to help. As our economy continues to recover, partnerships are becoming more important. This includes public-private ventures like the partnership between Wells Federal and the USDA.

The St. Peter Food Co-op is something that would be great to have in every rural Minnesota community. It's an excellent example of community-supported economic development, public-private partnerships and healthy living, which is exactly what rural Minnesota stands for.





# Technology Advances Rural Education

## Distance Learning Grants Increase Educational Opportunities in Rural Minnesota

Several school districts in rural Minnesota used distance learning grants from USDA Rural Development to offer new educational and training opportunities for students, teachers and community members in 2011.

The Central Minnesota Educational Telecommunications System (CMETS) used a \$330,000 grant to install interactive video technology in 10 rural school districts. The technology allows each district to offer higher academic coursework and more cooperative learning opportunities. The technology also helps each district meet yearly academic goals and provides training and collaboration opportunities for staff.

“We have already seen a dramatic increase in shared courses for the 2011-2012 school year,” said Jennifer Hiltner, CMETS Coordinator. “With the promise of better technology and more access to video conferencing equipment, we believe the possibilities are endless.”

In addition to CMETS, the Southwest/West Central Service Cooperative used a \$369,906 distance learning grant to install video conferencing equipment in 17 area schools.

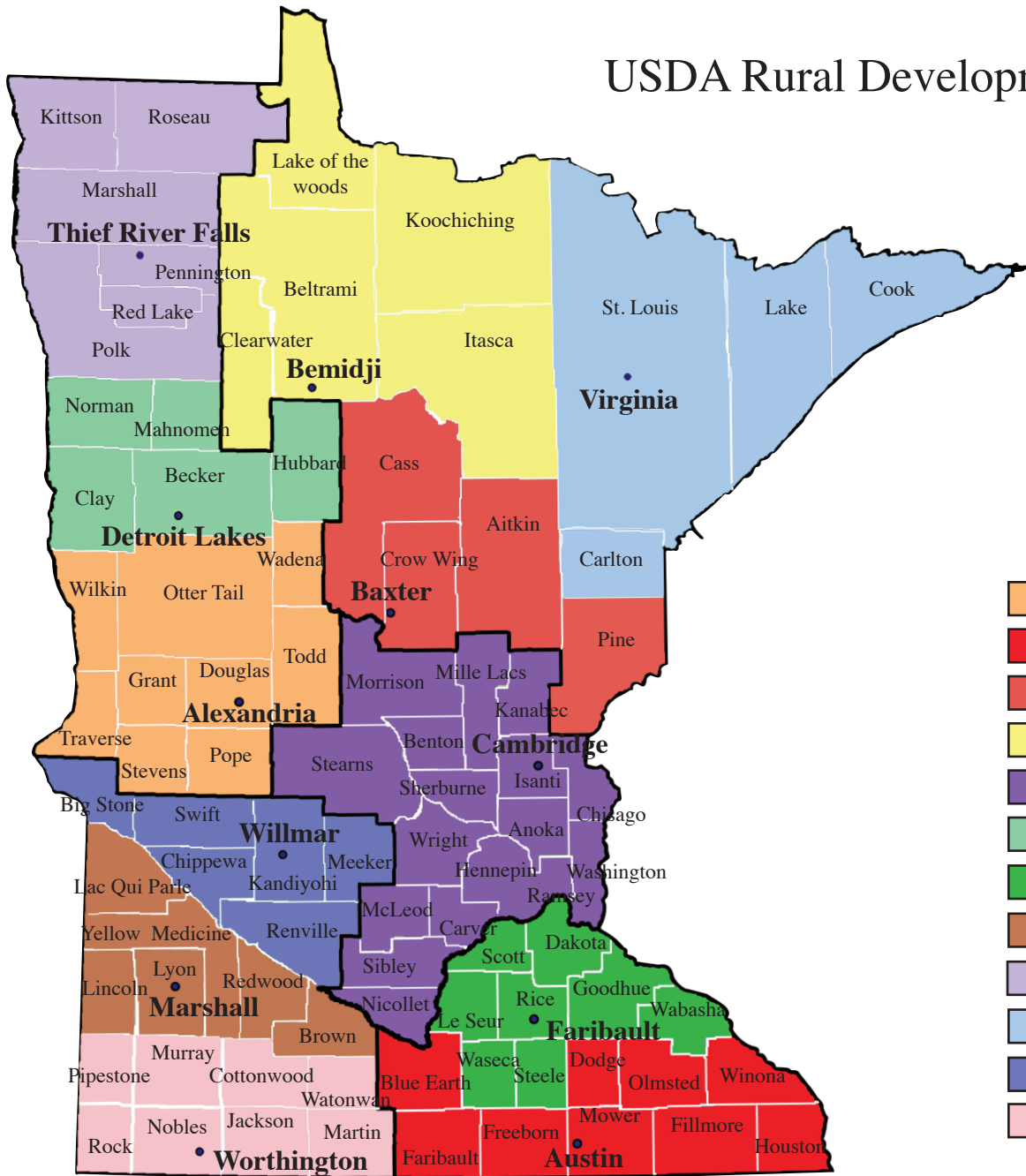
Rural Development also awarded three new distance learning grants in 2011 that will allow 49 school districts and several anchor institutions to install distance learning technology in 2012.

- The ITASCA Area Schools Collaborative will use a \$992,145 grant to connect 21 schools in North Central Minnesota with area colleges and other school districts.
- The National Joint Power Alliance was selected to receive a \$405,991 grant to install video learning technology at 14 schools in a five-county region of Central Minnesota.
- The Little Crow Telemedia Network plans to use a \$117,820 grant to expand its tele-learning network and offer cultural courses.

All funds are awarded through USDA Rural Development’s Distance Learning and Telemedicine Grant Program (DLT).



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- Faribault | 507-332-7418
- Marshall | 507-532-3234
- Thief River Falls | 218-681-2843
- Virginia | 218-741-3929
- Willmar | 320-235-3540
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