

Southwest REAP Annual Narrative Report 2008
To: USDA Rural Development and Interested Parties
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Executive Summary – 2008

The following statistics are reported for the SW REAP Zone for the 2008 calendar year:

- 10 jobs were created by SW REAP assistance
- \$44,700 was granted, loaned, or invested in 13 different projects by SW REAP
- 323 people were involved in the 13 REAP assisted projects
- Total project costs for the 13 projects was \$283,880
- SW REAP dollars represent 15.5% of the total project costs
- 5 projects are loans totaling \$25,750 (58% of SW REAP dollars spent)
- 8 projects are grants totaling \$18,950 (42% of SW REAP dollars spent)
- Of the 5 loans, four were for new businesses and one for an existing business

Most Significant Accomplishments

Micro Loans (Benchmark 76). The SW REAP Micro Loan and Small Business Incentives program addresses funding requests for businesses that employ 10 or fewer people or new ventures located within the SW REAP Zone.

The SW REAP Board identified the need for a regional program five years ago. A regionally based and administered program was more efficient than eight small county- wide programs. In 2008 the board approved five projects including marketing, equipment purchases, start up costs, renovations and production costs. The applicants were from two of the eight counties in the zone. Two of the approved applications were for women-owned businesses.

Businesses can receive up to a maximum of \$7,500 but not more than 50% of the cost (whichever is less) for business plans, product development, research and development, marketing plans, marketing activities or other business tasks approved by the SW REAP Board. The 0% micro loan is for a maximum of three years with repayments beginning six months from the receipt of the loan funds. Interest rates of 3% apply if the loan is not repaid according to the terms and conditions of the loan agreement.

Applicants must complete an application and provide a project narrative and budget to their local economic developer who relays the proposal to the county economic development board then to the SW REAP board.

Strategic Planning (Benchmark 68). SW REAP assists communities each year to develop strategic plans. The practice is significant in that it involves community residents making decisions identifying and prioritizing community needs. It enables residents to actively participate not only in the planning process but the actual attainment of recognized goals. The planning sessions involve not only the residents of a particular community but also the rural residents who identify with the community.

The 2008 Strategic Planning communities were Beach, Reeder and Hettinger. Over 145 people participated in these planning meetings.

The Beach planning process identified seven community goals including the improvement of the community golf course, creating a path for walking and biking, developing a community agriculture site, and building a community and recreation center. The Hettinger participants identified nine goals including creating a community recreation facility, restore the Hettinger Armory, create awareness and provide solutions to social issues impacting the community, and supporting entrepreneurship by improving business infrastructure. Reeder identified four goals including entrepreneurship training, improving the city park, establish community classes and the development of a youth group.

Partners in these projects are the SW REAP, Bremer Foundation, and the communities involved.

Workforce Fund (Benchmark 64). Southwest North Dakota perennially experiences a shortage of skilled workers in many occupations including truck drivers, automobile and diesel mechanics, finish carpenters, welders, bricklayers, masons, plumbers, and electricians. The shortage of qualified laborers is exacerbated by the demands for laborers resulting from the increased oil exploration in the Williston Basin oil field.

The SW REAP Board in 2004 started a scholarship program to assist adult students within the zone to take advantage of locally provided vocational training. In 2008 the board assisted 21 students in the Halliday Welding Classes. The students were from, Halliday, Dodge, Dickinson, Beach, Richardton, Gladstone, and Belfield. The partners in the program are SW REAP, Halliday Public School District, ND Department of Public Instruction-Career and Technical Education Division and the Dunn County Job Development Authority.

Tourism (Benchmark 71). The SW REAP Board targeted a tourism plan in FY 2005. In 2008 the board assisted with financing and presenting the third annual Southwest Tourism Conference held in Dickinson. Fifty-six people attended and participated in the conference.

Community Participation

The SW REAP Zone covers an eight county area with roughly 10,000 square miles and approximately 36,000 people. The area encompasses 27 different communities and many rural residents.

This year 323 people participated in SW REAP supported activities as committee members, class participants, instructors, partner groups, businesses and entrepreneurs. In addition local media outlets provided excellent coverage of SW REAP funded activities.

The SW REAP Board meets monthly in different locations to allow residents throughout the region to attend. A typical meeting will be attended by interested individuals, regional development corporations, the local news media, county commissioners, and city officials. The board tries to schedule meetings in communities making requests or reports to the board.

The SW REAP Board initiates very few projects. Almost all of the projects mentioned in this report were initiated and implemented by persons outside the board and in many cases involves partnerships of two or more entities. The Board recognizes areas of need and interest, and then determines whether to fund a particular project.

