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# The Headwaters Fund 2006 Annual Report

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Activities and Results  
2003 to 2006

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The Headwaters Fund

[theHeadwatersFund.org](http://theHeadwatersFund.org)



## ***Introduction***

The Headwaters Fund (HWF) was initiated in 2003 with the goal of growing base industry businesses and increasing the number of sustainable jobs in Humboldt County, a goal consistent with and born from the County's Comprehensive Economic Development Strategy, Prosperity! The North Coast Strategy.

By charter, three objectives were also adopted:

- ◆ attract and leverage additional capital and grants in the local economy;
- ◆ reflect community priorities and create maximum public benefit over the long-term; and
- ◆ manage the funds efficiently and cost effectively.

The goals and objectives outlined in the charter led to development of a community-based advisory board, a responsive grant program guided by cluster-identified priorities, a revolving loan program, and a flexible and expendable infrastructure investment fund.

After three years of operations, the Headwaters Fund Board is evaluating the program results and has begun planning for the next three-year implementation cycle. This report highlights Headwaters Fund activities and results over the past three years.

## ***Highlights***

### **Growing Businesses and Jobs**

In partnership with the Redwood Region Economic Development Commission and the Arcata Economic Development Commission, the Headwaters Fund has supported business growth and job creation through the Revolving Loan Fund (RLF). To date:

- ◆ A total of \$2,533,191 has been loaned from the RLF and \$1,804,918 is currently outstanding.
- ◆ 24 businesses have been assisted: 6 in manufacturing, 9 in retail, and 9 in services.
- ◆ 125 jobs have been retained and 251 have been added as a direct result of the RLF.

A partnership and referral process with a regional not-for-profit venture capital organization, Pacific Community Ventures, has been established and two investment opportunities have been shared with PCV. (The HWF cannot invest directly in businesses due to legal restrictions on public funds.)

### **Building Business and Economic Development Infrastructure**

Through its grant programs, the HWF has partnered with local agencies to build economic development infrastructure and to support industry clusters. These grants build the groundwork for new ventures and business expansion, and build our community's capacity to attract funding and implement economic development projects.

### **Economic Development Infrastructure**

- ◆ \$443,435 was granted for economic development infrastructure projects such as an economic development web portal, permit streamlining, Humboldt County Film Commission sustainability, and a hospitality teaching kitchen. These funds leveraged over \$1.6 million in matching funds. In addition to supporting the local economic development framework, these grants will lead to additional state and federal funding for County projects.
- ◆ \$373,980 was granted for research projects important to future economic development, including planning for modernizing harbor facilities (Redwood Dock), an Eelgrass study of Humboldt Bay, business planning for the Redwood Technology Consortium (RTC), and planning assistance for an Eco-Hostel in Eureka.

## Support and groundwork for new ventures and business expansion

- ◆ \$508,596 was granted for agencies to directly support businesses and business development, including support for a Fisherman's Terminal in Eureka, Pier reconstruction in Trinidad, expansion of natural meat production, Goat Dairy sustainability, and wine and produce marketing network development. Two grants totaling \$38,000 were made to North Coast Open Studios in support of developing art-based businesses.

## Ensuring Community Infrastructure

- ◆ \$104,267 was granted for transportation infrastructure projects important to businesses, including expanded airport facilities, air carrier recruitment, National Highway Network access for Humboldt County, and fueling system improvements at Garberville Airport.
- ◆ Loans totaling over \$2 million were made to Rio Dell and Willow Creek for water system improvements. A loan to the County for Redevelopment Agency development was intended to improve business and economic development infrastructure. That loan has been repaid.

<b>Grant Fund and CIF Grant Totals</b>		
<b><u>By Cluster</u></b>		
Fishing	\$323,064	23%
Infrastructure	\$256,767	18%
All Clusters	\$249,900	17%
Specialty Agriculture	\$156,969	11%
Tourism	\$147,500	10%
Information Technology	\$144,078	10%
Arts and Culture	\$108,000	8%
Wood Products	\$25,000	2%
Dairy	\$19,000	1%
<b><u>By Type</u></b>		
Implementation	\$826,869	58%
Planning/research	\$603,409	42%
<b>Total</b>	<b>\$1,430,278</b>	

All Grant Fund and Community Investment Fund (CIF) grants are summarized here and listed in the attached Headwaters Fund Summary of Grants 2003 - 2006.

Revolving Loan Fund loans are summarized here. All but one of the loans were matched with an equal or greater investment from our lending partner, either Arcata Economic Development Corporation or Redwood Region Economic Development Commission.

<b>Revolving Loan Fund Summary 2003- 2006</b>			
	<u>AEDC</u>	<u>RREDC</u>	<u>Total</u>
Total amount loaned	\$588,500	\$1,944,691	\$2,533,191
Number of loans	11	13	24
Type of business			
Manufacturer	2	4	6
Service	5	4	9
Retail	4	5	9
Jobs in borrowing businesses			
Retained			125
Added			251

## ***Results***

The Headwaters Fund has infused a total of \$6,364,255 into the local economy over the past three years. That number grows to a minimum of \$12.5 million when you take into consideration matching funds raised for all HWF grants and loans (most HWF programs require a one-to-one or greater match).

