up with a CPA first to get their 'financials' in order. We ask them for financials frequently to keep them on their toes, particularly if payments are skipped or coming in slow. 'Character' is the first thing we talk about. We want to know who in the community knows him or her." The RLF staff believes that lending activities and outcomes have supported both the RLF Plan and the CEDS because capital has been made available that was not available before, new jobs have been created, and private-sector capital has been leveraged at a 4.2:1 ratio. Although NDPDD does not keep records on wages, the staff estimates that the average *hourly* wage of jobs created by the RLF grant is between $8 and $10, primarily because most of the RLF created jobs (i.e., approximately 60 percent) have been in manufacturing. Overall, however, the average *annual* wage for RLF projects is about the same as the average annual wage for other jobs available in the community because the wages for nonmanufacturing jobs (e.g., office workers) are lower, thus "balancing off" the higher wages earned in manufacturing jobs. The RLF program has increased the diversity of industries in the area to some extent, but it is difficult, according to the staff, to differentiate between the impact of EDA RLF loans and the impact of loans made from the other RLFs that this staff administers (RLF Management, below). The staff indicates that the EDA RLF has had "some" impact on the region's mix and availability of retail goods and services, but, for the reasons stated above, the magnitude of the impact is difficult to discern. Whereas in the past employment in the region was concentrated in agriculture and basic manufacturing, new higher tech manufacturing is starting to emerge. "Certainly," one staff member adds, "some of this change can be attributed to the EDA RLFs. Again, though, it is difficult to differentiate between the effects of our several RLFs. Also, market forces are a big factor in the shift."

The owner of Metal-Tech Fabricators, standing to the right, discusses the growth of his business with the RLF loan officer of NDPDD. The RLF loan of $33,900 leveraged an additional $40,000 in other public funds and $6,100 in owner equity. The large work area required for metal fabrication includes a state-of-the-art computer-driven, laser to cut thick sheets of metal to exact specifications. Seven jobs were retained and 3 jobs were created.

RLF Management

NDPDD has worked closely with banks and other lenders, including chambers of commerce and private foundations (e.g., the Panola Industrial Foundation). Staffs of RLFs throughout the state of Mississippi meet quarterly. When asked about partnerships with other RLFs, NDPDD's staff stated that the only other RLFs in the region were new to the market. The City of Batesville has a UDAG-RLF funded at $500,000; NDPDD's executive director, RLF administrator, and attorney serve on the board. NDPDD administers funds for three other RLFs: the statewide Mississippi Small Business Assistance program, funded by the state at $2.4 million; the statewide Minority/Women Business Enterprise fund, supported by the state at $2 million to $3 million (NDPDD draws down from the statewide program on a per loan basis); and the statewide Intermediary Relending Loan program, funded by USDA's Rural Development program (formerly Farmers Home Administration) at $2 million. NDPDD does not subcontract its activities, and NDPDD staff considers the EDA RLF to be self-sustaining as long as staff and administrative costs are not charged to it (to date, $12,637 has been charged to the fund for administrative expenses). NDPDD has 19 full-time staff and more than 40 part-time staff, the latter working primarily in the Area Agency on Aging program (homemaker services, meals-on-wheels, etc.). One employee spends less than 10 percent of his time making and monitoring RLF loans and administering the program. Staff turnover has not been high (the present RLF staff member has been with the program since 1993). The RLF's Loan Review Committee currently comprises eight members. Three members represent banks, one represents a local economic development council, one a health services center, one a council for farmworkers, one an insurance company, and one the general citizenry. There are, presently, two vacancies. The staff considers EDA's reporting procedures to be reasonable but adds, "We hate the semiannual reporting requirement. We've requested annual reporting, but have not heard."

Planning and Structural Change

There are so many individual forces affecting employment in this region that it would be extremely difficult to judge the role of planning in this mix. The region is being affected by a natural agriculture to manufacturing change, a lack of demand for specific agricultural crops, competition from NAFTA drawing low paying manufacturing employment from the area, and Native American casino growth, which is generating a reasonable number of higher paying jobs. In the mix is the CEDS and RLF Plan, neither of which is kept terribly current. There appears to be clear direction here, but only indirectly related to active planning documents.

Planning and RLF Performance

The RLF is performing well and creating jobs at a relatively low cost. Further, write-off and default rates are about average. This grantee appears to know how to administer EDA RLF grants because it administers other RLFs and other EDA programs. Experience in federal funding programs is not the same as a strong plan directing and coordinating future actions. This RLF is running well, not due to planning, but rather due to the administrative experience of its administrators.

Overall Assessment of the RLF

The NDPDD staff gives its RLF program a rating of "6.5" out of "10" in terms of its economic performance. The staff also gives the program a rating of "6.5" for its qualitative impact on the community. It attributes these relatively low scores to the small amount of funds available for lending. The staff considers the RLF successful, overall, because it has created or retained 525 jobs and leveraged $5.2 million in private-sector investment over the 10 years of the program's existence. The staff believes the program would have been more successful if, again, there had been more funds to lend.

TYPE OF GRANT	LTED	**SCHEDULE** First Distribution from EDA	09/08/87
YEAR OF GRANT	1986	Years to Distribute	2.7 years
LOAN-TO-GRANT RATIO	2.4:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	375,000	125,000	0	500,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	21	0 / 0	10 /12	10 /12	2.3	1,219,064	624,223	5,167,328

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
53	43	4	89	9	2

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
502	23	525	1.6: 1	4.2: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
56	0	17	5
Cost/Job, EDA ($)	515	**Cost/Job, RLF ($)**	687

Santee-Lynches Regional Council of Governments

Project No. **04-39-03571**
Project Location .... **Sumter, South Carolina**
Contact .... **Walter Dunlap**
Phone Number .... **(803) 775-7381**
Year of Grant **1988**

Socioeconomic Profile

The EDA RLF is managed by the Santee-Lynches Regional Council of Governments (SLRCG). SLRCG serves four counties in central South Carolina: Clarendon, Kershaw, Lee, and Sumter. The area had a population of219,914 in 2000—a 14.7 percent increase from the 1990 population of 191,762. The population of Sumter, Lee, Clarendon, and Kershaw counties increased by approximately 2.0 percent, 9.1 percent, 14.2 percent and 20.8 percent, respectively. In 1994, the area's unemployment rate was 8.9 percent—approximately 141 percent of the state unemployment rate (6.3 percent) and 146 percent of the national unemployment rate (6.1 percent). Lee and Clarendon counties experienced the highest unemployment rates (11.2 percent and 12.0 percent, respectively); Kershaw and Lee counties experienced the lowest unemployment rates (8.7 percent and 7.7 percent, respectively). Per capita income for the area was $13,766 in 1993—approximately 82 percent of the state per capita income ($16,861) and 66 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 21.4 percent, compared with 15.7 percent for South Carolina and 13.8 percent for the United States. Estimated 1995 median household income figures for Clarendon and Lee counties were $22,053 and $22,063, respectively. The figures were lower than those for Sumter and Kershaw counties ($27,342 and $32,543, respectively), and those for the state ($30,060) and the nation ($34,076).

Peace Textile America, Inc. received an RLF loan of $200,000 in 1997. The loan leveraged $1.78 million in private-sector investment and $245,000 in other public funds. The loan created 40 new jobs, adding to the 88 pre-loan jobs. The company, owned by a Korean, has been very successful where some other textile plants in the region have struggled or left the area.

Background to the EDA Effort

EDA originally funded the SLRCG with an RLF grant of $500,000. The RLF grant was matched with $500,000 in local funds. Before the EDA assistance became available, the region's primary economic adjustment problem was the transition of workers out of a predominantly agricultural economy that was being buffeted by imports of cheaper foreign produce and by the replacement of manual labor with high-technology agricultural equipment and methods. Smaller farms started to shut down, and there were few employment opportunities in industry (Campbell Soup Co. was the most significant industrial presence) and in retail services for the former farm owners and unemployed farm laborers. The adjustment problem still exists, but there has been some job expansion, particularly in textiles, plastics, and chicken processing. SLRCG's original CEDS was approved around 1970, and the most recent revision was approved in 1993. The revised version emphasized diversification of the economy by creating and/or attracting industries and retail services that could employ and retrain the largely low- and unskilled workforce, while taking advantage of the area's lower-cost land and labor. To achieve this overall strategy, gaps in the region's capital market had to be filled: there was a need for loans with longer terms than banks were willing to provide, more flexible collateral requirements, and fixed-rate (not variable-rate) loans. The RLF helped to fill the gaps in the capital market. Any difference in the rates offered by the banks and those offered by the RLF did not appear to be important. The program was particularly valuable to start-up businesses because, "the banks weren't interested in doing start-ups."

The CEDS and the RLF Plan

The RLF Plan supports the diversification strategy by lending to small businesses that create nonagricultural employment. The RLF Plan focuses its financial support on businesses that will provide retraining to dislocated agricultural and apparel-textile workers, underemployed workers, and youth. The RLF Plan also provides loans to businesses that will expand the tax base of local governments, assists in the development and redevelopment of downtown areas, and increase the region's per capita income. The RLF Plan was originally approved in 1988 and has been revised to (1) target additional industry categories, (2) change the private-sector leverage ratio from 2.5:1 to 2:1; and (3) change from a per-loan to a portfolio basis the requirement that funds lent for working capital cannot exceed 50 percent of the total loan. The RLF staff agrees that the present RLF Plan may not fully reflect the dynamics of the adjustment problem or the dynamics of the funding; however, the staff explains that the dynamics are minuscule and the problem and funding haven't changed enough to justify a revision. The present RLF Plan, the staff believes, is consistent with the present adjustment strategy. The staff adds that the flexibility built into the EDA RLF does not require plan revisions to address every minor economic or funding change: "If there had been a significant change, or if we were running into obstacles because the plan hadn't been revised, then we would revise it as we have in the past."

The owner of the Caribbean Pepper Pot restaurant talks with the RLF loan officer (right). The restaurant offers an exciting new cuisine to Sumter residents, and, by adding a new attraction to downtown and restoring the building, the loan is helping to redevelop downtown Sumter.

