

A Coordinated Regional Response to Potential Large Scale Development Projects on the Iron Range June 2007

Situation on the Horizon

Currently there are more than twenty (20+) larger development projects at various stages in the project development process across the Iron Range from Babbitt to Cohasset. They represent the largest concentration of large-scale projects since the 1970s when major taconite plants were built at key locations. The scope of these projects range from several million dollars to \$1.6 billion dollars and in total would represent about \$5 billion in potential new investment that will leverage temporary construction jobs, permanent living wage jobs and other value added spin-off and supplier opportunities as well as spur other new investment in the regional economy (See attached list of projects and scales of development).

More specifically, several of these major projects have already begun construction and others are being positioned to move forward in the next 12-18 months. Construction began this spring on the west Iron Range for Minnesota Power's Boswell 3 Energy Center - air emissions control environmental improvements project in Cohasset. Over the next three years Minnesota Power will investment over \$200 million and will be ramping up to hire 400-800 construction and trades people to meet their development needs. This decision and announcement in the spring of 2006 has now spurred local action to anticipate and begin addressing the potential impacts and needs of this temporary and long-term workforce situation. Just to the east is the \$1.6 billion Minnesota Steel integrated mine and steel making facility proposed near the Cities of Nashwauk, Marble and Taconite. They are in the midst of completing a project environmental review process to secure permits and are working out the final details with a major international investor to capitalize the project and move toward development in 2008. The project would involve 2,000 construction workers for up to four years and then would employ 700 permanent workers. Right adjacent to the Minnesota Steel site is the proposed Excelsior Energy project which is about 6-12 months behind Minnesota Steel. It is coal gasification to electrical generation project that is working through the state's energy and environmental regulatory process and requirements and is also firming up its major investors. This project would represent a capital investment of over \$1.5 billion and could add an additional 1,000 temporary construction workers and 150-300 permanent employees when operational with both phases.

A similar scenario is going on in the far east Iron Range near Hoyt Lakes and Babbitt. Mesabi Nugget a direct reduced iron nugget plant began renovation and construction in late winter 2007 and is working on the final details for its total capitalization of around \$200 million. That project will need 400 temporary construction workers and will eventually add 100 permanent jobs as the plant becomes operational in 2010. Adjacent to Mesabi Nugget is the proposed PolyMet project a non-ferrous minerals mining company that would mine and process copper-nickel and other precious metals. That

project is also in the environmental review process and is seeking permits to mine and process ore near Babbitt and Hoyt Lakes. PolyMet is preparing to invest \$380 million and hopes to begin construction in 2008 hiring 1,000 temporary construction workers and eventually 400 full time workers at the facility. All of these projects are of a “mega” scale and if they all come to fruition as planned will create a major demand for workers, housing, infrastructure and related needs. Add the other smaller projects and you have a growing demand for workers, housing and a host of other socio-economic issues that will need to be addressed.

As these projects have begun to come on line or getting closer to reality, there is a lot of energy and interest by the public and private sectors to address potential problems and take advantage of potential opportunities. This activity and energy is occurring in pockets across the Iron Range and is not being addressed at a regional scale in all instances. In April the Itasca Community Readiness Committee was formed and held its first meeting with representatives from a multi-community/township affected area in Itasca County. The initiative was created by Itasca County under the direction of the Arrowhead Regional Development Commission (ARDC) to assess the readiness of the affected communities to handle some of the anticipated issues and needs associated with this type of multi-year short term and long-term growth. On the east Iron Range, the East Range Readiness Committee has been meeting periodically and involves a similar group of communities in the Hoyt Lakes area. They have largely heard updates on the projects by representatives of the companies and generally discussed possible issues down the road.

What appears to be lacking is some form of a coordinated and facilitated regional response that is Range-wide and could effectively address a number of common issues and needs that are being raised in different ways across the Range.

Reactions and Concerns

Conversations across the Iron Range keep focusing on the same potential problems and needs. How will we handle the influx of workers? Where will they come from and how many and when? Will there be diversity and non-union issues? How will they be housed? What impacts will that have on the existing housing market including rental, multi-family, single family and possible creation and siting of “man camps”? Will the workforce bring their families? What will that mean for education, recreation, law enforcement, utility capacity, transportation networks, etc.? How are we positioned to handle these major changes...will they be isolated or widespread? Do we want growth in our community...at what cost and benefit? These are a few examples of the questions that various groups and the companies themselves are asking. The dynamics of what is starting to evolve is not isolated. It has Range-wide ramifications and needs to be handled in a coordinated way. We need an ad hoc forum in which we can regularly communicate, focus on key issues and opportunities, avoid disruptions, and emphasize good planning so we don't pay for major mistakes later, share in developing strategies and solutions and bring the financial and technical resources needed to solve or mitigate problems. By broadening and coordinating our efforts, we can be regionally

proactive taking advantage of everyone's desire to do the right things for the Iron Range.