Measuring the impact of a grant is difficult, at best, and measuring the overall impact of a grant program is even more difficult because the grantor is one step removed from project implementation and evaluation, and because there are no universal measures of success. This is especially true with a responsive grant program where broad ranges of projects are funded.

Grants for economic development are especially challenging to evaluate due to the macro and microeconomic factors that shape an area's economy, and due to the time frame of most economic development projects. There are very few quick fixes in economic development. Furthermore, it takes time for the impact of any project to be felt, and many Headwaters Fund grant projects are incomplete at this time.

For example, the Headwaters Fund supported construction of the Fishermen's Terminal Project in Eureka. This project was the top priority listed by the Fisheries, Processing and Aquaculture industry cluster. The fishing industry will benefit from more competition for buying and processing of its products, as well as an additional off-loading facility. Other beneficiaries include residents and tourists who will enjoy increased bay access. The Terminal is projected to produce upwards of 25 new jobs within 24 months of completion of construction, and up to 50 long-term direct and indirect jobs. In addition, Headwaters funding leveraged over \$4.5 million in additional project funding from federal, state, and local sources. Other than the leveraged funds, none of the projected project benefits are measurable at this time.

Nevertheless, completed grants have shown some significant results. Here are some highlights:

The County of Humboldt's Highways 101 and 299 Improvement grant helped secure State and Federal funding. The U.S. House of Representatives allocated \$8 million to improving Highway 299. California Governor Arnold Schwarzenegger allocated \$146 million for the project in his initial \$12 billion bond list of proposed projects for strategic growth. His initial proposal did not get support so other efforts are underway to have bond funds directed to the project. The Headwaters grant also is supporting a Caltrans study of options to ameliorate bottlenecks on Highway 101.

With support from the Headwaters Fund, the Redwood Technology Consortium completed a planning process that helped this unique organization focus its work as a catalyst for improving local technology. This focus led directly to RTC's helpful role in bringing the first fiber optic line into Humboldt County. RTC has elevated awareness of local technology issues at the state level and continues to advocate for improved broadband service.

A grant to assess and develop markets for local "natural" and organic beef products has led to several new contracts for local beef producers and to new working relationships among beef producers. The North Coast Small Business Resource Center and local natural and organic beef producers are currently in negotiations with Whole Foods Market, the world's largest retailer of natural and organic foods, and Our Kitchen.

A grant to support air service expansion helped secure Horizon Airlines flights from Arcata to Los Angeles beginning in May 2005. These direct flights have been particularly beneficial to local businesses, saving both time and money for business travelers and shippers.

Grants to the Open Studios events achieved some notable milestones. Artist participation increased 50% and visitors from outside the area increased 9% the first year. The event expanded to two weekends and sales from the event exceeded prior year's totals (\$250,000 documented). The North Coast Small Business Development Center (SBDC) provided an Open Studios art business workshop for 32 artists and one-on-one business counseling. Sponsorship and advertising sales grew substantially and will sustain future events.

## ***Financial Status***

Over the past three years, a total of \$6,364,255 has been contributed to the local economy at a cost of \$327,523 in operating expenses. Assuming no loan defaults, the fund corpus overseen by the Headwaters Fund Board is at a healthy \$20,036,521. Current balances and expenditures are summarized below.

Current balances:	<u>Beginning (2002)</u>	<u>As of 12/31/06</u>
Community Investment Fund <sup>1</sup>	5,000,000	\$3,518,302
Revolving Loan Fund <sup>1</sup>	8,000,000	\$6,833,487
Liquidity fund (endowment) <sup>1</sup>	5,404,065	\$6,000,083
Grant fund (to expend) <sup>1</sup>	0	\$265,483
Loan reserve accounts <sup>1</sup>	0	249,323
Loan receivables – CIF <sup>2</sup>	0	1,364,925
Loan receivables– RLF <sup>2</sup>	<u>0</u>	<u>1,804,918</u>
	\$18,404,065	\$20,036,521
 Summary of activity: <sup>3</sup>		<u>2003 – 2006</u>
Grant Funds awarded		\$982,935
CIF Funds granted		\$451,129
CIF amount loaned in community		\$2,427,000
RLF amount loaned in community		\$2,533,191
Operating expenses		\$327,523

Notes: <sup>1</sup> Includes interest through 9/06, <sup>2</sup> Includes principal only, <sup>3</sup> Through 12/31/06

## ***Additional Information***

A complete list of grants made by the Headwaters Fund is available as an appendix to this report. Current information about Headwaters Fund programs and applications are available on the Headwaters Fund web site and in our office.

