

THE TIMES

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RUST BELT RESURGENCE

AIMING TO BE 'SUPERIOR'

Duluth's growth from industrial roots could be replicated in NWI



JOHN LUKE PHOTOS | THE TIMES

The city of Duluth, Minn., with a population of more than 86,000, sits on the shoreline of Lake Superior. The city has managed to develop its lakefront after longtime industrial presences closed years ago. Duluth still supports manufacturing, shipping and mining, but it is working to grow its tourism offerings and amenities. ABOVE: Mayor Don Ness, 37, talks about development of communities in Duluth. Ness, a Democrat, was elected in 2007. He is running for re-election this year unopposed.

BY BOWDEYA TWEH
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DULUTH, MINN.

While people may continue to fall in love with its pretty shoreline, Mayor Don Ness believes jobs are going to keep Duluth afloat and one day lift the city's population.

Like a large vessel trying to change its course, the city is slowly moving away from heavy industry and shipping to support new opportunities in tourism, health care and light manufacturing.

Many residents welcome the shift and see an opportunity to enhance support for creative enterprises.

Now comes the hard part: How can you increase job opportunities or the population in a city that hasn't seen growth in more than half a decade?

Residents, business leaders and city officials say it starts with building collaborations.

"For 70 years, our community hasn't been in the mindset of growth," Ness said. "It was managing the closing of the steel plant and manufacturing."

Rust Belt resurgence: Behind the series

These stories about Duluth, Minn., are the third part in an occasional series analyzing conditions in Rust Belt cities and urban revitalization efforts. Visit NWI.COM to view photos, video and additional content gathered in Duluth.

The series is a part of The Times Media Co.'s multiyear revitalization initiative targeting the city of Gary in Northwest Indiana. The Gary and Region Investment Project, which launched last year, aims to bring together community leaders, regional stakeholders, national experts, and state and federal representatives to develop an investment strategy for economic recovery.

More inside

Miners, workers strike gold in thriving iron industry, Page A9

Tourism vision bolstering economic fortunes, Page A9

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Cops: Body of missing Portage woman found

BY JOHN SCHEIBEL
AND LINDSAY MACHAK
Times Staff Writers

WHEELER | The body of a missing 19-year-old Portage woman was found Saturday afternoon, officials said.

Amanda Bach's body was recovered within three miles of where her car was found early Friday, according

to the Porter County Sheriff's Department.

A positive identification was made and the family was notified, Sgt. Larry LaFlower said.

"We have reason to believe that foul play was involved with her death," he said in a news release.

Bach had gone to visit a male

See BACH on Page A4



AMANDA BACH, 19, of Portage went missing Thursday night. Police found her body Saturday afternoon.

Reno's Galloping Ghost plane had roots in region

BY LAURI HARVEY KEAGLE
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John Jage, of Highland, did a double take when he heard the name of the World War II plane that crashed during a race Friday in Reno, Nev.

"I saw that it was a P-51, and when word came that it was Galloping Ghost I couldn't believe it," Jage said. "That plane flew out of the Lansing airport. We all flew out

More inside

Investigators piecing together deadly crash at air show in Reno, Nev., PAGE A17.

of there for years. It was one big group."

The crash into a VIP section at the air race killed nine, including the pilot, and injured more than

See GHOST on Page A4

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Tourism vision bolstering economic fortunes

BY BOWDEYA TWEH
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DULUTH, MINN. | If you can't run from the cold, then at least make it an economic opportunity.

That's part of the pitch the city has embraced to attract residents and important tourism dollars to the Zenith City.

Duluth tourism bureau chief Terry Mattson said the city is continuing to position itself as Lake Superior's premier family destination. And it is working.

Mattson, president and CEO of Visit Duluth, said up until a dip in 2009, the city had 19 consecutive years of growth in tourism-related receipts. This year is projecting to be better than 2010, which was the city's biggest year ever. Last year, the city collected \$7.5 million in taxes on hotels, motels and food and beverages at restaurants, Mattson said. The city has 4,600 hotel rooms and more than 50 restaurants in the downtown area.

