

THE RURAL MINNESOTAN



Committed to the future of rural communities.

Official Newsletter of USDA Rural Development in MN Northwestern Minnesota Edition

Another successful year for Rural Development in 2007

ST. PAUL — A new ethanol plant in Eyota, \$12 million for electric infrastructure in southeastern Minnesota and the grand opening of the National Eagle Center in Wabasha. All of these projects were celebrated as Rural Development wrapped up fiscal year 2007.

And what a successful year it was.

USDA Rural Development invested \$470 million throughout rural Minnesota in 2007, raising its investment since 2001 to about \$4.5 billion.

“Credit goes to Minnesota’s rural communities and a proactive Rural Development staff,” said Steve Wenzel, State Director of Rural Development in Minnesota. “There’s a lot of exciting projects happening out in rural Minnesota’s communities.”

Rural Development 2007 Investment in Minnesota	
Housing	\$197 million
Electric	\$165 million
Broadband	\$62 million
Water and Waste	\$29 million
Business and Cooperative	\$9 million
Community Facilities	\$8 million
TOTAL	\$470 million

Rural Development’s business programs. The single-

Minnesota had another good showing in its business programs, highlighted by \$2.6 million for value-added producer grants and \$350,000 in Section 9006 renewable energy grants. Over \$9 million was invested through

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From the desk of State Director Steve Wenzel

ST. PAUL -- While traveling in Southeastern Minnesota on Sept. 19, I received the official confirmation that Mike Johanns would be stepping down as Secretary of Agriculture to return to his home state of Nebraska where he served as governor. Mr. Johanns served rural America and America’s farmers and ranchers with dedication and commitment during his time as Secretary.



I have had the honor and privilege of meeting many Agriculture Secretaries during my 30 years as a Minnesota legislator serving on the House Agriculture Committee and six years as Rural Development State Director. I can say with certainty that Mike Johanns was one of the very best. Mike Johanns as Secretary served President Bush and the nation well.

Mr. Johanns took a grass-roots approach to his duties as Secretary. In preparation for the 2007 Farm Bill, he personally conducted listening sessions throughout the nation to listen to America’s farmers and rural leaders. On Aug. 3, 2005, over 1,500 people braved the 100 degree heat at Farmfest in Morgan, Minn., to offer their input to the Secretary. Mr. Johanns listened to the citizens for over three hours on that sweltering day.

Mr. Johanns grew up on a 160-acre farm in Osage, IA, near the Minnesota border and received his B.A. Degree at St. Mary’s University in Winona, Minn. As Secretary, he helped shape agriculture and rural policies in a way that encouraged rural development, opened new trade routes and funded nutrition

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family housing program also thrived, investing over \$22 million through its direct home ownership loan program and repair grant program and \$164 million in the guaranteed loan program. June Homeownership month was celebrated with events in Baxter, Nashwauk and Bemidji.

Rural Development of Minnesota was fortunate to receive a Section 515 new construction multi-family housing loan. The \$1 million loan will rehab an old hotel in Crookston into an apartment complex. Also highlighting the multi-family housing program was over \$142,000 in housing preservation grants and \$10 million in rental assistance.

In the community programs division, over \$8 million was awarded for community facilities and almost \$29 million was awarded for water and wastewater projects. Highlights include \$12.5 million to expand the Red Rock Rural Water system in southwestern Minnesota and almost \$1.5 million for a new day care center in Tracy.

Rural Development's electric, telecommunications and broadband programs are administered exclusively from the national office in Washington, D.C., but were very successful in Minnesota. About \$165 million was invested to expand electricity infrastructure, highlighted by \$65 million to East River Electric Power in Southwestern Minnesota and South Dakota.



The National Eagle Center in Wabasha celebrated its grand opening on Sept. 29. Rural Development's grant was part of a \$4.5 million project.

million in distance learning and telemedicine grants through the broadband program. A \$366,000 grant will deliver distance learning capabilities to 22 schools in rural Minnesota.

"We do such a variety of projects that we can literally build a community from the ground up," Wenzel said. "The 2007 Farm Bill proposals indicate that Rural Development will only get stronger. I encourage everyone to contact their local office and talk about financing options for development projects."

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programs.

Farm equity, now at \$2 trillion, has increased \$200 billion per year for the last several years. Average farm household income is projected at \$81,500 and exports are expected to reach \$79 billion by the end of this year. America's farmers were truly served well by Mike Johanns.

Mr. Johanns also had a broad vision for America's rural communities. He was a champion for America's rural communities and the Rural Development programs that support them. This support is evidenced in the 2007 Farm Bill, which features over \$1.6 billion for rural healthcare facilities, \$2.1 trillion for renewable energy and \$500 million to address rural water and wastewater problems.

Evidence of his leadership is also highlighted in this newsletter's lead story. We had another tremendous year in 2007 and I know we will enjoy similar success in 2008.

I felt Mr. Johanns truly showed what a great leader he was when he personally visited the Rural Development state office here in St. Paul. He talked to each employee and also posed for pictures with them.