The Role Played by EDA

The RLF staff believes that most of the projects funded would not otherwise have been undertaken, but the staff points out that there is also the matter of timing: "If a borrower has to have 30 percent of project costs (the bank providing 70 percent), but he/she has only 15 percent (owner equity), then we can pick up the other 15 percent and it's a go. If we weren't here, most borrowers would not be able to proceed, and those that eventually do proceed will have to spend time and effort finding the other 15 percent (typically, from other investors). In this sense, the RLF not only makes projects go, it also contributes to the pace of development by being there when the borrowers need us." The staff states that while it hasn't needed a great deal of help from the state EDR, "she's always there when we do need her. She is much more involved, though, with our EDA public works programs. Our RLF just doesn't require her direct involvement that much." The staff states that the EDA regional office is the primary resource for its RLF, and the staff there is "very knowledgeable."

Direct RLF-Related Results

The staff indicates that of the 694 jobs created and saved, it does have some difficulty defining and/or counting the number of jobs saved: "We are comfortable with these numbers on expansion projects, but not with start-ups, because we don't know if, or where, the people worked before." The staff reports no problems with borrowers providing the numbers because "they know it's part of the program." The staff is confident that the jobs gained in the region are net new jobs and not relocation/replacement jobs: "People don't tend to migrate here unless there is a job." The staff notes that Sumter is the only county with a net gain in jobs. The staff reports that it has no difficulty defining or counting the \$6.3 million in private-sector investment leveraged by RLF funds. The RLF capital base is \$1.33 million and the fund is growing at an annual rate of 3.6 percent. The staff believes that the growth rate could be enhanced by making more loans. The staff also believes that the trade-off between making loans with linkage to the adjustment strategy and maintaining a well-performing portfolio is best dealt with by realizing that neither extreme best responds to the EDA mission: "The point is to put people in a position to succeed. To do that, loans should be made on the basis of a borrower's potential to succeed and back it up with technical assistance. If a business starts to falter, we get aggressive in providing any and all sources of assistance." Lending activities have supported the RLF Plan by focusing loans on businesses that provide high-skill jobs with training, particularly in manufacturing and services. The staff estimates that the average hourly wage of jobs created or retained by the RLF is approximately \$8.00. That average wage is "about the same" as the average wage offered by other jobs in the region. The staff states that the RLF has increased the diversity of industries in the region by financing, for example, LBT, Inc. (stainless steel—"We've never had this kind of manufacturer"); Outdoor Images (landscaping); and Colonial Packaging (plastic wrapping). The staff cites Caribbean Restaurant and Quality Drugs (combining food and drugs for the elderly) as just two examples of how the RLF has increased the community's mix and availability of retail goods and services. Before the availability of the RLF grant, the primary employer in the area was the agricultural industry. Now the region has entered the simple-manufacturing and fabricative-manufacturing stages. Examples of the latter stage include apparel, cabinets and furniture, and particularly apparel (Peace Textiles, a dye and finishing business, is now a significant presence, employing 200 to 300 workers). The RLF staff feels that the EDA RLF grant has been instrumental in this transition because it provided the funds needed when no one else would "fill the gap."

RLF Management

The RLF is administered by the Santee Lynches Regional Council of Governments (SLRCG), which was organized in 1983 to facilitate economic development within the Santee-Lynches region. The RLF staff states that there are not a lot of networks in the region because it is primarily rural, but the staff does work closely with local chambers of commerce, which "are great sources of referrals." The Service Corps of Retired Executives (SCORE) is a valuable source of technical assistance for RLF borrowers. The SCORE not only provides technical assistance to borrowers but also refers clients to the RLF. The RLF has established a "technical network" with the loans administered by the Catawba Regional Planning Council (e.g., "I'm thinking about this, have you ever done it before?"). The RLF also has developed a financial partnership with the Central Carolina Investment Corporation. The staff further administers an SBA 504 program, a USDA-RD IRP program, an SBA MicroLoan program, and a Sumter County RLF. The RLF does not subcontract its activities. The staff feels that the RLF is financially sustainable: "Our revenues are sufficient to cover administrative and overhead costs plus add to the fund." There is one full-time employee of SLRCG that works approximately one-third time on the EDA RLF; the remainder of his time is spent on the other RLF and additional programs. Other support personnel charge time as well, but no one is paid exclusively by the EDA RLF. The staff reports that turnover among RLF staff used to be high, but both present employees have been with the program for three years: "Turnover is very important because of relations with the banking community. Banks don't want to wait to approve their loan while a new RLF employee returns to the office to see if regulations allow us to participate. They want an answer *now*!" The RLF Board of Directors is the SLRCG's Board of Directors. The interests represented on the board include banking, insurance, engineering consulting, local development boards, and public officials (including two from the SLRCG). The staff considers EDA's reporting procedures reasonable. The staff adds that EDA "needs to know that the semiannual report is difficult and that e-mail reporting is the wave of the future."

Planning and Structural Change

The job base of this four-county area in central South Carolina is close to 104,000. Seven hundred jobs emanating from 19 loans, most of which were given in the larger counties (Lee and Kershaw), are not going to cause economic restructuring. The planning structure is in place, however. The RLF Plan focuses on securing new nonagricultural industries that will provide locals the training necessary to be employed in these industries. This is the essence of planning leading to economic restructuring.

Planning and RLF Performance

The SLRCG RLF has issued 19 loans totalling $2.25 million, none of which have been written off and only a very small portion of which (3 percent) are in default. These remarkable statistics reflect a permanent and well trained staff that engages and is engaged by the RLF Plan at regular intervals. They understand what they are doing because the Plan spells it out. There is constant communication between the loan recipient and the RLF staff. They give loans to those who will succeed. For those wherein success will not be immediate, they provide ongoing assistance. This is the basis for a successful RLF.

Overall Assessment of the RLF

The RLF staff gives the EDA RLF a rating of "5" out of "10" in terms of economic performance because "We have excess funds not being used." In terms of the qualitative impact on the region, however, the staff gives the RLF a rating of "9": "It's the best RLF fund that I've got, particularly in terms of flexibility. I can always go to my EDA funds to fit a good project in." Overall, the staff states that its RLF is successful because "We have been successful in starting up and expanding a number of businesses, through our gap financing, and because we have produced good job statistics relative to EDA dollars invested." The staff states that the RLF could have been more successful in terms of dollars invested, jobs produced, etc., if the national economy had not been so strong: "Right now, we are taking the riskiest businesses (e.g., start-ups) and filling the financial gaps while the banks are taking the cream. That's fine, and we want that, but it doesn't help our numbers." The staff adds, "We need to do more marketing. We meet one-on-one with local bank lenders, but they change often and we need to keep educating the new officials about our program. Most of our borrowers are referred by banks, SBDCs, chambers of commerce, local economic development boards, and our borrowers, who spread the word about us. We don't do much cost-based marketing, Maybe we should."

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	09/12/89
YEAR OF GRANT	1988		Years to Distribute	2.8 years
LOAN-TO-GRANT RATIO	2.2:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	500,000	500,000	0	1,000,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	19	0 / 0	5 / 3	0 / 0	3.6	2,231,083	1,325,684	6,332,263

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
62	32	6	42	14	27

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
524	170	694	3.2: 1	2.8: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
17	20	18	8
Cost/Job, EDA ($)	282	**Cost/Job, RLF ($)**	564

North Central Planning Council

Project No. 05-19-02290
Project Location .... Devils Lake, North Dakota
Contact .... Richard Anderson
Phone Number .... (701) 662-8131
Year(s) of Grant 1987, 1998

Socioeconomic Profile

The EDA RLF is managed by the North Central Planning Council (NCPC). NCPC serves six counties in northern North Dakota: Benson, Cavalier, Eddy, Ramsey, Rolette, and Towner. The area had a population of 43,168 in 2000—a 4.7 percent decrease from the 1990 population of 45,293. Towner and Cavalier experienced the greatest population losses—20.7 percent and 20.3 percent, respectively. Eddy, Ramsey, and Benson counties experienced lower rates of population loss—approximately 6.6 percent, 4.8 percent, and 3.3 percent, respectively. Only Rolette County experienced population growth (an increase of 7.1 percent). In 1994, the area's unemployment rate was 7.2 percent—approximately 184 percent of the state unemployment rate (3.9 percent) and 118 percent of the national unemployment rate (6.1 percent). However, this average rate does not reflect variations among the six counties. Towner, Ramsey, and Cavalier counties experienced low unemployment rates (2.5 percent, 3.6 percent, and 4.9 percent, respectively). Benson and Eddy counties experienced moderately high rates of unemployment (8.6 percent and 8.0 percent, respectively). Rolette County experienced the highest unemployment rate (11.6 percent). Per capita income for the area was $14,302 in 1993—approximately 84 percent of the state per capita income ($17,072) and 69 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 20.8 percent, compared with 11.9 percent for North Dakota and 13.8 percent for the United States. In 1995, estimated median household income ranged from $21,021 in Benson County, to $28,438 in Ramsey County, compared with $30,060 for the state and $34,076 for the nation.

Cash and Carry Lumber is a hardware store/lumber year located in New Rockford, ND. In December 1992, it received a $30,000 RLF loan that leveraged $70,000 in private funding and $60,000 of new equity. This start-up loan is responsible for the creation of 6.5 jobs.

Background to the EDA Effort

In the 1990s, five of six counties served by the NCPC lost population (primarily young people). In the mid-1980s, the loss of 220 jobs because of the closure of a state hospital affected three counties. Another county suffered from long-term unemployment. In the late 1980s, the projected continued flooding of the Devil's Lake Basin was expected to affect 75 percent of the region (all six counties). The lake had risen approximately 25 feet during the past several decades and there was no natural outlet for the water (although a natural outlet was required due to a compact between the United States and Canada passed in the early twentieth century). The lake has continued to rise—approximately 22 feet since 1993. Several businesses had to be relocated (many have experienced reduced income as a result) and hundreds of homes had to be bought, through a combination of state and federal funds, before the floodwaters inundated the land; roads also have been flooded and relocated. Unemployment continues to affect the area. The flooding has aggravated the problems that the agricultural industry has faced at the national level. In addition, banks were reluctant to make loans to nonagricultural businesses. Today, the possibility of risk partnership with the RLF has made banks more willing to make loans to businesses and individuals who want to start businesses. Consequently, more cash is available to businesses. The strategic planning of the CEDS, approved in 1992, was multifaceted. It called for value-added agricultural businesses, young people to continue to live in the region, new employment opportunities, a diversified industrial base, the maintenance of existing businesses, and the promotion of tourism. The implemented RLF provided local businesses with the capital they needed in a depressed agricultural economy. The RLF was essential to fill a cash gap and provide below-market-rate loans. In this environment, the banks continued to be conservative, requiring fixed assets for loans to be consummated—few were.

