

Southwest Rural Economic Area Partnership (SW REAP) Annual Narrative Report 2010

To: USDA Rural Development and Interested Parties

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Executive Summary – 2010

The following statistics are reported for the SW REAP Zone for the 2010 calendar year:

Micro Loan Program – maximum loan amount \$7500

- 21 micro loans were made
- 34 jobs were created
- 12 new businesses were started
- SW REAP loans totaled \$147,285
- Leveraged funds were \$814,350
- Total Funds for all Micro Loans were \$961,635

Partnership Fund

- 5 projects assisted
- One conference was assisted with 285 people attending
- Two projects received funds for feasibility studies
- One non-profit organization received funds for transportation infrastructure development
- \$18,000 was granted by SW REAP
- \$313,990 was leveraged
- Total Funds for all Partnership Fund projects was \$349,990

Workforce Fund

- 2 projects were assisted by SW REAP
- 5 training courses were held
- 42 persons received work certifications
- \$28,698 was granted
- \$100,875 was leveraged
- Total funds for all Workforce projects was \$129,573

Reap Investment Fund Business Loans – maximum loan \$50,000

- 1 business was assisted
- 16 jobs were maintained
- \$32,000 was loaned
- \$278,000 was leveraged
- Total funds for all RIF Business Loans \$310,000

SW REAP made a significant change this year by ending its 14 year administrative relationship with the local regional council. In January 2010, the board contracted directly for an Executive Director and for fiscal management. These actions lowered administrative costs and gives the board direct control of staff and funding.

Micro loans continue to be the base business of the group. This year 21 loans were made which is four times the number made in 2009. This increase reflects the strong business opportunity present at this time in our zone. This strength is supported by two very good years in agriculture plus the energy development now taking place in the western part of North Dakota.

Most Significant Accomplishments

Micro Loans (Benchmark 76). The SW REAP Micro Loan Program provides loans for businesses that employ one to 10 people or new business ventures located within the SW REAP Zone. Businesses can receive up to \$7,500 but not more than 50% (whichever is less) for business activities approved by the SW REAP board. The 0% micro loan is for a maximum of three years with repayments beginning six months from the approval of the loan. Interest rates apply if the loan is not repaid on time.

Applicants must complete an application and provide a project narrative and budget to their local economic developer who sponsors the project to the county economic development board and then both the developer and the business owner present the application to the SW REAP board.

Twenty-one business loans were approved for a variety of projects including marketing, equipment and start up costs. These loans reflected the needs in the region in response to housing needs, trucking, food service, agriculture, oil activity, automotive and the service industry. These applicants were from six of the eight counties in the zone. The micro loans were made to businesses included two new trucking companies, two applications for expanded RV sites, room rentals, an RV service company, an automotive repair business, four restaurants, one spa, one vineyard, a new electrician business, a curbing business, a lawn & yard business, an ag equipment business, an oil field mapping company and three retail businesses.

Workforce Fund. Our region is experiencing a shortage of skilled workers in many occupations including truck drivers, automobile and tractor mechanics, finish carpenters, welders, bricklayers, masons, plumbers and electricians. The shortage of qualified laborers is exacerbated by the labor demands from increased oil exploration and oil extraction activities.

For 2010, the board assisted 43 students in the Halliday Welding Classes. Those students were from several cities in the SW REAP Zone. Partners are the Halliday Public School, ND Department of Public Instruction - Career & Technical Education, and the Dunn County JDA.

The board also assisted the Good Samaritan Nursing Home in Mott with classes that trained 5 certified nurse assistants.

Community Participation

At a minimum, 392 people were identified as participants in SW REAP supported activities this year by being board and committee members, class participants, instructors, partner groups, businesses, and entrepreneurs or just good people with great ideas and resources. In addition, our area newspapers provide support of SW REAP through excellent coverage for SW REAP funded activities.

It is important to note that the SW REAP Zone is an eight county area, roughly 10,000 square miles and approximately 40,000 people. Therefore, the definition of community in this section of the report encompasses 27 towns and many rural residents.

The SW REAP board meets each month in a different location to allow residents throughout the region to attend. Usually interested people, regional development corporations, the county newspaper, county commissioners, and some city officials attend.

The SW REAP board initiates very few projects. The board recognizes areas of need and interest and then expresses a willingness to fund projects in those areas. Therefore, almost all projects mentioned in this report are initiated and implemented by persons outside the board and in many cases involve partnerships of at least two or three entities.

Partnerships and Alliances

The two North Dakota REAP Zones and eight Champion Communities continue to work together in a group called the **Champion REAP Alliance**. Together, these 10 entities have constructed a shared web site located at www.ndalliancelink.com and will work to maintain their USDA Champion or REAP status. (2) SW REAP and its sister REAP Zone, the **Center of North America Coalition**, have been in partnership for fifteen years through their non-profit 501-©3 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 the Revolving Loan Fund. (3) SW REAP also had working partnerships with the seven local development corporations and the Small Business Development Center which bring regional issues to the focus of the board. They prepare and sponsor 100% of all micro loan applications.

Problems/Obstacles

Much of our region is impacted by the energy industry but most people are not recipients of the activity. As stated earlier, housing is the number one issue in western North Dakota due to energy development activities. Homes are rumored to sell within a few days and rental units are completely full with rents climbing skyward. This past year, hotels were at constant capacity and people throughout the zone rented out extra bedrooms for the temporary influx of 300+ pipeline workers.

Sounds good for business but this energy activity created numerous problems for lower income groups and for those who are not getting the high oil field wages and for those throughout our region who dependent on regional tourism. The impact also includes increased traffic with extremely dangerous road conditions and higher prices in both services and retail purchases. Many companies in the region cannot compete with salaries in the oil fields and have lost good trained employees as well.

Solutions

SW REAP was able to assist in the expansion of two RV businesses in Dunn County plus two rental units in Hettinger County. In addition, they approved an additional 13 rental units in Hettinger County and Golden Valley County to be built in 2011. Thirty seven welding certifications were completed. Welders are in great demand in both the ag and energy segments.

Best Practices

(1) Benchmarks. The benchmark system has provided accountability and uniformity to the development process. **(2)** Meeting in locations throughout our region has allowed community participation. **(3)** Mandating project match on loans and grants has required local buy-in. **(4)** Creating partnerships has strengthened our position on issues and increased knowledge that has enabled 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.

Plans/Prospects for the Future

Loan Programs – We anticipate continued use of the Micro Loan Program and more use of the RIF Business Loan Fund as our regional economy is exploding. We have great working relationships with county development corporations, and regional entities including the Small Business Development Center, and the Strom Center for Entrepreneurship. We anticipate looking into the USDA Rural Microentrepreneur Assistance Program with our sister organization, CONAC and the REAP Investment Fund Board.

Energy Impact – We expect that the board shall be presented with more issues that are impacting small rural communities in our zone. These communities have fewer resources and may be able to better address shared concerns in regional partnerships supported by SW REAP.

Last Audited Statement: 12-31-09

ACRONYMS USED IN THIS DOCUMENT

SW REAP – Southwest Rural Economic Area Partnership
USDA – United States Department of Agriculture
RBOG – Rural Business Opportunity Grant (annual grant program of the USDA)
CONAC – Center of North America Coalition (six county REAP Zone)
SBDC – Small Business Development Center
RIB – REAP Investment Board
RLF – Revolving Loan Fund