"A lot has changed in 2 1/2 decades," Mattson said. "Duluth tourism is one of America's great success stories."

What helped the city define its tourism vision was accepting what it was and letting go of what it couldn't be. Duluth is a cosmopolitan area, but it is tucked away on a northern Great Lake shoreline and it gets cold. Really cold. The average low temperature in Duluth in January is minus 2.2 degrees and the city gets nearly 78 inches of snowfall yearly, according to Visit Duluth.

"You can't be everything to everyone," Mattson said. "I think there's still a lot of people locally who don't appreciate all of what goes into it."

Mattson said it took research to understand that marketing Duluth to residents in the Twin Cities, the cities of Minneapolis and St. Paul, provided the biggest return on money spent. People who come to the city want to spend time outdoors, so that pushes the need to develop hiking trails, skiing venues, water activities and camping locations.

Although people have called for the agency to advertise more in the Chicago market, Mattson said a lack of resources prevents it from being feasible.

Mattson recalls the depressing feeling of seeing a billboard in his hometown that had the message, "Will the last one left in the city, turn out the lights?"

But that was the feeling in Duluth, Mattson said, when he started his tourism career more than 20 years ago.



A couple sit on a bench overlooking Lake Superior in Enger Park in Duluth, Minn. The city is working to ensure industry and tourism coexist and thrive. Tourism attracts thousands of visitors and millions of dollars each year.

JOHN LUKE | THE TIMES

"We needed to focus more of our attention to the lake," Mattson said.

The downtown waterfront, which includes Canal Park, gets 3.5 million visitors each year, and its attractions support 18,000 workers each day, according to the Greater Downtown Council of Duluth.

"You take it for granted; I would sure miss it if it weren't available," said Charlie Stauduhar, owner of Spirit Lake Marina & RV Park. "I'd miss it if I were in a place that wasn't on the water. People don't realize how lucky we are. The rest of the country considers this the end of the world."

Areas bordering Lake Superior and the downtown business district weren't always a draw.

Greater Downtown Council President Kristi Stokes said one of the first steps in revitalizing the city's downtown required making areas cleaner and removing litter and graffiti as soon as possible. Duluth

Mayor Don Ness said the city worked with the Greater Downtown Council, homeless advocates, property owners, police and others to help improve safety.

"We needed to get our house in order," Stokes said. "Communities that feel cleaner, (they) generally feel safer."

Canal Park, which has similarities to Chicago's Navy Pier, and the three-mile Lakewalk took years to develop, but they are working to bring thousands of dollars into the local economy. Railroad tours that run through the city offer a history of the Northland's industrial legacy and scenery.

Stauduhar said the city seems to have a singular focus on developing the area near Canal Park and may not be paying as much attention to areas such as West Duluth. He said it has been a struggle to get the city to allow him to put adequate signage near his business to attract people to come into the marina.

"They can't see beyond Lake Superior," Stauduhar said.

He said he would like to expand to 100 slips and be able to house 48 RV spaces.

"People are looking for places for their RVs; it's a huge business," Stauduhar said.

Tina Noel, an Indianapolis-based independent public relations professional, said she visited Duluth for the first time with her husband earlier this summer and was awestruck by the beauty of the lake and thriving downtown area. She said the lakefront hotels, the rocky beachfront and restaurants show the level of targeted investment made. She hopes to return with her children as part of an annual vacation to Gordon, Wis., which is about 45 minutes away from Duluth.

"It's clear the planners put a lot of thought into what works well and how to take advantage of the natural resources," Noel said.

Assets run deep in the Iron Range

BY BOWDEYA TWEH
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JOHN LUKE | THE TIMES

DULUTH, MINN. | Minerals and metallurgical engineer Don Fosnacht said having an "ungodly vast" array of natural resources is a good situation.

Being able to capture those resources through a viable business enterprise is even better.

Companies in northeast Minnesota and workers on the Iron Range have been able to capture a resource that Northwest Indiana's steel industry has depended on for more than a century. Fosnacht, who is with the Natural Resources Research Institute at the University of Minnesota at Duluth, said new technological developments and recovery of other resources could keep the area humming for years to come.