The CEDS and the RLF Plan

The first RLF (RLF-I) was approved in 1987 as a response to job losses caused primarily by the closing of San Haven State Hospital. The RLF grant was given entirely to Turtle Mountain Corporation, which created almost 200 jobs. In 1991, because Turtle Mountain had made payments on the loan, the RLF was able to approve new loans. The RLF was recapitalized in 1995 and all of the counties became eligible for assistance because of the flooding. In 1998, the second RLF (RLF-II) was approved to assist businesses affected by the flooding. In RLF-I and the recapitalization, EDA made close to $2,400,000 available to the area.[1] The RLFs support the following key aspects of the CEDS regeneration strategies: encouraging value-added agricultural business (agriculture is the primary industry of the counties, but with the adverse nature of economic conditions affecting the agricultural business, the policy to encourage value-added agricultural businesses was fostered); developing employment opportunities (businesses of every nature are assisted); diversifying the industrial base (business start-ups in different sectors are encouraged); and maintaining existing businesses (the flooding has forced the relocation of many businesses). The two RLFs address these strategies by making below-market-rate loans to regional businesses and using job creation as one of the criteria of loan acceptance. RLF loans leverage private and local investments and assist disaster-impacted businesses. By providing gap financing, the two RLFs address a severe problem that businesses had to overcome. They are an excellent response to the fixed-asset financing that currently exists in the region. The NCPC not only addresses the dynamics of local conditions in its planning, but also revises all plans to coordinate funding and action. This is evident in the EDA RLF grant applications and plans. The original loan application was for a severely affected area of the region. Thereafter, the flooding situation caused by Devils Lake forced the NCPC to apply for funds for flood-impacted businesses. The existing CEDS was well documented, and both the CEDS and the RLF Plans were prepared by the executive director of the NCPC and the NCPC board, maintaining the continuity of plan and action required in the region.

The Role Played by EDA

The RLF staff finds the level of EDA support acceptable. The RLFs supply low-interest-rate loans that make up for the shortfall in conventional funding and owner equity. The flexibility of the RLFs allow funds to be given on a timely basis, which is extremely helpful and important to business owners. The ability to make loan decisions locally is essential to the overall vitality of the economy. The RLF staff suggested that further success could be achieved by defederalizing the funds and by enhancing the RLF with additional funds.

Direct RLF-Related Results

The region's primary employer was, and still is, agriculture. However, the current base has been diversified into light manufacturing (agriculturally related) and producer services (information processing). The RLF staff believes that the EDA RLF loans have been influential in this change because of the subordinate position taken by the NCPC on collateral and the NCPC's willingness

[1] RLF-II is not shown in summary statistics.

to provide funds for manufacturing. Therefore, financial institutions are more willing to assist business start-ups. Even retail services have been assisted with RLF loans. Criteria for such loans require, however, that new retail businesses do not directly compete with existing businesses (e.g., there are minimum distance requirements that must be maintained between similar types of businesses), thereby making each funded retail outlet unique to the area. The criteria for retail-outlet eligibility, which includes the distance between common retail services, were developed by the NCPC. In the Devil's Lake area alone, a variety of businesses were assisted:

- Pugsley Foods—an expansion loan to vacuum pack sandwiches for multistate distribution
- Quality Welding—a flood relocation loan for a maintenance welding operation
- Felix's Restaurant—a start-up loan for a lunch and dinner restaurant
- Dakota Sportswear—an expansion loan for a 24-hour, mechanized monogramming operation
- Dakota Aero—an expansion loan for a light aircraft maintenance operation

The capital base for the RLF-I, with the recapitalization, is more than $1.4 million. The RLF-I Capital base grows at an annual rate of approximately 1.3 percent. The RLF-II has a capital base of almost $550,000, but it is too new to show growth. To enhance growth, the RLF staff thinks that the interest rate could be increased from 5 percent to 7 percent. Almost 400 net new jobs have been created or retained by the RLF-I, and almost 200 net new jobs have been created or retained by the RLF-II (not shown in summary). The RLF staff makes annual visits to the sites to confirm the existence of the jobs. The wage rates for the jobs are variable: data processing and telemarketing average $7 per hour, manufacturing pays between $8 and $12 per hour, and aircraft maintenance pays $35,000 per year. About $8 million of private-sector investment has been leveraged by the RLF-I, and more than $1.4 million has been leveraged by the RLF-II (not shown in summary). These amounts are based on commitment letters accompanying the loan applications.

Felix's, Inc. is a restaurant/lounge located in Devils Lake, ND. In December 1991, it received a $30,000 RLF loan that leveraged $210,000 of private funding and $100,000 in new equity; 6 jobs have been created.

RLF Management

During the course of its existence, the RLF staff has developed networks with financial institutions, the Job Development Authority, and the Community Development Corporation. Although partnerships with other RLFs have not materialized, the EDA RLF and the Community Development Loan Fund collaborate on specific loans. Attorneys are hired to handle the loan documents. The NCPC administers the RLF-I and its recapitalization, the RLF-II, and a Community Development Block Grant. The annual budget for RLF-I and its recapitalization is $24,000. Although the RLF staff does not consider the two RLF programs to be self-sustaining overall, the annual return on the RLF-I and its recapitalization is $55,000, more than what is required to sustain it. Although the NCPC has five full-time staff, only two employees, working part-time, are necessary to administer the funds of RLF-I. On the other hand, the RLF-II is too new to generate sufficient funds. It requires income from other RLFs to support it. Staff turnover is low because funding is consistent and there is flexibility in job responsibilities. The RLF staff suggests that reporting for the two RLFs be combined in one semiannual report because there is crossover between funds. However, overall, the staff considers EDA reporting requirements to be reasonable. The NCPC was formed by an executive order of the governor and has 34 members representing the six counties, 12 cities, six soil-conservation organizations, six Indian reservations, the Governor's Council, the CDC, industry, and private businesses. The RLF board is the NCPC Executive Board, which comprises a chairman, a vice chairman, a secretary, a treasurer, a representative from each of the six counties, two representatives from the Indian reservations, and one member at-large. The RLF Loan Committee, which is composed of a chairman, a banker, a county representative, and an appointed area representative, reviews all loan applications and makes recommendations to the NCPC Executive Board. The executive board makes the final decision.

Planning and Structural Change

Forty percent of the 43 loans that produced the 397 direct and 168 indirect jobs of RLF-I were given in Benson, Cavalier, and Eddy counties. The new direct and indirect jobs represented close to 3 percent of the existing employment base of these counties. Given this type of penetration and an expressed desire to achieve structural change as demonstrated by both the CEDS and RLF Plan, structural change is clearly possible. With less funding to and the larger employment bases of the remaining counties, structural change is much less probable in these areas. The planning exists for all counties; the funding, concentrated on the smallest counties, causes structural change.

Planning and RLF Performance

The percentage of moneys written off in RLF-I is relatively low at about seven percent (in dollars). A banker is active on the RLF loan committee and the RLF is well staffed. The performance of the RLF is based both on good management and good planning. The CEDS and the RLF Plan are in constant revision and form the backdrop to all loans.

Overall Assessment of the RLF

The executive director considers the RLF programs to be successful on the basis of the jobs created and the money leveraged. He thinks that an even more successful program could have been achieved if there had been more flexibility in the regulations concerning businesses affected by the floods. The executive director rates the EDA RLFs a "7" (out of "10") because of the actions taken to diversify the economy. He notes that additional measures are required to protect businesses from the downswings in agriculture. On the basis of their qualitative impact on the community, the executive director rates the EDA RLFs an "8" because of the numerous jobs generated and the private funds leveraged.

TYPE OF GRANT	SSED/Other	**SCHEDULE**	First Distribution from EDA	03/15/88
YEAR OF GRANT	1987, 1998		Years to Distribute	6.7 years
LOAN-TO-GRANT RATIO	1.9:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	908,750	0	311,250	1,220,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	43	5 / 2	2 / 0	12 / 7	1.3	2,362,200	1,381,040	8,114,156

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
37	60	3	68	30	2

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
386	11	397	0.5: 1	3.4: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
48	68	7	3
Cost/Job, EDA ($)	1,636	**Cost/Job, RLF ($)**	2,197

Uintah Basin Association of Governments

Project No. 05-39-02238
Project Location .... Roosevelt, Utah
Contact .... Marc Crozier
Phone Number .... (435) 722-4518
Year of Grant 1986

Socioeconomic Profile

The EDA RLF is overseen by the Uintah Basin Association of Governments (UBAOG). UBAOG serves three counties in northeastern Utah: Daggett, Duchesne, and Uintah. The area had a population of 40,516 in 2000—a 14 percent increase from the 1990 population of 35,546. Duchesne and Uintah counties experienced the largest population increases—2,000 and 3,000, respectively. Daggett County's population increased by only 230, but represented the largest relative increase (33 percent). In 1994, the area's unemployment rate was 7.3 percent—approximately 197 percent of the state unemployment rate (3.7 percent) and 120 percent of the national unemployment rate (6.1 percent). Daggett, Uintah, and Duchesne counties had unemployment rates of 4.3 percent, 6.7 percent, and 8.6 percent, respectively. Per capita income for the area was $12,449 in 1993—approximately 77 percent of the state per capita income ($16,136) and 60 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 17.1 percent, compared with 9.7 percent for Utah and 13.8 percent for the United States. However, individually, the three counties present very different figures. Daggett County had a 6.8 percent poverty rate, while Uintah and Duchesne counties had much higher poverty rates (15.3 percent and 20.7 percent, respectively). Estimated median household income in 1995 ranged from $30,744 in Duchesne County, to $33,340 in Daggett County, compared with $35,160 for the state and $34,076 for the nation.