It needs to be recognized that the situation today is much different than back in the 70s and 80s. For example, we have a workforce shortage of a variety of skilled and unskilled abilities today and a migratory workforce that is as diverse as we have seen since the Range was populated. We are seeing a steady increase in retirements in the mining industry and other public and private businesses that is adding additional pressure to workforce needs. The number of temporary workers as a whole will be larger than was experienced two to three decades ago. We now have land use plans, zoning and health regulations that were non-existent 20-35 years ago. Obviously, this is not the same situation as before and will require new solutions and adjustments today.

Coordinated Regional Response – “Framework for Action”

It is proposed that Iron Range Resources take the lead in establishing a ***Large-Scale Projects Regional Response Team*** which would be responsible for an organized regional response that will build on the initiatives already underway in Itasca County and the East Range and within individual communities but will broaden and strengthen these efforts as just one part of a comprehensive and coordinated response.

To be effective, it is proposed that the organizational structure or framework consist of a Leadership Team of state and regional leaders including elected officials and key stakeholder groups; a technical Strategy Team comprised of the leaders of various state and regional planning and development agencies and groups with a communications responsibility tied to its mission; and the initial creation of four specific sub-teams that will concentrate on key issues that have been identified to date. Chairs of the sub-teams would also meet with and become members of the Strategy Team. The sub-teams would consist of a Projects Team of company representatives, Workforce Team, Housing Team, and a Community Resources and Readiness Team which will address a number of issues including public infrastructure needs. More sub-teams can be added as needed in the future. These groups will require ongoing facilitation to organize and keep the groups focused and productive.

A steering committee has developed this model based on a similar approach used during the closure of LTV Mining in 2001 and it proved to be an effective tool to develop focus, communicate, coordinate and deploy resources, and accomplish key objectives as defined by the leadership involved. (See organizational chart). The approach emphasizes the need to have a balance of being inclusive but remaining productive. Draft purpose statements and an initial list of participants have been developed to support and clarify key roles and responsibilities as a starting point for more discussion of this model. (See attached Organizational Chart and Purpose Statements). The next step will be to finalize and implement the framework. A meeting of the Strategy Team will be convened by Iron Range Resources to take the next steps.

Next Steps and Call for Action

To begin implementing this approach will require a couple of things to happen. First, we will need to have the support and resolve by Iron Range Resources to lead this effort. Secondly, we will need to assign or allocate resources to hire a facilitator to coordinate this initiative and engage the leadership. Third, we will need to make initial contact with proposed participants and conduct the first meeting of the Strategy Team and decide the next steps. This is a great opportunity for IRR to “Call for Action” and be proactive in organizing and leading this supportive initiative.

IRON RANGE LARGE SCALE PROJECTS REGIONAL RESPONSE TEAM

Leadership Team

- Iron Range Resources (Chair)
- Iron Range Resource Legislative Delegation Board Members
- Congressman Oberstar
- Senator Klobuchar
- Senator Coleman
- Minnesota Department of Employment and Economic Development (DEED) , Commissioner
- Range Association of Municipalities and Schools (RAMS) Chairs
- Itasca County Board Member
- St. Louis County Board Member
- Northeast Higher Education District (President)

Strategy Team

- Iron Range Resources, Roy Smith
- Arrowhead Regional Development Commission (ARDC), John Chell
- The Northspan Group, Inc., Randy Lasky
- Range Association of Municipalities and Schools (RAMS), Ron Dicklich
- Arrowhead Economic Opportunities Agency (AEOA), Harlan Tardy
- St. Louis County, Barb Hayden
- Minnesota Department of Employment and Economic Development (DEED), Heather Rand
- Itasca Economic Development Corporation (IEDC), Peter McDermott
- Kootasca, Barb Dorry
- Iron Range Economic Alliance (IREA), Duane Northagen
- Area Partnership for Economic Expansion (APEX), Jack LaVoy
- Northeast Higher Education District, Sue Collins
- Northeast Entrepreneur Fund, Mary Mathews
- Minnesota Power, Nancy Norr
- Northeast Minnesota Office of Job Training (NEMOJT), Michelle Ufford
- UMD Center for Economic Development, Elaine Hansen
- Blandin Foundation, Wade Fauth
- Northland Foundation, Tom Renier/John Elden