Despite his down-to-earth and "down-home" manner, Mr. Johanns was not afraid to tackle the tough issues that face American agriculture and rural communities. He championed many reforms in the 2007 Farm Bill currently under debate in the Congress. I know some of these reforms were not always popular, but Mr. Johanns led the way and did what he thought was right for the people. Leadership sometimes means making tough decisions, and Mr. Johanns never shied away from making them.

Chuck Connor, the former Deputy Agriculture Secretary, will serve as the Acting Secretary until the President officially nominates a new Secretary. I know Mr. Connor will do a great job filling in for Mike Johanns.

I think President Bush said it best when he announced the resignation of Mr. Johanns on Sept. 20: "I couldn't have asked for a better Secretary of Agriculture," the President said.

I agree 100 percent.

"I couldn't have asked for a better Secretary of Agriculture." President George W. Bush talking about former Secretary Mike Johanns.

Valley Home Society in Thief River Falls up and running

THIEF RIVER FALLS -- The Valley Home Society began operating in 1963. Over the past four decades, the healthcare provider has evolved into a 70-unit assisted living facility in Thief River Falls. In order to address the increasing number of individuals with Alzheimer's and dementia, Valley Homes decided to



Valley Home is doing well in Thief River Falls, Minn.

construct a 24 unit addition onto its existing facility. After attempting to obtain funding for the project from several different sources, the organization approached Rural Development in March 2005 for funding. Given the size and scope of the proposal, USDA suggested the organization use a commercial lender to finance the expansion project. Valley Homes liked the idea of working with a local lender and began negotiations with Northern State Bank of Thief River Falls. The lender had hoped to play a role in the project to meet the need for enhanced quality of life in the community. Northern State Bank quickly realized the advantages of the USDA guarantee and agreed to make a Community Facility Guaranteed Loan. On July 15, 2005, USDA Rural Development approved a Guaranteed Community Facility loan for \$3.5 million. The guaranteed loan allowed Northern State Bank to increase their lending term to 40 years, which helped to make the financing affordable. Northern State Bank also agreed to fix their initial interest rate at six percent for the first five years of the loan.

Kraus-Anderson Construction began work on the project shortly after the loan was approved and by July 2006, the facility opened to the general public. After a full year of operation, the organization has been able to rent 22 of 24 units, which exceeded their initial goals for renting the facility.

Northwestern Mental Health Center expanding

CROOKSTON -- The Northwestern Mental Health

Center has provided mental health services in a six county region in northwestern Minnesota since the early 1960's when the non-profit organization was established. USDA began its relationship with the Center in 1993 with a loan to construct the current building that was designed to accommodate 35 staff members. By 2005, the Center had grown to 75 staff members and, due to the increased number of staff and programs, they began planning for a much-needed addition to their existing office facility. Widseth Smith Nolting Architects assisted in designing a 4,885 square foot addition that would provide additional offices and client meeting space.

The total project cost for this building addition is just over \$1.3 million. Once again, a local lender (Bremer



Construction is underway on the addition to the Northwestern Mental Health Center.

Bank of Crookston) recognized the opportunity to assist a regional healthcare provider while reaping the benefits of the USDA guarantee. Bremer Bank extended a \$300,000 community facilities guaranteed loan through USDA and Rural Development added a \$300,000 direct loan. "The key to affordability is in the length of the loan repayment terms," according to the Andrew Gag of USDA. "By having the guarantee in place, Bremer Bank was willing to extend their loan term to 25 years and the USDA direct loan has a 40 year term at 4.5 percent interest." Along with the loan funds, the Northwestern Mental Health Center will also be providing \$759,672 towards the project.

Comstock Construction began work on the project in May 2007 and it is anticipated that construction will be completed by December 2007.

Angela Bokovy joins Rural Development staff in Bemidji

BEMIDJI — I began working for Rural Development in January of 2007. Prior to this I was



employed with the U.S. Department of Veterans Affairs as a Veterans Service Representative. I received my B.S degree from Minnesota State University, Mankato, in Institutional Finance in

May 2004. My favorite thing about working for Rural

Development is being able to help people obtain their dream of homeownership. Since joining the Rural Development office in Bemidji I've seen first hand how our programs benefit the individual families as well as the community. I look forward to increasing my knowledge in Rural Development programs and helping to improve Rural America.

Rice Lake Village Completes Business Opportunity Study

RICE LAKE — USDA Rural Development's Business and Cooperative division funded a study on the White Earth Indian Reservation. Midwest Minnesota Community Development Corporation (MMCDC) successfully applied for a \$40,000 Rural Business Opportunity Grant (RBOG) to hire consultants to analyze potential business opportunities in the northwest MN community of Rice Lake. Fifty people were interviewed regarding potential entrepreneurship and business opportunities, and to gather community reaction. All of the interviews were video-taped and digitized for production of a DVD at a later date for historical review as well as current use by a number of American Indian tribes. Six business targets emerged for economic development: wild rice, maple syrup, wild berries, leeches for bait and medical purposes, balsam boughs, and spring water. Business structures include cooperatives, privately owned businesses, or existing companies such as Native Harvest that already buys, processes, and sells a number of natural products internationally. As a result of the interviews, entrepreneurs were identified and are now attending classes to increase their knowledge in finance, marketing, and capitalization. Because of prior Rural Development funding, business loans and technical assistance is available through the White Earth Investment Initiative in Ogema.