Mountain Dairy Composting is located in Bridgeland, UT. The company prepares several mixtures of manure, saw dust, and other soil nutrients and components. The compost is used in agriculture, horticulture, roadside revegetation, wetland restoration, mine reclamation, and erosion control.

Background to the EDA Effort

The economic crisis that hit the Uintah Basin region traces its roots back to the oil crunch of the late 1980s, and the region's heavy dependence on the hydrocarbon industry. In addition, other natural-resources-related industries (e.g., timber and lumber) were also significantly affected. Together, these forces led to high unemployment and outmigration of both industry and population. The problem was further exacerbated by the region's geographic isolation and transportation limitations. There are currently no major interstate, airport, or rail links. The economic adjustment problems addressed by the RLF include: high and chronic unemployment; a finance gap experienced by local businesses; a shortage of start-up capital for high-potential projects; a lack of incentive for business and financial institutions to invest in the area; and an unstable and undiversified boom-and-bust economy highly dependent on oil and gas prices.

The CEDS and the RLF Plan

The RLF Plan is targeted to aid unemployed or underemployed workers of the most distressed industries within the three counties. These industries include the hydrocarbon resources industry and the agricultural industry. The RLF is also marketed as a source of funding for new and expanding businesses and as an aid in the retention of existing industries. In particular, the RLF targets four general areas that promise the greatest long-term growth potential for the district. These areas include heavy or light manufacturing; natural resource development; tourist and recreation-related activities; and related trade or service businesses and industries. The RLF seeks to promote the district's economic development goals, as stated in the CEDS and as approved in 1994. The RLF seeks to provide loans and equity funds to new and expanding businesses; to encourage the expansion of existing businesses and industries; to assist local business development groups and organizations with programs dealing with industrial attraction; to use local initiatives and public and private funding options to assist local businesses with expansion and start-up; to encourage public- and private-sector coordination and cooperation; and to identify and help eliminate problems that tend to hinder local efforts to promote new economic development. The RLF is also designed to be coordinated and integrated with existing economic adjustment activities. For example, the RLF supports the Target Industry Program by providing an incentive to businesses and industries that would like to locate or expand into the area but would need public financing to do so. The Job Training Program is used to train many of the workers that are employed by businesses and industries that may receive RLF funding. Local companies that are successful in acquiring federal contracts through the Federal Procurement Program can use RLF loans for their expansion needs. Finally, the RLF loans are used in conjunction with financing available from CDBG funds, the SBA 503 and 502 programs, the Utah Technology Finance Corporation, and local commercial banks.

The Role Played by EDA

As discussed earlier, the local economy faced a severe shortage of private-sector financing. Most financing resources were centered around the Salt Lake City area, approximately 150 miles away. This distance is magnified by the lack of transportation links between the two areas. It was in this environment that EDA, together with CDBG funding from the U.S. Department of Housing and Urban Development (HUD),

Classic Lube started in 1996 with the support of $56,000 RLF loan that leveraged $180,000 in private funding and $25,000 in new equity. This auto and truck oil change and lube center is located in Roosevelt, UT. Two jobs were created.

Mountain Dairy Composting, located in Bridgeland, UT, prepares compost that contains a wide range of nutrients, increases soil aeration, and improves soil conditions. The compost helps to suppress soil diseases and resist damaging insects, and has a long-term effect on soil fertility.

established the RLF. Although the funds from the two sources were combined to establish the RLF, RLF administration treats the monies as separate accounts. A loan recipient receives funding from either EDA monies or HUD monies. The separation of monies is maintained to accommodate the reporting requirements of the two agencies. When asked which agency the staff preferred to work with, they emphatically stated that they preferred to work with EDA whenever possible. This preference was due to the following factors: greater flexibility in using the funds; more manageable paperwork requirements; and better cooperation with the EDA representatives.

Direct RLF-Related Results

To date, the RLF has provided 31 loans, totaling $1.4 million. Of these, nine loans ($292,000) have been fully repaid; nine loans ($317,000) have been written off; and 13 loans ($820,000) are active. Since its inception, 192 jobs have been created or saved at a cost of $2,251 per job. An additional 123 jobs are projected to be created by the current outstanding loans, bringing the cost per job down considerably. In addition, more than $4.5 million in private-sector investment has been leveraged: a 3:1 private- to public-sector financing ratio. The RLF staff is quite confident in these numbers. The numbers are verified by requiring all loan recipients to fill out the Confidential Family Size and Income Certification for all new employees. Despite these results, the severe economic conditions in the region have not been alleviated. The problems leading to the need for the RLF assistance are still present: the economy still relies on agricultural industries, and it is still dependent on oil and natural resources. There remains a critical need for transportation links. In addition, the RLF has a surplus of applicants, but a shortage of qualified applicants.

RLF Management

The RLF is administered by the Uintah Basin Loan Administration Board. The seven-member board is composed of representatives from all three counties. Representatives include two county commissioners, one mayor, two bank managers, and two private-sector representatives. The Loan Administration Board reports monthly to UBAOG and the Uintah Basin Economic Development District (UBEDD). The board reviews loans and makes recommendations on applicants. Loans are approved, however, by elected officials. Two members of the board are also on the CEDS development team. RLF operations are administered by two UBEDD staff members. One staff member performs programmatic services, and the other deals directly with the loan applicants. The staff members have extensive training and experience in business, finance, marketing, credit analysis, and loan packaging, processing, and servicing.

Planning and Structural Change

The remoteness of the three counties in UBAOG limits the entry of new local employers to the area that might be likely to raise local wages. Thus, any type of planning for economic restructuring must include transportation alternatives to link this area with the rest of the state and with the states of Wyoming and Colorado. This area is sufficiently isolated that almost all employment is local and typical wages re-

Central Machine is a machine tooling company located in Duchesne, UT. In April 1993, it received a $64,000 RLF loan that leveraged $41,350 of private funding and $99,650 in new equity.

flect those of the agriculture, service, and retail sectors—all very low paying economic sectors. With this wage profile, economic restructuring is almost impossible because all gains in economic diversity, lack of import dependence, and industrial stage progression are threatened by perennially low wages.

Planning and RLF Performance

Nine of the 31 RLF loans have been written off. This is a reasonably high rate of failure. The RLF appears to be well tied into both the CEDS and the RLF Plan and is used both flexibly and for a variety of purposes. It may well be that loan clients, purposes, and activities are too diverse and as such, loans are initially in default and then written off. The CEDS and the RLF Plan are structuring loan activities—possibly not for the good (clientele targeted for loans are too marginal). More banking, loan making, and actuarial guidelines seem necessary here.

Overall Assessment of the RLF

The UBEDD staff rates the RLF program a "5" out of "10" in terms of its economic performance. They also rate the program's performance in terms of its qualitative impact on the community as a "4" out of "10." The area's economic conditions have not really changed much. According to RLF staff, there "really is no way to improve the area without major transportation improvements." However, RLF loans cannot be used for transportation improvements for the area. Some long-term transportation improvement programs are under way. These include an extension of the rail line and highway linkages. Local officials expect greater improvement in the area's economic conditions and greater impact by the RLF after the transportation problem is solved.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA 03/26/87
YEAR OF GRANT	1986		Years to Distribute 6.0 years
LOAN-TO-GRANT RATIO	1.9:1		Up and Running Yes
			Produced Jobs Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	450,000	250,413	50,000	750,413

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	31	0 / 0	10 /15	29 /22	0.1	1,429,776	757,394	4,597,756

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
43	41	16	44	33	22

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
118	74	192	0.0: 1	3.2: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
6	12	1	20
Cost/Job, EDA ($)	2,251	**Cost/Job, RLF ($)**	3,754

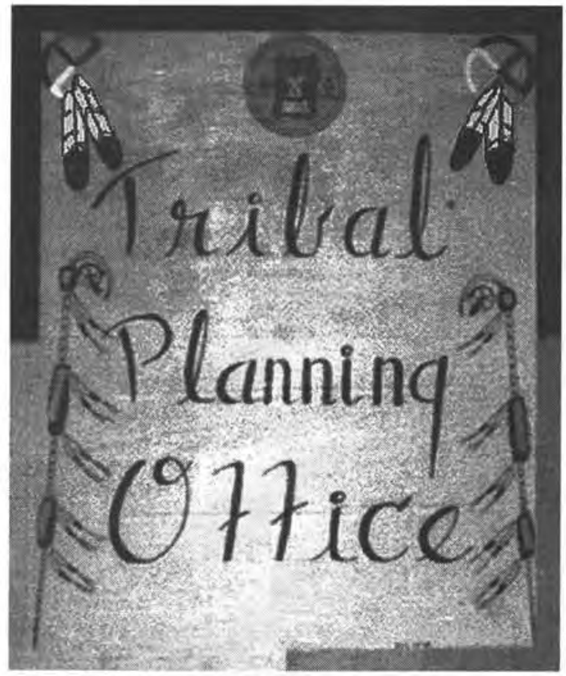
Lower Brule Sioux Tribal Planning Development

Project No.	05-39-02832
Project Location	Lower Brule, South Dakota
Contact	Toni Rouillard
Phone Number	(605) 473-5566
Year of Grant	1995

Socioeconomic Profile

The EDA RLF is managed by the Lower Brule Sioux Tribal Planning Development (LBSTPD). LBSTPD serves the Lower Brule Sioux Tribe, which is located in Lyman County in central South Dakota. The county had a population of 3,895 in 2000—a 7.0 percent increase from the 1990 population of 3,638. In 1994, the county's unemployment rate was 3.8 percent—approximately 115 percent of the state unemployment rate (3.3 percent) and 62 percent of the national unemployment rate (6.1 percent). The county's per capita income was $18,700 in 1993—approximately 105 percent of the state per capita income ($17,879) and 90 percent of the national figure ($20,800). In 1995, the county's estimated poverty rate was 22.0 percent, compared with 13.7 percent for South Dakota and 13.8 percent for the United States. In 1995, the county's estimated median household income was $26,854—approximately 91 percent of the state's estimated median household income ($29,426) and 79 percent of the national estimated median household income ($34,076).

Stumpy's Arcade and Pizzeria received a $38,000 RLF loan that leveraged $1,250 in private-sector investment and created four jobs.