Communications Team

- To be determined

Projects Team

- Minnesota Power
- Minnesota Steel
- Mesaba Energy
- PolyMet
- Mesabi Nugget
- Blandin Paper Company

Workforce Team

- Minnesota Department of Employment and Economic Development (DEED)
- Workforce Investment Board (WIB)
- Minnesota State Colleges & Universities (MNSCU)/Roy Smith
- Labor
- Area Partnership for Economic Expansion (APEX)
- Northeast Minnesota Office of Job Training (NEMOJT)
- K-12 Education

Housing Team

- County Housing & Redevelopment Authority
- Minnesota Housing Finance Agency (MHFA)
- Minnesota Housing Partnership
- Greater Minnesota Housing Fund (GMHF)
- Kootasca
- Arrowhead Economic Opportunities Agency (AEOA)
- Range Board of Realtors
- Itasca Board of Realtors

Community Resources & Readiness Team

- Arrowhead Regional Development Commission (ARDC)
- St. Louis County
- Itasca County
- Consulting engineers
- Range Association of Municipalities and Schools (RAMS)
- Minnesota Department of Employment and Economic Development (DEED)
- Iron Range Economic Alliance (IREA)
- Chambers
- Iron Range Resources
- Minnesota Department of Transportation (MnDOT)
- United States Department of Agriculture (USDA)
- Public Facilities Authority (PFA)

Opportunities Development Team

- Iron Range Resources
- APEX
- Northeast Entrepreneur Fund
- UMD Center for Economic Development
- Itasca Economic Development Corporation (IEDC)
- Northland Connection
- Minnesota Power
- Minnesota Department of Employment and Economic Development (DEED)
- Natural Resources Research Institute (NRRI)
- Superior/Douglas County Development Association
- Affected community economic development professionals/IREA reps
 - Nashwauk
 - Grand Rapids
 - Hibbing
 - East Range
 - Other?

Large Scale Projects Response Team – Purpose Statements

Mission

To be an ad hoc forum that will focus on, coordinate and address common but critical issues related to the siting and development of multiple, large-scale regional development projects across the Iron Range. The response team approach will be multi-faceted and involve regional public and private leaders who will meet as needed to anticipate major problems, issues and opportunities, develop shared strategies and solutions, and focus technical and financial resources in an efficient and effective, targeted response benefiting the Iron Range.

Leadership Team

Will serve as a steering committee of key elected officials and public/private stakeholders that would meet as necessary to guide the response process, coordinate resources, review progress and communicate with the media as appropriate.

Strategy Team

Will serve as the technical team of regional and local resource professionals that will develop, communicate and facilitate a coordinated regional response in cooperation with the Leadership Team and specific Functional Sub-Teams to be named. Day-to-day communication will be a critical role of this group. Chairs of the Functional Sub-Teams will serve on the Strategy Team.

Functional Sub-Teams

A. Project Team

To be largely comprised of the affected companies with projects underway or planned and other supporting resources that can coordinate and communicate development needs, provide critical information for community planning and help respond to common problems in a coordinated and timely manner.

B. Workforce Team

To identify the number, skills, sources, timing and gaps necessary to define and coordinate strategies for adequate workforce resources.

C. Housing Team

To strategically accommodate residential growth short and long-term across the Iron Range.

Large Scale Projects Response Team – Purpose Statements (continued)

D. Community Resources and Readiness Team

To assess community readiness and define how well communities will be able to address potential impacts related to large scale project developments in their areas. Specific areas of need will include but are not limited to land use and availability, water and sewer services, transportation, K-12 education, health and public safety, and community facilities. They will assess and identify needs and funding to accommodate growth impacts both temporary and long-term.

E. Opportunities Development Team

To maximize local and regional business development and new regional wealth retention by evaluating potential large scale projects determining major supplier, indirect spin-off and value added business development needs and opportunities, and communicating this information to existing businesses, entrepreneurs, investors and local and regional development, recruitment and financing professionals. Coordinate assistance and technical support for land and real estate options, deal structuring and financial packaging, risk assessment and management, and growth management planning for existing and new businesses.