Partnerships and Alliances

- The two North Dakota REAP Zones and eight Champion Communities continue to work together in a group known as the **Champion REAP Alliance**. Together, these 10 entities have constructed a shared website located at www.ndalliancelink.com and will continue to work to maintain their USDA Champion or REAP status.
- The SW REAP Zone partnered with the SW developers and developers from Eastern Montana to fund the “Gateway to Opportunity” conference held this year in Glendive, MT. 175 persons attended the conference.
- SW REAP and its sister REAP Zone, the **Center of North America Coalition**, have been partnered for eight years through a non-profit 501@3c organization, the **REAP Investment Fund, Inc.** This group has been the recipient of grants for and within the two zones and continues to provide grant administration and facilitation. The organization has several programs benefiting both zones including a Revolving Loan Fund (RLF). In 2004 the REAP Investment Board purchased Techlink, a Dickinson, ND, based company that provides data conversion and data entry. The company now has 18 employees.
- SW REAP together with CONAC and RIB invested in Northern Tier Investment, LLC. The company is developing new technologies which may be eventually produced in the REAP Zones.

Problems/Obstacles

SW REAP depends on grant funding and private contributions to maintain operations. Fund raising and obtaining grant funds remains a significant problem and an obstacle. The SW REAP Zone received its allocated share of RBOG funds granted through Project #B-06-SP-ND-0613 (06 RBOG) in November of 2007. There was a lack of adequate initial administration of the grant funds. No funding was available for FY 07. The FY 06 and FY 08 funding is restricted to construction related projects.

The lack of sufficient funding or the inconsistency in the delivery of allocated funds makes planning for future activities very difficult. It also jeopardizes the accomplishment of already established benchmarks. This limits the REAP Board’s ability to continue existing projects, expand existing projects or to consider new requests or projects. This handicap reduces the effectiveness of the program and the ability of residents of the Zone to take advantage of the program.

The reduced funding does not result in a reduction of the administrative costs of the Zone’s activities. The amounts available for administration expenses are not adequate to cover costs. The REAP board positions are filled by volunteers. Reduced funding jeopardizes the efficient administration of activities and make the continuation of some programs problematical.

Continued attempts to become self-sustainable have not been successful. The REAP Investment Fund, Inc.'s investment in Tech Link, a data conversion company, in 2004 has yet to produce funds which can be used to offset administrative expenses. The RIF's investment in Northern Tier Investment, LLC, also has not yet been productive.

Solutions

- 1) The SW REAP Board together with its various partners must continue the efforts to raise funds from outside sources and continue efforts to obtain funding through RBOG and RBEG grant applications. The board must also closely monitor the administration of RBOG applications and allocations of and the delivery of dedicated funds.
- 2) The SW REAP Board must continue efforts to raise funds from outside sources which are not restricted in use in order to assist with administrative expenses and assure the continuation of successful programs.
- 3) The Board will seek to adopt projects which both meet the restrictions of use of the FY 06 and FY 08 funding and comply with the stated objectives of the program, economic development and stemming out-migration from the zone.

Best Practices

- 1) Benchmarks. The benchmark system provides accountability and uniformity to the development process.
- 2) Meeting in communities throughout the region allows for greater community participation and increased the number of individuals involved in REAP- sponsored projects.
- 3) Mandating project match on loans requires local buy-in and investment in projects.
- 4) Creating partnerships has strengthened our position on issues and increased knowledge that enables us to create and implement solutions. Partners include universities, job development authorities, development corporations, local and state extension services, health care providers, other non-profit organizations, rural development staff, financial institutions, county and city officials, and state agencies.
- 5) Annual meeting. In 2007, the annual meeting was postponed in part because of financial problems. The meeting was rescheduled to April of 2008. The annual meeting allows participants from the various zones and entities to compare information and share information concerning successful and struggling initiatives and to plan system wide for the future years.

Plans/ Prospects for the Future

Tourism – SW REAP will focus on the continued completion of the tourism strategic plan (Benchmark 71):

- Provide loans to businesses that will market and sell vacation packages within the SW REAP Zone. \$18,000 has been set aside for this activity.

Workforce Training and Federal Contracting – (Benchmark 64) Work will continue on workforce training. An attempt will be made to replicate the Halliday welding program for other trades in other schools or communities in the region.

Energy Development – Assistance will be given to the development and construction of the proposed Buffalo Creek Ethanol Plant in Gascoyne, ND., wind energy development, and a proposed coal gasification and coal beneficiation plant in South Heart, ND.

Housing – SW REAP will explore ways to assist communities within the Zone to implement recommendations of a regional housing assessment to address the critical housing shortage resulting from the current energy development within the region.

Date of Last Audited Financial Report

5/29/08

Acronyms Used In This Document

SW REAP – Southwest Rural Economic Area Partnership

USDA – United States Department of Agriculture

RBOG – Rural Business Opportunity Grant

RBEG – Rural Business Economic Grant

FY – Fiscal Year

CONAC – Center of North America Coalition (six county REAP Zone)

RIF – REAP Investment Fund

RIB – REAP Investment Board

RLF – Revolving Loan Fund