Lower Brule Sioux Tribal Planning Development. Detail of the entrance door.

Background to the EDA Effort

The LBSTPD is located east of Pierre, South Dakota, on approximately 400 square miles of land, on the southern side of the Missouri River and the Big Bend dam. The LBSTPD has an estimated population of 1,250. In the 100 years between 1862 and 1962, the federal government required the tribe to move five times. The Brulees feel that those successive resettlements have created excessive obstacles to their self-governance. In the early 1990s, socioeconomic indicators for the LBSTPD were quite low. Unemployment had "improved" from 62 percent to 32 percent, and the income of 44 percent of the population was below subsistence levels. The unavailability of capital for business expansion was one of the most difficult hurdles. Banks did not make loans. Today, although accurate statistics are not available, conditions are very similar. The average per capita income has not changed noticeably from approximately $2,800. Most Brulees have poor credit ratings and their probability of receiving loans is low. The ultimate goal of the LBSTPD is self-sufficiency. The director of the planning office believes that self-sufficiency will be within reach if the tribe can attain a stable and diversified economy. The immediate objectives toward this goal—as expressed in the CEDS approved in 1997—are the provision of low-cost energy, a multipurpose building, a mini-mall, a trailer court, an apartment building, and an RLF. These objectives will be achieved by retraining residents for businesses, making more efficient use of human and natural resources, and advancing the development of agriculture. The RLF was essential to the LBSTPD because the banks did not make loans; in essence, there was no capital available for business start-ups and expansions on the reservations.

The CEDS and the RLF Plan

The RLF, which was approved in 1996, was a key objective of the LBSTPD, but a change in personnel precluded administering the fund until 1998, at which time the RLF Plan was revised. The RLF Plan specifically addresses the regeneration objectives by fostering business development, recapturing financial outflow, establishing infrastructure needs, expanding existing tribal enterprises, and assisting new businesses. The business development strategy, as stated in the CEDS, did not provide a path for action. The former director of the Tribal Planning Office prepared both the CEDS and the RLF application. Unfortunately, neither document was developed with the input of the Tribal Council or its representatives. The economic characteristics of the LBSTPD have not yet changed. However, the dynamism and stamina brought to the program by the new director should improve the situation.

The Role Played by EDA

The EDA RLF is the only source of capital available to individuals who want to create businesses in the community; hence, without it, the loans would not have been made. The loans available through the RLF are made to individuals; other EDA grants are made to the tribe. The RLF staff reports that EDA's representatives have been responsive in supporting the program. They think that they could have achieved success sooner if training had been readily available and conveniently provided to the tribal staff.

Direct RLF-Related Results

The dominant local industry continues to be agriculture. The bison herd has been expanded; corn is used in the production of popcorn—a major product of South Dakota. Nevertheless, primary employers in the area are the LBSTPD, a local casino, the Bureau of Indian Affairs, and an Indian Health Services Center. Retail services are starting on a small scale (e.g., a pizza parlor, an ice-cream shop, and a shirt-screening outlet). An interpretive center is also on the drawing board. The RLF has been instrumental in diversifying industry with recent loans for a fast-food outlet and a towing and tire repair service. These facilities may seem ordinary for larger communities, but in the

D&D Tire and Towing received a $30,000 RLF loan that leveraged $15,000 in private-sector investment and created nine part-time jobs

View of Lower Brule and Missouri River

LBSTPD they did not exist before. People had to travel several miles to obtain those services. Because of the recent start of the program (the first loan was made in late 1998), the current level of the capital base has not changed from the original $200,000. This is expected to grow as the loans are repaid. Growth of the capital base is not expected to be fast because of the collateral sought by banks on the multilender loans. Indian lands cannot be used for collateral. When this restriction is combined with the normal risk of the loans, the loan process becomes difficult. The nature of the fund will not allow it to be self-sustaining. The lending activities have begun to support the RLF Plan and the CEDS. In September 1998, private-sector investment reached $308,000. One year after the beginning of the loan process, the RLF program has created 28 jobs paid at an hourly wage ($6) equivalent to that paid by other jobs in the community. The jobs are noted in the loan documents and are tracked with regular site visits by the RLF staff.

RLF Management

The LBSTPD has held workshops with banks (Norwest), federal agencies (SBA), Small Business Development Centers, and potential applicants. It has used District 3 Planning (in Yankton, South Dakota) for technical assistance for the first few applications. The RLF Loan Committee is composed of a tribal representative, a banker, a businessman, a representative of academia, an attorney, and a BIA credit officer. The RLF Loan Committee makes all decisions on loans. The turnover of staff is low; currently there are two staff members working part-time on the fund program. The RLF staff finds the EDA reporting requirements reasonable.

Planning and Structural Change

In the case of LBSTPD, the indices of existing economic conditions are so low that progress in any direction should produce measurable change. In addition, 50 direct and indirect jobs are being added to an employment base of 2,000. This is a 2 ½ percent change in total employment. The problem in measuring structural change is that employment diversity and stage of production are probably showing positive changes, but earnings per worker compared to the wages of new casino workers are relatively low. Thus, movement is being made on several fronts of structural change, but possibly retarded on an additional front. All of the ingredients, save earnings per worker, are in place for structural change.

The above tee-shirt was printed by RezNet Printing, a company that received a $15,000 EDA RLF loan. This loan leveraged $9,700 in private funding and created 2.5 jobs.

Planning and RLF Performance

The RLF was slow in getting formally initiated. EDA funds were not distributed until three years after the grant was approved and only one month before the time of the evaluation. The RLF is too recent to evaluate the effect of planning on loan performance. The basic ingredients are in place, however. The RLF Plan supports the CEDS which calls for industrial diversity and nonagricultural industry expansion, including retail and wholesale industries. With the latter as part of the mix, and with employment competition from the casino industry, EDA-supported wage levels will be relatively low and may retard economic restructuring.

Overall Assessment of the RLF

The RLF director considers the RLF successful and growing. She declares that it raises hope in the community and causes excitement for the future. She thinks that the program could be more successful if the RLF staff received appropriate training. Both in terms of economic performance and qualitative impact on the community, she rates the RLF a "10" (out of "10"). Loans in the LBSTPD were not available before the RLF program. The effect of the RLF program on such a small community has been immediate and overwhelming. From a qualitative perspective, the RLF has been successful in raising hopes; entrepreneurs can have access to the business world, and people enjoy having basic outlets brought close to them because proximity has ended the need for long-distance travel.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	10/01/98
YEAR OF GRANT	1995		Years to Distribute	Too recent
LOAN-TO-GRANT RATIO	0.5:1		Up and Running	Too recent
			Produced Jobs	Too recent

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	150,000	50,000	0	200,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	3	0/0	0/0	0/0	N/A	100,000	200,000	308,000

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
50	50	0	0	50	50

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
28	0	28	2.6: 1	3.1: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
86	36	100	0

Cost/Job, EDA ($)	287	**Cost/Job, RLF ($)**	382

Northwest Iowa Planning and Development Commission

Project No. 05-39-02917
Project Location .... Spencer, Iowa
Contacts .... David Horan/Ted Kourousis
Phone Number .... (712) 262-7225
Year of Grant 1996

Socioeconomic Profile

The EDA RLF grant is overseen by the Northwest Iowa Planning and Development Commission (NWIPDC), which serves nine counties in the Great Lakes region of northwestern Iowa: Buena Vista, Clay, Dickinson, Emmet, Lyon, O'Brien, Osceola, Palo Alto, and Sioux. The area had a population of 140,838 in 2000—a slight increase from the 1990 population of 139,263. Only Dickinson and Sioux counties experienced population increases—10.2 percent and 5.6 percent, respectively. The population of Clay and Lyon counties remained stable. Palo Alto and Emmet counties experienced the largest population losses—4.9 percent and 4.7 percent, respectively. In 1994, the area's unemployment rate was 3.2 percent—approximately 86 percent of the state unemployment rate (3.7 percent) and 52 percent of the national unemployment rate (6.1 percent). Emmet County experienced a 5.0 percent unemployment rate. The remaining counties had unemployment rates ranging from 2.5 percent in Lyon County, to 3.9 percent in Dickinson County. Per capita income for the area was $16,073 in 1993—approximately 88 percent of the state per capita income ($18,275) and 77 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 8.6 percent, compared with 9.8 percent for Iowa and 13.8 percent for the United States. County poverty rates ranged from 7.0 percent in Sioux County, to 11.3 percent in Palo Alto County. In 1995, estimated median household income ranged from $28,228 in Palo Alto County, to $36,248 in Sioux County, compared with $33,436 for the state and $34,076 for the nation.

Maintainer Corporation of Iowa is a manufacturing company located in Sheklon, IO. In March 1998, it received a $50,000 EDA RLF loan that leveraged $66,000 from the state, $136,400 from local government, and $425,000 in private funding.

Background to the EDA Effort

The area served by the NWIPDC is the location of the country's second largest county fair (Clay County). In the 1980s, the nine counties lost population (primarily in the 18 to 25 age group) because of the decline in agriculture and the deterioration of the overall employment base. The NWIPDC faced a continuing decline in agriculture and a high level of outmigration from the region—a result of several long-term economic adjustment problems in the area: such as the lack of new jobs; the lack of assistance in small-business development, low per capita income, limited local capital markets, underutilized land; and a lack of local funding sources for grant applications and conservative lending policies by local lending institutions. The NWIPDC viewed the EDA RLF program as a source of below-market-rate loans that were considered essential for small businesses but were not available through local lending institutions. In 1997, the NWIPDC applied for an EDA RLF grant. A CEDS, approved in 1993 and annually updated, states the following objectives for the region: concentrate on value added activities within the agricultural industry; assist with the creation, attraction, and expansion of new or existing industries; promote region-enhancing industries; promote secondary education, and the development of entrepreneurial skills; assist communities against the loss of businesses; assist communities with capacity building; and assist with region wide housing issues. Until just recently, a labor shortage is growing as a result of the high level of outmigration and the emergence of new job opportunities in the manufacturing and service industries due to the diversification of the economy that has occurred since the mid-1990s. Consequently, incentive funding to attract and retain more workers is required to supplement employees' income, because this is one of the lowest income regions in the state and in the country.