"As far as running out of iron resources, in the near term, I don't think it's going to happen," said Fosnacht, a Chicago native and former Crown Point resident who worked for Inland Steel for more than 20 years. "You probably have 100 years of resources that could be used."

Billions of tons of iron ore reserves are projected to be sitting in northern Minnesota, and much of that is concentrated in the 140-mile-long Mesabi Iron Range. Cities and towns about an hour north of Duluth serve as the operation bases for companies including ArcelorMittal, United States Steel Corp., Cliffs Natural Resources Inc. and Steel Dynamics Inc. A number of manufacturers and other entities in Duluth and the surrounding area rely on a thriving mining industry.

Iron ore looks like tiny pebbles with sharp edges. It is ground into a fine iron concentrate dust from which the iron is separated. That then will be combined with other ingredients to produce the taconite pellets that are melted to produce molten iron used to make steel.

looks south for its economic fortune while Northwest Indiana looks north in awaiting the arrival of raw materials such as iron pellets at region steel mills.

The No. 7 blast furnace on the east side of the ArcelorMittal Indiana Harbor complex in East Chicago is directly dependent on activities of the range. All of the iron ore pellets - 2.8 million metric tons annually - produced at the company's Minorca mine in Virginia, Minn., are sent by rail to Duluth, placed on a ship and then shipped to Northwest Indiana, said Minorca Vice President and Operations Manager Jonathan Holmes.

Holmes said before the product leaves the 500-acre active mining area, taconite rock has to be extracted from mine pits. The rock often starts out with about a 21 percent iron concentration, but then the material is concentrated and after a series of processes, it comes out as finished iron pellets that contain about 67 percent iron, he said.

Mining activities in Minnesota for U.S. Steel also serve the Gary Works integrated steelmaking

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See ASSETS on Page A11

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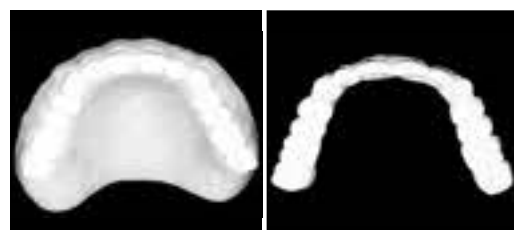
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Duluth

LIFE IN THE NORTHLAND

Lake Superior, the northernmost Great Lake, has helped define Duluth as a world-class manufacturing and shipping hub. It also now serves as a primary tourism driver within northeast Minnesota and the central reason why residents say the area is beautiful.

Then there's the "(expletive) cold," said Charlie Stauduhar, owner of Spirit Lake Marina & RV Park, describing the weather in winter and other seasons.

Duluth lost less than 1 percent of its population in the past decade and had 86,265 residents, according to 2010 census figures. That figure is slightly larger than Hammond and Gary, which are Northwest Indiana's largest cities and had population declines over the same period of 3 percent and 22 percent, respectively.

More than 90 percent of Duluth's residents are white, but the city slowly is becoming more ethnically diverse and younger as a result of the rise in the number of college students in the city. The median age was 33.6 last year, down from 35.4 a decade ago.

A CITY THAT WORKS

Duluth resident Jenna Erdmann, who moved to the city in June, said the draw of activities outdoors and the beautiful landscape are amenities that can easily be sold to other people. Although Erdmann, 23, was able to find employment in the neighborhood of West Duluth, the job market is still tight and there is a dearth of jobs for young professionals.

"It needs jobs and you've got local artisans that thrive because you've got all this working material," she said. "You want to save manufacturing jobs, but that doesn't tap into all the intellectual capacity."

Past recessions have been cruel to a number of the blue-collar jobs in Duluth as the steel plant and other manufacturing or shipping businesses closed.

"It is true that we don't yet have the number of jobs or the diversity of jobs that are going to sustain a young family and a mortgage, and that needs to be our focus," Ness said.

Duluth's unemployment rate rose to 8 percent in July, which was its highest level in 15 months, according to data from the Minnesota Department of Employment and Economic Development. The state has estimated the city has gained about 500 jobs in the past year, which puts the city near a six-year peak in employment.