Submitted by Kathy Coyle, Business & Cooperative Specialist

HRDC awarded Mutual Self Help Predevelopment Grant

BEMIDJI – Headwaters Regional Development Commission (HRDC) was recently awarded a \$10,000 Rural Development Mutual Self Help Predevelopment Grant. The Predevelopment grant will be

used to pay the costs associated with the preparation of a final application for a Mutual Self Help Technical Assistance grant. The activities that are required before a final application is submitted are marketing, recruiting prospective homeowners, feasibility and location determination.

The Mutual Self Help Technical Assistance Grant provides funding that gives low and very low income families a unique opportunity to participate in the construction of their own home. This program allows participating families to purchase a newly constructed house that is affordable. Another positive outcome is that by providing 65 percent of the labor during construction, the homeowner establishes sweat equity in their property immediately. The selection process for the self help households will be completed during the winter with construction anticipated to begin in the spring.

HRDC has been actively involved in building affordable housing for the low and moderate income families in the Northwest Region of Minnesota since 1994. The growing communities in the Northwest Region, especially the Bemidji area, have an inadequate supply of quality affordable housing. The Mutual Self Help program will allow HRDC to attain a goal of providing housing to lower-income households that might not otherwise have the opportunity to own a home.

Community Programs News

Additional funding for water and sewer projects

Rural Development in Minnesota expects to receive an extra \$40 million over the next two years to fund water and sewer applications that are on hand at the time the 2007 Farm Bill is signed.

Towns in need of water or sewer improvements are encouraged to file applications with the area office serving them as soon as possible to be eligible for this extra funding.

Steps taken to Make Water and Sewer Systems More Affordable

For water and wastewater loans processed in FY 2008, Rural Development will use a newly reduced similar system cost guide of 1.5% of monthly Median Household Income. This is down from 1.7%. Program Director Bill Slininger says this move will po-

tentially lower the cost of service and open the door to towns between 500 and 5,000 people that have been under-served in recent years.

Other steps taken to make user costs more affordable include: sharing grant needs with other funding agencies such as Public Facilities Authority, Small Cities Block Grant Program, Iron Range Resources, and the Corp of Engineers. Providing longer repayment terms and the lowest interest rates allowed by law.

Applicants Planning on PFA Funds need to Update Project Costs

PFA grants are based on the proposed project cost at the time the City applies to be placed on the Health Department or MPCA Project Priority List. However, PFA is willing to allow an update of the project cost if it is provided to Rural Development prior to the time the State Bonding Bill is enacted by the State Legislature. We recommend that your engineer update the costs this fall or early winter.

Second Year for Minnesota Rural Water's System Planning and Management Seminar (Board Training)

Last winter Minnesota Rural Water, Minnesota Extension Service, Rural Development and Midwest Assistance Program provided 6 hours of training for approximately 200 City Board Members and interested citizens on things to consider when planning a water or sewer system expansion and things to consider in the ownership and management of the system.

This training was so well received that it is being offered again this winter. You can find full details on the Minnesota Rural Water Website in September, at www.MRWA.com

Class Schedule

November 1, Grand Rapids
December 4, Fergus Falls
January 8, Little Falls
February 12, Bemidji
March 18, 2008, Dodge Center
April 22, 2008, Marshall

Rural Development in Northwestern Minnesota

Detroit Lakes Area Office

809 8th St. SE

Detroit Lakes, MN 56501

Phone: (218) 847-9392 ext.4

Fax: (218) 847-8910

Dan Labat, Area Director

Kathy Coyle, Business Specialist

Andrew Gag, Community Programs Specialist

Deborah Trautner, Single-Family Housing Specialist

Laurie Schmitt, Area Specialist

Cathy Erickson, Technician

Michele Keyport, Assistant

Thief River Falls Area Office

201 Sherwood Ave. South

PO Box 16

Thief River Falls, MN 56701

Phone: (218) 681-2843 ext. 4

Fax: (218) 681-4732

Robert Kleven, Rural Development Manager

Jane Schaumburg, Single-Family Housing Specialist

Virginia Weber, Budget Analyst

Francis Koehmstedt, Business Specialist

Kimberly Rundell, Technician

June Sundberg, Assistant

Bemidji Area Office

3217 Bemidji Ave. North

Bemidji, MN 56601

Phone: (218) 751-1942 ext. 4

Fax: (218) 751-9531

Kathy Luepke, Rural Development Manager

Denise Petersen, Technician

Angela Bokovoy, Single-Family Housing Specialist



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