The CEDS and the RLF Plan

The RLF (of a total matched amount of $400,835) was approved in 1996 to respond to the issues stated in the CEDS. The RLF Plan includes some of the CEDS strategies. A committee of representatives from local communities developed these strategies under the guidance of the NWIPDC executive director, who played a key role in maintaining consistency between the CEDS and the RLF Plan. The RLF Plan supports the following major elements of the CEDS regeneration strategy: diversification of the region's industry—agriculture is the dominant industry—and increasing the employment base with the creation of technology-related businesses. The availability of small, low-interest-rate loans puts these objectives within reach. The RLF is a source of funds for companies. Previously, these funds were not available. In addition, the RLF loans are being used to match funds from other financial programs to make loan packages feasible (e.g., Miller Loaders and Rock Industries). All but one of the loans over the past two years have been to businesses that have each created or retained more than 20 jobs. Changes in the region's economic adjustment problems are evident. The dominance of the agricultural industry is being reduced through the creation of other industries and the application of value-added businesses to agriculture. The NWIPDC plans to examine the businesses that the region will support through the EDA RLF and the state grant for the Community Economic Betterment Account. The examination may consider new businesses rather than existing ones, and the approval of microloans to businesses. Since the RLF has been in existence for a relatively short period of time, the NWIPDC has only a limited amount of experience. Hence, changes in economic adjustment cannot yet be quantified. The NWIPDC also administers training (not directly linked to the RLF) that is skill- and academic-related. The purpose is to retrain workers to meet the requirements of the new industries attracted to the area by NWIPDC. It also helps the area respond to the job relocation forced by industry cutbacks. The training is expected to have a long-term effect on the region's economy.

In September 1998, Rock Industries, an expanding manufacturing company, received a $100,000 RLF loan that leveraged $375,000 in public funding and $100,000 in private funding. Rock Industries is located in Sioux County, IO.

The Role Played by EDA

Although most of the current loans were to companies that could have proceeded without the RLF, the existence of the fund allowed the businesses to operate within the region instead of moving to another region. The EDA RLF grant was more readily available for small-business loans than were the other EDA funds. The RLF staff considers the RLF to be successful but suggests that it could be improved with the allocation of more funding for the development districts, a recapitalization of the grant, and the inclusion of all counties of the NWIPDC for grant eligibility. This latter suggestion would require a reexamination by EDA of the criteria for county eligibility. The staff reports that support from EDA in all of the NWIPDC's activities has been good and that a close relationship has developed between the two organizations.

Direct RLF-Related Results

Since 1996 (when application for the RLF was made), most job growth has been in the area of agriculture and fabricative manufacturing. The existence of the RLF is

In September 1998, Rock Industries, an expanding manufacturing company, received a \$100,000 RLF loan that leveraged \$375,000 in public funding and \$100,000 in private funding. Rock Industries is located in Sioux County, IO.

too recent to be able to detect quantitative changes. Diversification of the economic base has been an objective of the RLF, and the loans were made to support that objective. However, the businesses that have been affected are still too few to warrant measurement. The RLF has not made loans directly to retail goods and services businesses. The current capital base of \$407,000 reflects a reasonably healthier growth rate. The executive director believes that this growth could be enhanced by loaning out the entire balance available and applying a slightly higher interest rate to the loans. However, he also states that the aim of the program is to assist businesses in the formation of job opportunities. To this end, the provision of riskier loans at low rates fits the mission of EDA, and the RLF lending activities support the plan with job creation, business diversification, and the provision of quality employment. The program has generated more than \$2.1 million in private investment. This number shows that some lending institutions have acknowledged the positive role played by the RLF and that they support some of the RLF loans. Since its beginning (18 months prior to October 1998), the RLF has created or retained 50 jobs. The RLF staff believes that these jobs have helped people within the region, although there may be shifting of workers from lower-paying to higher-paying jobs. The average hourly wage for the new jobs, as determined from the loan applications, is approximately \$8.50, which is higher than the average hourly wage of other jobs available in the community. The extensive job-training program, which supports the CEDS and the RLF Plan, is one of the most important activities managed by the NWIPDC. The long-term benefits of this training program have been recognized and are amply supported in the NWIPDC's overall mission.

RLF Management

The NWIPDC has 87 members. Its policy council is composed of 27 members—a supervisor from each county, a city representative from each county, and an at-large member appointed by each county commissioner. Meetings are held monthly. The RLF Loan Committee is composed of 14 members, including bankers, county representatives, and businesspeople. The RLF Loan Committee makes loan recommendations to the policy council; the policy council makes the final decision. The staff reports that the RLF is still in its infancy, and has yet to develop strong ties with the lending institutions located in the region and with other RLFs. This is the only RLF that the NWIPDC administers. The executive director reports that the RLF is not self-sustaining. The annual cost of administering the RLF is part of the NWIPDC budget and is supported by other activities managed by the NWIPDC. Three staff members dedicate part of their time to the RLF. There was turnover of staff last year, but the organization is considered stable today.

Planning and Structural Change

NWIPDC serves nine counties. It has given six loans amounting to $344,000 creating 50 new jobs. The lending area is large and the capital base and resulting employment is small, thus the grant's impact on economic restructuring is limited. On the other hand, the specific purpose of the RLF is to diversify the employment of the region, which today is primarily agriculture. Loans are going to small firms that are introducing manufacturing, transportation, and assemblage to the region. Even though current impact is small, sustained funding could provide an amount of structural change that would be statistically recognizable.

Planning and RLF Performance

There are surprisingly close ties between the RLF Plan and the CEDS in this region. The reason that this is true is that planning is strong here and the focus of planning is the EDA CEDS. The loans given out by NWIPDC are performing well, and this is true not because the fund is being run by an ex-financial industry employee, but rather because the staff is working together towards CEDS and RLF Plan goals for nonresidential development. This is the essence of well planned economic development.

Overall Assessment of the RLF

NWIPDC staff considers the RLF to be successful based on the financial assistance it has provided to the region in the form of low-interest-rate loans. A much larger capital base would generate a more active loan fund and one that would offer more intense involvement with the lending institutions of the region. This involvement should enhance the promotion of the RLF with the banks and counties. The staff gives a rating of "6" (out of "10") to the economic performance of the RLF because not all the funds are lent, and some of the counties are having difficulty matching the loans. On the other hand, it gives a rating of "8" for the qualitative impact of the RLF on the community. Jobs have been created and their effects have become noticeable in the communities.

TYPE OF GRANT	LTED	**SCHEDULE** First Distribution from EDA	03/09/98
YEAR OF GRANT	1996	Years to Distribute	Too recent
LOAN-TO-GRANT RATIO	0.9:1	Up and Running	Too recent
		Produced Jobs	Too recent

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	300,626	100,209	0	400,835

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	6	0 / 0	0 / 0	0 / 0	N/A	343,784	407,268	2,166,767

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
6	94	0	85	9	0

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
50	0	50	0.0: 1	6.3: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	0	0	0

Cost/Job, EDA ($)	225	**Cost/Job, RLF ($)**	300

Economic Development Corporation of the County of Marquette

Project No. 06-19-02459
Project Location .... Marquette, Michigan
Contacts................. Francine Sanderson/Herb Parsons
Phone Number .... (906) 226-9658
Year of Grant 1993

Socioeconomic Profile

The Economic Development Corporation of the County of Marquette (EDCCM) oversees the EDA RLF and serves Marquette County, which is located in northwestern Michigan. Marquette County had a population of 64,634 in 2000—an 8.8 percent decrease from the 1990 population of 70,887. In 1994, the county's unemployment rate was 7.2 percent—approximately 122 percent of the state unemployment rate (5.9 percent) and 118 percent of the national unemployment rate (6.1 percent). Per capita income in Marquette County was $16,450 in 1993—approximately 80 percent of the state per capita income ($20,584) and 79 percent of the national figure ($20,800). In 1995, the county's estimated poverty rate was 11.8 percent, compared with 12.6 percent for Michigan and 13.8 percent for the United States. In 1995, the county's estimated median household income was $33,317—approximately 93 percent of the state's estimated median household income ($35,940) and 98 percent of the national estimated median household income ($34,076).

Background to the EDA Effort

Marquette, located on the banks of Lake Superior, is the county seat of Marquette County and the largest community in the 15-county Upper Peninsula of Michigan (where winter snowfall totals about 150 inches per year). Iron-ore mining had been the predominant industry of the region for more than 100 years. In the late 1980s and early 1990s, the mines started cutting jobs and reducing some operations.

Avery Color Studios, Inc. is a book publisher and a new client of the EDC.

Then, in 1991, the county was informed of the closing of the military installation at the K. I. Sawyer Air Force Base, the largest employer in the county. The county's economic base lacked diversity, and its geographic isolation did not foster business-networking opportunities. The tax base was also suppressed because of the large holding of public land. The mines have not rebounded; their situation has been made worse by the "foreign dumping" in the United States of inexpensive steel. Competitive pressure has forced the industry to automate its operations and cut costs substantially. The subsequent reduced local payroll put pressure on local financial resources. The closure of the airfield by the Department of Defense resulted in a financial loss of more than $150 million—a quarter of the payroll for the entire county. Several programs (including the EDA RLF) have induced industrial development at the airport. The mines and the airport have been gradually replaced as the largest employers by the health-care industry and the University of Northern Michigan. In 1999, the economic plan for the regeneration of the county was updated in a CEDS approved by the county board. The regeneration strategy focuses almost exclusively on the airport. Its objectives address the county's economic development by targeting diversity in business, infrastructure improvements, and the development and implementation of an aggressive marketing plan. The RLF, which was approved in 1992, was the only lending source that could make high-risk loans and offer the gap financing that the situation required.

Argonics, Inc., a manufacturer of plastic industrial products located in Marquette, MI., has been a client of the EDCCM RLF since 1993 when it received a $60,000 EDA RLF loan and a $40,000 Marquette County RLF loan. The company started with nine employees and has grown to approximately 80 employees.

