



The Headwaters Fund 2007-08 Annual Report

Activities and Results
January 1, 2003 to June 30, 2008



Introduction

The Headwaters Fund (HWF) was initiated in 2003. Its purpose is to:

- ◆ support the growth of base industry clusters;
- ◆ increase the number of sustainable jobs that pay near or above the median income; and
- ◆ enhance the quality of life through social and environmental projects that promote healthy communities and protect and enhance the natural environment.

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.

Advised by a community-based board, the Headwaters Fund is comprised of a responsive grant program, a revolving loan program, and an expendable community infrastructure fund.

This report highlights Headwaters Fund activities and results over the past five years.

Highlights

Growing Businesses and Jobs

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

- ◆ A total of \$3,315,241 has been loaned from the RLF and \$2,234,816 is currently outstanding.
- ◆ 27 businesses have been assisted: 6 in manufacturing, 12 in retail, and 9 in services.
- ◆ 258 jobs have been retained and 78 have been added as a direct result of the RLF.*

Building Business and Economic Development Infrastructure

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

Economic Development Infrastructure

- ◆ \$726,935 was granted for economic development infrastructure projects such as an economic development web portal, permit streamlining, Humboldt County Film Commission sustainability, a hospitality teaching kitchen and a Simulation Center for training medical professionals. These funds leveraged close to \$2.7 million in matching funds. In addition to supporting the local economy, these grants will lead to additional state and federal funding for County projects.
- ◆ \$440,050 was granted for research projects important to future economic development, including an Eelgrass study of Humboldt Bay, business planning for the Redwood Technology Consortium (RTC), and planning assistance for an Eco-Hostel in Eureka.

* Cumulative 5 year figures differ from previously reported numbers due to changes in staffing and reporting methods.

Support and groundwork for new ventures and business expansion

- ◆ \$773,631 was granted to directly support businesses and business development, including the expansion of natural meat production and a regional wine marketing network. Two grants totaling \$46,951 were made to support distribution of produce from family farmers.

Ensuring Community Infrastructure

- ◆ \$604,267 was granted for transportation infrastructure projects important to businesses, including air carrier recruitment and national highway network access for Humboldt County.
- ◆ Loans totaling over \$1 million were made to Rio Dell and Willow Creek for water system improvements. A \$750,000 loan was also made to support the airport terminal expansion and renovation.

Grant and Community Investment Fund Totals		
By Cluster		
Infrastructure	856,767	34%
Fishing	323,064	13%
All Clusters	327,400	13%
Specialty Agriculture	203,920	8%
Manufacturing	193,010	8%
Tourism	147,500	6%
Education and Research	146,000	6%
Information Technology	144,078	6%
Arts and Culture	108,000	4%
Wood Products	25,000	1%
Dairy	70,144	3%
By Type		
Implementation	1,760,330	69%
Planning	784,553	31%
Total	\$2,544,883	

All Grant Fund and Community Investment Fund (CIF) grants are summarized here and listed in the attached Headwaters Fund Summary of Grants 2003-2008.

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.

Revolving Loan Fund Summary 2003- 2008			
	<u>AEDC</u>	<u>RREDC</u>	<u>Total</u>
Total amount loaned	\$969,150	\$2,346,091	\$3,315,241
Number of loans	13	14	27
Type of business			
Manufacturer	2	4	6
Service	4	5	9
Retail	7	5	12
Jobs in borrowing businesses			
Retained			258
Added			78

Results

The Headwaters Fund has infused a total of \$8,415,310 into the local economy over the past five years. That number grows to a minimum of \$16.5 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.

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 new working relationships among beef producers. The North Coast Small Business Resource Center and local natural and organic beef producers have negotiated contracts with major retailers of natural and organic foods. Projected additional sales through these efforts are over \$2,500,000.

Grants to support air service expansion helped secure Horizon Airlines flights from Arcata to Los Angeles beginning in May 2005 and brought a new carrier, Delta Airlines, in to service the area as of July, 2007. These additional 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 five years, a total of \$8,415,310 has been contributed to the local economy at a cost of \$475,276 in operating expenses. Assuming no loan defaults, the fund corpus overseen by the Headwaters Fund Board is at a healthy \$20,947,489. Current balances and expenditures are summarized below.