**COMMUNITY DEVELOPMENT SERVICES  
THE HEADWATERS FUND  
COUNTY OF HUMBOLDT**

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## Appendix to 2006 Headwaters Fund Annual Report

Year	Primary Cluster	Other Cluster	Grantee	Project Name	Total Project Cost	Award Amount	Grant Type:
2003	All Clusters		County of Humboldt	Industry Cluster Formation and Development	\$246,250	\$30,000	Planning
2003	All Clusters		County of Humboldt	Prosperity! Individual Development Account Program	\$298,397	\$8,400	Implementation
2003	Infrastructure		County of Humboldt	National Highway Network Access for Humboldt County	\$183,000	\$50,000	Implementation
2003	Lumber and Wood Prod.		Buckeye Conservancy	Buckeye Forest Project, Phase 3	\$64,860	\$25,000	Planning
2003	Tourism	Education and Research	College of the Redwoods	Teaching kitchen for tourism and hospitality training	\$298,750	\$55,000	Implementation
2003	Tourism	Specialty Ag.	Humboldt Botanical Gardens Foundation	Native plant garden	\$469,299	\$40,000	Implementation
2003	Fishing		Humboldt Bay Harbor, Recreation and Conservation District	Characterization of Eelgrass Fish communities in Humboldt Bay	\$102,858	\$45,000	Planning
2004 2006	All Clusters		County of Humboldt and RREDC	Web Portal	NA	\$38,000 \$12,000	Implementation
2004	All Clusters		Airport	Expand service	\$500,000	\$10,000	Implementation
2004	Arts and Culture	Tourism	North Coast Small Business Resource Center	North Coast Open Studios Tour	\$48,200	\$23,000	Implementation
2004	Arts and Culture	IT	Humboldt County Convention and Visitors Bureau	Humboldt County Film Commission	\$200,000	\$50,000	Implementation
2004	Infrastructure		County of Humboldt, Public Works	Installation of automated card fueling system at Garberville Airport	\$14,883	\$6,767	Implementation
2004	IT		Redwood Technology Consortium	RTC Business Plan	\$24,288	\$9,078	Planning
2004	Specialty Ag		SBDC	Natural meat in Humboldt: market development	\$107,400	\$71,800	Planning
2004	Specialty Ag	Ed. and Res.	HSU	Geese and Lean Manufacturing	NA	\$54,902	Planning
2004	Arts and Culture	IT	Humboldt State University	Assistance to Humboldt Film Commission	\$28,044	\$20,000	Implementation

## Appendix to 2006 Headwaters Fund Annual Report - Continued

Year	Primary Cluster	Other Cluster	Grantee	Project Name	Total Project Cost	Award Amount	Grant Type:
2005	All Clusters		North Coast Small Business Resource Center	Northern California Lead Center for Small Business Development	\$571,859	\$50,000	Implementation
2005	Dairy	Specialty Ag.	Arcata Economic Development Corporation	Humboldt County Goat Dairy Sustainability and Capacity Project	\$39,953	\$19,000	Implementation
2005	Arts and Culture	Tourism	North Coast Small Business Resource Center	North Coast Open Studios Tour	\$56,085	\$15,000	Implementation
2005	Fishing		City of Eureka	Eureka Fisherman's Terminal	NA	\$200,000	Implementation
2005	Fishing	Tourism	Friends of the Mad River Fish Hatchery	Mad River Fish Hatchery	NA	\$26,935	Implementation
2005	IT		Open Door Community Health Centers	North Coast Telemedicine Network	\$631,990	\$135,000	Implementation
2006	All Clusters		County of Humboldt, Economic Development	Cross-Cluster Industry Dev.	\$125,475	\$44,000	Planning
2006	All Clusters		County of Humboldt, Community Development	Permit Streamlining Development	\$259,500	\$20,000	Planning
2006	Tourism	Education and Research	CEED	SLL and Eco-Hostel - review and design	\$122,500	\$40,000	Planning
2006	Specialty Ag		Community Alliance with Family Farmers	Outbound: Dev. Urban Markets for HC Produce	\$40,000	\$17,317	Implementation
2006	All Clusters		RREDC	Airport Demand Analysis and Carrier Recruit.	\$82,850	\$37,500	Implementation
2006	Fishing	Tourism	Cher-Ae-Heights Indian Community	Early phases of Trinidad Pier reconstruction	NA	\$51,129	Planning
2006	Infrastructure	Tourism	Humboldt Bay Harbor, Recreation and Conservation District	Planning and Modernization of Redwood Dock	NA	\$200,000	Planning
2006	Specialty Ag	Tourism	North Coast Small Business Resource Center	Humboldt County Wine Industry Project	\$29,400	\$12,950	Implementation
2006	Tourism	Specialty Ag.	Garberville Town Square Comm.	Town Square development	\$300,000	\$12,500	Planning

NA = Not available or estimate highly likely to change.