The CEDS and the RLF Plan

The current CEDS offers the following economic development objectives: implement marketing efforts; improve and upgrade building assets; improve land-side infrastructure; enhance and use revolving loan pools; establish a foreign trade zone; and establish a business incubator. The overriding purpose of the RLF Plan was to fill a capital gap by making loans to assist in job creation and economic growth. For example, support of the expansion of the lumber mill at the airport has spurred rail and road improvements. The current RLF Plan focuses primarily on manufacturing, but the service and retail sectors are also considered for the diversification of the economy. In addition, loan guarantees are selectively sought. A revised plan will foster a strong marketing effort and target value-added jobs in its effort to diversify the economic base of the area. The marketing brochures will focus on new jobs, gap financing, training, and technical assistance. Although the current focus is still on manufacturing, future direction will target the large areas of service and retail trade. The original CEDS was assembled by both the EDCCM and the Upper Peninsula Planning and Development Commission with input from the area's communities. The RLF Plan was developed by the EDCCM, ensuring continuity in the strategies. Although current thinking is to take advantage of value-added job creation because the economic adjustment problem has been changing over time, the RLF Plan has not been modified. The lack of a coordinated effort on the part of the area's communities has hindered the development of a revised strategic plan. Nevertheless, RLF activities have been helping with job diversification (e.g., jobs at Eastwood Nursing Center and the industries at Sawyer Airport). In addition, the Lake Superior Community Partnership (LSCP) is contracting with a professional planner to redo the economic strategic plan. This will be accomplished with the county's approval and through the coordinated efforts of the communities as members of the partnership's board of directors.

The Role Played by EDA

The RLF was vital to achieving the complete packaging of some loans (e.g., Sawyer Lumber). The RLF offers flexibility, gap financing, and the acceptance of a higher degree of risk that cannot be found in other loan programs. The RLF staff says that EDA has been very responsive to inquiries. It also suggested that the success of the program could be enhanced if the RLF staff participated in training programs (e.g., seminars and conferences). The staff also suggests that they be given the option to complete semiannual on-line reporting.

Direct RLF-Related Results

Historically, Marquette County relied on iron ore manufacturing as the primary source of employment. Since World War I, the service sector has grown steadily and is now outperforming primary production. Northern Michigan University and the health-care services (e.g., the regional hospital in Marquette) are slowly helping to change the economic base of the county. Citing the support that the RLF has given to the initiation and expansion of service industries (e.g., Eastwood Nursing, Argonics, Pioneer Labs), the RLF staff says that the RLF must receive credit for the role it has played in the county's economic improvement. Loans to companies such as Sawyer Lumber and Industrial Products have helped diversify the county's economic base. The retail-service industry has not been directly assisted, but when consideration is given to the jobs created or retained in other sectors, retail services have indirectly benefited from the RLF. The RLF loan activities have supported the goals and target criteria of the RLF Plan through using a set of standards and policies—designed by EDCCM—in dealing with potential loan applicants. The RLF is supporting the CEDS by directly assisting expanding companies at Sawyer Airfield (e.g., Sawyer Lumber, Avery, and RAMCI). The current capital base of $645,000 has grown at an annual rate of 1.4 percent. The RLF staff thinks that this growth could have been enhanced by recapitalizing the RLF and by taking greater advantage of company growth plans through offering financial packages. High-risk loans would not have received bank support without the participation of the RLF. More than 360 net new jobs or retained jobs have been reported to the state on Form 1017. The average hourly wage for these jobs is $10, which, according to the RLF staff, is equal to or better than the average wage for other jobs available in the community. The RLF fund loans have generated almost $33 million in private investment, as noted in the business plans and investment portfolios of the loans.

Argonics, Inc. is a manufacturer of plastic industrial products located in Marquette, MI. Argonics has been a client of the EDCCM RLF program since 1993 when it received a $60,000 EDA RLF loan and a $40,000 Marquette County RLF loan. The company started with nine employees and has grown to approximately 80 employees.

RLF Management

After playing a supporting role in the economic development of the airport area, RLF activity decreased in 1997 and 1998. Subsequently, with the formation of the LSCP in 1998 and its leadership role with the RLF, a strong networking effort became evident in the community and informal partnerships developed. Of three recent applications for RLF loans, two were initiated by financial institutions. To complete the loan packages, EDCCM issues subcontracts for the preparation of loan documents by the bank. Attorneys and consultants are contracted for legal reviews and technical reviews, respectively. An annual operating budget of $10,000 covers the cost of administering the RLF, which is managed in conjunction with a state Community Development Block Grant (CDBG). Currently, only one person (on a part-time basis) manages the fund. The fund is not self-sustaining; support from the county and state is necessary. There have been three managers since the inception of the fund. However, recent stability in management is evident in the improvement in program direction (three loans are in process) and in economic development activity. The authority for loan approval is through the Economic Development Corporation Board of Directors (members of the board also serve as the RLF loan committee). The board conducts quarterly meetings. The loan committee is composed of nine people, whose backgrounds include retired and active businesspeople and county commissioners.

Planning and Structural Change

The RLF has lent primarily to industrial start-up firms. Three-quarters of the loans have gone to industrial businesses, 95 percent of which are new firms. The CEDS and the RLF Plan are dated and concerted efforts are underway to revise and update each. Basic industries are being invested in locally, but the region continues to import significant amounts of finished goods, and employee wage levels are not increasing. The planning that is underway in this particular county is clearly advancing economic development objectives, but it is not advancing economic restructuring.

Planning and RLF Performance

This is a small RLF whose administrative functions are contracted out. The planning objectives of the CEDS and the RLF Plan are being implemented but neither document is critical to RLF success. Professionals oversee the loans and loan progress is periodically reviewed and audited by other professionals. The RLF is successful, not due necessarily to planning, but to competent administration.

Overall Assessment of the RLF

The RLF staff considers the program to be successful; RLF loans have filled a need otherwise overlooked. Two of the assisted companies (Argonics and Pioneer Labs) have expanded to international markets. Nonetheless, because of the paucity of activity in the early years—due to a lack of cooperation within the community—the EDCCM staff rates the RLF a "5" (on a scale of "10") in terms of economic performance. In terms of the RLF's qualitative impact on the community, the EDCCM awards a rating of "8" because of the diversity of opportunities presented to counter the dominance of the mining industry. In addition, the assistance provided to the airfield business start-ups was to the growth of the overall economy. The EDCCM staff suggests that success could have been enhanced through more loan activity and improved marketing, training for the staff, a larger number of development programs to help sustain the RLF and each other, and a relaxation of the regulations that would permit loans that address changes in the economy.

TYPE OF GRANT	SSED/Other	**SCHEDULE**	First Distribution from EDA	11/03/93
YEAR OF GRANT	1993		Years to Distribute	3.5 years
LOAN-TO-GRANT RATIO	1.2:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	338,000	266,051	0	604,051

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	6	0 / 0	17 / 5	0 / 0	1.4	737,000	644,476	32,931,487

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
95	5	0	75	12	14

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
359	3	362	2.7: 1	44.7: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
3	41	0	0

Cost/Job, EDA ($)	245	**Cost/Job, RLF ($)**	438

Region 9 Development Commission

Project No. 06-19-61035
Project Location .... Mankato, Minnesota
Contacts............................ Wes Judkins, Doug Yentsch
Phone Number .... (507) 387-5643
Year of Grant 1990, 1994

Socioeconomic Profile

Region 9 Development Commission (R9DC) manages the EDA RLF and serves a nine-county agricultural area located in southern Minnesota: Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan. The area had a population of 222,790 in 2000—a 3.0 percent increase from the 1990 population of 216,321. Most counties maintained a stable population. However, LeSueur and Nicollet counties experienced the largest population increases—9.4 percent and 6.0 percent, respectively. Faribault and Martin counties experienced population losses (4 to 5 percent each). In 1994, the area's unemployment rate was 4.0 percent—the same as the state unemployment rate (4.0 percent) and approximately 66 percent of the national unemployment rate (6.1 percent). County unemployment rates ranged from 2.9 percent in Blue Earth and Nicollet counties, to 5.7 percent in Sibley County. Per capita income for the area was $16,804 in 1993—approximately 80 percent of the state per capita income ($20,979) and 81 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 8.8 percent, compared with 8.7 percent for Minnesota and 13.8 percent for the United States. County poverty rates ranged from 6.6 percent in Nicollet County, to 10.7 percent in Blue Earth and Watonwan counties. In 1995, estimated median household income ranged from $28,223 in Watonwan County, to $40,195 in Nicollet County, compared with $37,483 for the state and $34,076 for the nation.

George Martin of Morgan Creek Vineyards inspects one of his grape vines. In 1998, the start-up company received a $30,000 RLF loan that leveraged $100,000 in public funding, $34,500 in private funding, and 78,000 in owner's equity. Five jobs have been created.

Background to the EDA Effort

The farm crisis of the 1980s, which saw market prices fall and land values rise, led to the loss of many farms and the subsequent closing of many businesses. In 1990, in response to those events, the R9DC applied for and received an EDA RLF grant. In 1994, the R9DC applied for and received another EDA RLF grant in an effort to help the area address problems caused by excessive rain and flooding: poor crop production, decreases in farmer income, and the worsening of conditions for other related businesses. Although unemployment is low today, the farm crisis continues: farms are larger (there are fewer small farms) and the prices of some produce are very low. Small communities have suffered the most. One result has been the regionalization of institutions, such as schools and hospitals, which has added to the transportation concerns of residents. In addition, in the midst of the economic recovery, devastating tornadoes struck much of the area in 1998 and added to the region's problems. The CEDS of 1989 was updated and approved in 1993. The primary CEDS strategies were to expand employment opportunities, develop community infrastructure, maintain essential services, capitalize on the region's assets, and maintain a high quality of life. The RLF allowed gap financing, which was not available in 1989; there was nearly a total absence of capital in 1989. The lending institutions were farm oriented, not business oriented; therefore, collateral was essential to loans in the late 1980s. The creation of a state RLF in 1993 eased the situation because the funds were tied to the creation of jobs.