PURGING THE PAST

In some ways, the city still is working through the difficult times dealt in the 1980s when, at one point, 20 percent of the labor force was unemployed, said Ness, a 37-year-old Duluth native.

But two community foundations and an aggressive focus on developing the lakefront spurred a change in fortunes, said Ness, a Democrat who is running for re-election unopposed. Business and philanthropic leaders in coordination with city officials made investments to forge a new vision in the city, which included developing entities such as Canal Park on the city's waterfront.

"We have this beautiful city on a lake, let's not turn our back on it," Ness said. "Let's make Duluth a place where people are proud to live."

Purging the past doesn't mean forgetting the challenges ahead, such as shrinking city budgets. Keeping that in mind, Ness said he would like to see the city's population rise to 90,000 by 2020.

Duluth News-Tribune Editor Robin Washington, a Chicago native, describes the city as "better than it thinks it is." Washington said residents sometimes suffer from an inferiority complex, but have enough community pride to defend it from barbs.

The Duluth area was the birthplace of the Minnesota Mining and Manufacturing Co., now known as 3M; the founder of Oreck vacuum cleaning manufacturing



"I think overall, Duluthians are very proud of their community. Maybe that's why we're critical. We have a true treasure here and we're fortunate to be on Lake Superior so it's a destination for visitors and residents."

KRISTI STOKES,
president of the
Greater Downtown
Council of Duluth

Visitors walk along Canal Park Drive in Duluth, Minn. Residential and commercial development has replaced what was once an industrial area on Duluth's lakefront. The area has become a tourist destination. **ONLINE:** Read more about Duluth, Minn., and other cities in our Rust Belt Resurgence series.



JOHN LUKE | THE TIMES



BY TIMES STAFF

firm; and Jeno Paulucci, the founder of a food empire that includes the Michelina's frozen food brand.

"It is significant beyond the size," Washington said.

A DOWNTOWN RENAISSANCE

Kristi Stokes, president of the Greater Downtown Council of Duluth, said the city's downtown area has benefited from property owners reinvesting in their building, an increase in residents and private entities investing hospitality ventures in recent years.

A turning point in the city's central business district began nearly 10 years ago when former Mayor Gary Doty led an economic summit. Stokes said it was there that people urged the city's central area to have a "stronger pulse."

"There's no longer 'Let's ask the city for funding' because in many instances around the country, cities are cutting back on their budgets," Stokes said about the two-day summit. "There was this vision that came out of it that private sector needed to take a stronger leadership role." Part of what spawned from it was the

creation of the Duluth Downtown Waterfront District, a special taxing district that encompasses 90 city blocks including Canal Park. The district was created Jan. 1, 2005, and renewed for a second, five-year operation Jan. 1, 2010. Stokes said the assessment ranging from \$250 to \$8,000 a year is collected from property owners in addition to voluntary contributions from the city and private entities. She said the funds help employ informational ambassadors to provide assistance to tourists and others, clean up graffiti and litter, host community events and create promotional materials for local attractions.

"I think overall, Duluthians are very proud of their community," Stokes said. "Maybe that's why we're critical. We have a true treasure here and we're fortunate to be on Lake Superior so it's a destination for visitors and residents."

THE CREATIVE MOVEMENT

Tony Cuneo, executive director of the A.H. Zeppa Family Foundation, believes investing in creative enterprises can improve an area's quality of life.

The foundation is working to make a permanent contribution to Duluth's arts community and economic revitalization by operating a grant-making foundation, an arts cafe, a cinema and a performance theater. Cuneo, a Duluth City Council member, manages those enterprises.

"There has been a growing realization of how important arts and culture are to the long-term economic health of the city of Duluth," Cuneo said.

As part of the city's marketing efforts, Ness compiled a "Mayor's Mix" CD that contains bands and singers who have ties to the city of Duluth. The CD is a spinoff from a local music festival — think Lollapalooza but smaller — that spans Duluth and neighboring Superior, Wis., The city has spawned musicians such as Bob Dylan and folk singer and guitarist Charlie Parr, but continued growth can help enhance the creative class, Ness said.