Current balances:	<u>Beginning (2002)</u>	<u>As of 6/30/08</u>
Community Investment Fund ¹	5,000,000	\$4,301,841
Revolving Loan Fund ¹	8,000,000	\$7,015,219
Liquidity fund (endowment) ¹	5,404,065	\$5,940,381
Grant fund (to expend) ¹	0	\$692,609
Loan reserve accounts ¹	0	\$316,863
Loan receivables – CIF ²	0	\$445,760
Loan receivables– RLF ²	<u>0</u>	<u>\$2,234,816</u>
	\$18,404,065	\$20,947,489
 Summary of activity: ³		<u>2003 – 2008</u>
Grant Funds awarded		\$1,623,940
CIF Funds granted		\$951,129
CIF amount loaned in community		\$2,525,000
RLF amount loaned in community		\$3,315,241
Operating expenses		\$475,276

Notes: ¹ Includes interest through 3/08, ² Includes principal only, ³ Through 6/30/08

Additional Information

A complete list of grants made by the Headwaters Fund is available as an appendix to this report. In addition to the grants listed, \$30,186 has been granted through the mini-grant program over the past five years. 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

520 E Street, Eureka, CA 95501

Phone (707) 445-7745 • Fax (707) 445-7219

www.TheHeadwatersFund.org



Appendix to 2008 Headwaters Fund Annual Report – Summary of Grants

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 & 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 & Conservation District	Characterization of Eelgrass Fish communities in Humboldt Bay	\$102,858	\$45,000	Planning
2004	All Clusters		Redwood Region Economic Development Corporation	Web Portal	NA	\$50,000	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

Year	Primary Cluster	Other Cluster	Grantee	Project Name	Total Project Cost	Award Amount	Grant Type:
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
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	Humboldt Bay Center for Sustainable Living	SLL and Eco-Hostel - review and design	\$122,500	\$40,000	Planning

Year	Primary Cluster	Other Cluster	Grantee	Project Name	Total Project Cost	Award Amount	Grant Type:
2006	Specialty Ag	Tourism	Community Alliance with Family Farmers	Outbound: Dev. Urban Markets for HC Produce	\$40,000	\$17,317	Implementation
2006	All Clusters		Redwood Region Economic Development Corporation	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
2007	Infrastructure		Redwood Region Economic Development Corporation	Airline Recruitment and Revenue Guarantee	\$1,142,000	\$500,000	Implementation
2007	Infrastructure		Humboldt State University	Broadband Demand Aggregation Pilot Project	\$480,000	\$100,000	Planning
2007	All Clusters		Humboldt Community Access and Resources	Micro-enterprise Mini-loan and Support	\$26,164	\$7,500	Implementation
2007	Manufacturing	Specialty Ag.	Humboldt State University	Competitive Intelligence for High Growth Companies	\$232,722	\$66,070	Implementation
2007	Manufacturing	Specialty Ag.	North Coast Small Business Resource Center	Enhancing Sales and Hiring	\$110,180	\$55,090	Implementation

Year	Primary Cluster	Other Cluster	Grantee	Project Name	Total Project Cost	Award Amount	Grant Type:
2007	All Clusters		Redwood Coast Energy Authority	Energy Efficient Economy	\$1,446,565	\$40,000	Implementation
2007	All Clusters		City of Rio Dell	Economic Development Strategic Plan	\$43,010	\$30,000	Planning
2007	Specialty Ag		Community Alliance with Family Farmers	Outbound: Dev. Markets for HC Produce	\$50,771	\$25,222	Implementation
2008	Health Care		Redwood Community College District	Simulation Center Pilot Project	\$787,000	\$146,000	Implementation
2008	Specialty Ag		Humboldt County Resource Conservation District	Nutrient Management Program for Local Dairies	\$90,204	\$51,144	Planning
2008	Manufacturing	Specialty Ag.	North Coast Small Business Resource Center	Enhancing Sales and Hiring - Part 2	\$143,700	\$71,850	Technical Assistance
2008	Specialty Ag		Community Alliance with Family Farmers	Local Produce Distribution Network	\$45,166	\$21,729	Implementation

NA = Not available or estimate highly likely to change.