CHALLENGES, OPPORTUNITIES REMAIN IN NEIGHBORHOODS

Community groups and residents said

they remain focused on tackling issues related to blight and crime, although they don't have the levels of both that cities such as Gary face. Nearly 21 percent of housing units are vacant in Gary, compared with nearly 7 percent in Duluth, according to 2010 census figures.

Pam Kramer, executive director of the Duluth Local Initiatives Support Corp., or Duluth LISC, said one strategy that helped manage problems was identifying revitalization strategies in five key neighborhoods with the highest poverty rates and that needed upgrades to their housing stock. Support for the effort was drawn from the "At Home in Duluth" campaign, which sought to bring community groups and residents together to develop visions for those neighborhoods. She said in the four years since those neighborhoods were selected, federal dollars and other investments have helped eliminate blighted properties, build affordable housing and improve community aesthetics.

Proof that collaboration is happening can be seen as two neighborhoods with unique identities but similar names — Central Hillside and East Hillside — have banded together to become the Hillside neighborhoods, Kramer said.

"There's no perfect system, there's going to be some disputes, some turf (issues)," said Kramer, a former city planner and community development director. "In this size community, everyone has recognized you can get a lot more done working together and using each other's strengths."

The foreclosure rate in the Duluth metro area rose about 29 percent in 2010 from a year earlier, which is far higher than the national average of 2 percent.

Kramer said Duluth LISC is working with the mayor's task force on managing foreclosures and is researching whether the city or metro area should have a land bank to deal with vacant land and blighted properties.

To stem the tide on housing issues, the city's job picture has to improve.

"It's an absolutely beautiful city," Erdmann said. "It's safe and I could see myself raising a family here if I was able to find a decent paying full-time job. It doesn't have all the long-term opportunities."

CONTINUED FROM PAGE A9

Assets

complex, but a breakdown for how much of that iron goes to Gary wasn't available from a company spokeswoman.

PREPARING A WORKFORCE

The iron mining industry helped small towns such as Virginia, Mount Iron, Hibbing and others grow and survive for decades through the boom-and-bust cycles.

About 3,000 employees have an average wage and benefit package of \$65,000 a year, according to 2008 data from the Iron Mining Association of Minnesota. The industry also provides millions of dollars for the right to mine taconite on the Iron Range.

While heavy manufacturing may have a negative view in other parts of the country, Holmes said the mining industry is viewed positively because it provides meaningful work. He said the average length of service at Minorca is about 13 years for the nearly 350 employees.

"Although a maturing workforce is an industry concern, at ArcelorMittal Minorca we continue to find qualified people to fill positions given natural attrition," Holmes said. "We have close partnerships with the local colleges and vocational technical schools with programs tailored



JOHN LUKE | THE TIMES

A small pleasure craft passes by the Cedarglen ore carrier in St. Louis Bay as the ship heads toward a port near the Great Lakes Terminal and Transportation dock in West Duluth, Minn.

to the mining industry for both operators and crafts people. We are able to attract new workers who will be the next generation of employees and they are very interested in staying in the region to work in mining."

NEXT BIG THING

In Fossnacht's position, he works with companies to adapt processes and make them more efficient, but also to research new technologies and production methods.

With about two-thirds of U.S. steel production being made using electric arc furnaces, Fossnacht said, new methods had to be developed to allow those furnaces to be charged with iron.

One key development on the Iron Range was helping develop an iron substitute for scrap to charge an electric arc furnace. Fossnacht said the institute is working with a manufacturer now to look beyond direct-reduced iron, but that process isn't ready for commercialization yet.

Researchers have known for a few decades that areas of northeast Minnesota contain materials such as copper, nickel, platinum and titanium oxide, but recovering those resources "could lead to another industry" boom.

"Potentially that could lead to another industry that takes all the primary metals and converts them to useful products," Fossnacht said.

Also Fossnacht said the institute is working on increasing the use of aggregate, a silicate-based rock that is a cast off from the mining process. It can be used on highways because it can provide better traction for vehicles, especially in the winter.

Taking advantage of North American shale gas deposits, Fossnacht said he sees a scenario where companies adapt their mines to produce a direct-reduced iron product.