The CEDS and the RLF Plan

The RLF Plan supports the CEDS objectives by supporting agriculture as the region's primary economic sector; providing adequate infrastructure for expansion; encouraging the expansion of existing businesses; and promoting the region for new business starts. Activities of the RLF assist in expanding the tax base, increasing employment, diversifying the economy, encouraging value-added agriculture, reusing vacant buildings, and maintaining the integrity of the fund for future loans. In addition to its basic economic activities, the RLF encourages infrastructure improvements, works with community planning agencies on economic issues, and works to maintain the vitality of communities. The administration of the RLF does not restrict itself to the specific goals and objectives defined in the RLF Plan. The economic health of the region is the RLF's primary thrust for its existence, and the director does whatever he can to foster this. The distribution of the RLF loans reflects the RLF's commitment to regional goals and the diversification of the economy. The RLF Plan was essential to the region because it gave life to the CEDS. The director of physical development assembled the CEDS and the RLF with in-house staff and obtained approval of the R9DC, thereby ensuring continuity and a seamless bond between the two documents. The only modifications to the RLF Plan have been to add service industries, manufacturing, distribution, and value-added agriculture.

The Role Played by EDA

The RLF has helped finance and fill the financial gap of many loans. Most of the completed loans are nonbankable and leverage additional funds from the public sector and private equity. Among the variety of loan programs available to small businesses, the RLF is unique because of its flexibility. The RLF staff believes that it would be more successful if the matching fund requirement for recapitalization were lowered and if an effort were made to defederalize the funds. The Economic Development District and Administration have been helpful in advancing the program.

Direct RLF-Related Results

In the 1980s, agriculture accounted for approximately 30 percent to 40 percent of all regional economic production. During the same period, manufacturing and retail services accounted for approximately 20 percent and 10 percent, respectively. Today, agriculture accounts for slightly less than 20 percent of the area's economic production, producer services account for slightly more than 20 percent, and manufacturing and retail each account for approximately 20 percent. Most of the RLF loans are non-farm-related and target different economic sectors. It is the executive director's opinion that the loans may have been actually instrumental in advancing the industrial mix. A review of the businesses funded through the RLF reveals that several loans have been made in each of the commercial, industrial, and service categories. The retail services have a particularly heavy representation on the list of businesses that received loans. One of the loan recipients, the Jazz Club, was visited. It had a pleasant decor, professional entertainment, good food, and a responsive staff. Overall, it appeared to be successful. Combining the 1989 and the 1993 grant, the capital base is \$2.9 million. In recent years, the capital base has grown approximately 10 percent a year. Its growth could have been greater if there had been fewer restrictions on the loans, if the fund had been defederalized, and if equity posi-

Brenda Davis of Fly Away AgriProducts sews a calf jacket—a garment designed to keep new born calves warm. This company received a $25,000 RLF loan that leveraged $75,000 in private-sector investment and created four jobs.

tions had not been taken. There are inherent limitations to the program. It has taken time for the staff to become knowledgeable about the loan business. EDA RLFs participate primarily in less secure loans, even though some loans are near bankable. The RLF seeks a relatively equal apportionment of the loans to each of the nine counties. Even with these restraints, only two loans were written off and only 4 to 5 percent are in default. The banks are active participants in the program, to the extent that they initiate many of the current loans. The activities of the RLFs have supported both the RLF Plan and the CEDS by encouraging value-added agricultural enterprises, providing gap financing for the expansion of existing businesses, and providing financial packages that are competitive with other regions. Based on the loan applications, the staff estimates that more than 1,300 jobs have been created or saved in the area. Some of these jobs may reflect relocation from other regions or between counties. In a rural region such as this one, job creation in one area could affect the nature of employment in adjacent areas. The RLF staff estimates that the average wage for the jobs is $8 per hour, which is comparable to other jobs in the area's communities. The two EDA RLF grants have leveraged almost $13 million in private-sector investment. Because this is the amount indicated on the loan documents, it could be much lower than the actual investment from the private sector.

RLF Management

In the 10 years since the first RLF grant, the R9DC has developed strong relationships with communities and bankers in the region. Those relationships have helped in the administration of loans through the initial RLF, the EDA/State of Minnesota Disaster Fund, and the tornado fund. The R9DC comprises five representatives from each county and assists communities with their state loans by performing administrative duties. Attorneys are retained to review the final loan documents, and designers are used to produce the marketing brochures. The R9DC administers three RLFs: the Six County RLF (1990 EDA RLF grant), the Nine County RLF (1994 EDA RLF grant), and the Tornado Outbuilding program. The operating budget for the programs is estimated at $85,000. The RLFs are considered to be self-sustaining because the loans made are producing a growing fund. Although the R9DC is a large organization, there are only two staff members assigned to the RLFs; one of the two is assigned on a part-time basis. In the past, staff turnover was noticeable, but the current staff has been sustained. The RLF Loan Review Committee is made up of nine members from business, banking, and government. The committee recommends loans for approval to the R9DC.

Planning and Structural Change

R9DC encompasses nine counties in the extreme southern part of the state of Minnesota. It has had economic development planning for approximately a decade. This economic development planning was much more focused on returning this area to a minimal level of economic productivity than it is on significant economic restructuring of the area's job base. These nine counties are very rural and characterized by both basic employment and reduced demand for traditional farming activities and products. Nontraditional activities (trucking and grain farming) are also not in significant demand in this area. The RLF sought to introduce retail and service industries into the area to reduce unemployment related to agricultural industry dependence. The CEDS and the RLF Plan were instrumental in getting retail and service employment in some of the smaller counties, thus triggering the diversity component of structural change. Neither of these documents sought to emphasize the raising of local wages or attracting the higher tech component of new industries.

Planning and RLF Performance

The Region 9 Development Commission (R9DC) has given out $3 million in loans over a 10-year period with relatively low default and write-off rates. Thirty-seven loans have been issued; two are written off and another two are in default. Four hundred and sixty-two jobs that would have gone elsewhere have been retained or created. This is not an RLF that works well because a banker is in charge; it works well because the RLF Plan focuses and structures its lending activities. The RLF Plan is vital to the success of this EDA RLF.

Overall Assessment of the RLF

The executive director and the loan officer consider the RLF to be successful on the basis of the jobs it has created and retained. The RLF has also assisted the region in diversifying its economy improving the quality of community life. The "wellness" of many of the region's communities has also been reached through the efforts of the RLF. A more successful program would have been possible if there had been training in credit analysis and loan making (the unsuccessful loans were made early in the program), and if there had been more flexibility in the development and application of loans. In economic terms, the RLF can be rated an "8" or a "9" out of "10" because of the continued assistance it has provided to the business community. On a qualitative impact basis, the fund can be rated an "8" or a "9" because of the hope and upbeat spirit it has given people; local governments also report a positive effect on communities.

TYPE OF GRANT	SSED/Other	**SCHEDULE**	First Distribution from EDA	11/09/94
YEAR OF GRANT	1994		Years to Distribute	2.0 years
LOAN-TO-GRANT RATIO	1.4:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	1,833,340	0	382,660	2,216,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	37	3 / 2	5 / 4	5 / 2	1.8	3,013,097	2,369,539	7,220,445

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
11	39	51	25	60	15

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
70	392	462	0.0: 1	2.4: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
1	16	3	6
Cost/Job, EDA ($)	877	**Cost/Job, RLF ($)**	1,060

Region 5 Development Commission

Project No. 06-39-02168.01
Project Location .... Staples, Minnesota
Contact .... Jason Murray
Phone Number .... (218) 894-3233
Year of Grant 1986, 1991

Socioeconomic Profile

The EDA RLF managed by the Region 5 Development Commission (R5DC) serves five counties located in central Minnesota: Cass, Crow Wing, Morrison, Todd, and Wadena. The area had a population of 162,101 in 2000—a 22.6 percent increase from the 1990 population of 132,161. Four counties experienced population growth: Cass, Crow Wing, Morrison, and Todd. Wadena County's population remained stable. Cass and Crow Wing counties experienced the largest population increases (24.6 percent and 24.5 percent, respectively). In 1994, the area's unemployment rate was 6.7 percent—approximately 168 percent of the state unemployment rate (4.0 percent) and 110 percent of the national unemployment rate (6.1 percent). County unemployment rates ranged from 4.0 percent in Wadena County, to 7.9 percent in Cass County. Per capita income for the area was $14,872 in 1993—approximately 71 percent of the state per capita income ($20,979) and 72 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 13.7 percent, compared with 8.7 percent for Minnesota and 13.8 percent for the United States. County poverty rates ranged from 11.7 percent in Crow Wing County, to 16.0 percent in Wadena County. The estimated median household income ranged from $24,984 in Wadena County, to $30,802 in Crow Wing County, compared with $37,483 for the state and $34,076 for the nation.

Central Minnesota Ethanol Co-op is located in Little Falls, MN. It received a start-up RLF loan in 1998.

Background to the EDA Effort

In the mid-1980s, farmers faced falling produce prices, escalating land values, and high-interest-rate loans. Several farms closed down, adversely affecting other businesses in the region. The local economy was heavily dependent on agriculture, and little economic diversification existed. As a result, unemployment rose. Agriculture continues to suffer from low produce prices that force smaller farms out of business. The remaining farms are much larger than those in the past. Over the years, several manufacturers have moved into the region. Unfortunately, there is an outflow of young people from the region, and it is very difficult to retain or attract them. The CEDS was developed and approved in 1987. In 1999, a new CEDS was developed, and replaced the older version. The current CEDS outlines the following regeneration strategies for the region: provision of leadership training; use of local resources in economic development; development of telecommunications technology; promotion of industrial parks; provision of business-planning assistance, business financing assistance, and marketing assistance; support for the expansion of the forest products industry; promotion of tourism; and encouragement of local processing of agricultural products. Local businesses needed an RLF that would provide gap financing. Banks required collateral and had strict lending requirements and regulations. Many banks were local, small institutions, and they had lending limits. Two EDA RLF grants filled the need for funds not available in the region and provided below-market rates.

The CEDS and the RLF Plan

The primary objectives of the RLF Plans support the regeneration strategies of the region—as expressed in the first and second CEDS. These objectives are to create and retain permanent private-sector, full-time jobs; to provide capital for business development, especially for those businesses unable to obtain adequate affordable capital from private markets; to leverage other public and private investment; to bolster the tax bases of the communities; to increase ownership opportunities; to increase manufacturing activity; to support innovative processes; and to create or retain one job for every $10,000 of RLF money lent. Network Five is a group of professionals who meet bimonthly to discuss business and community issues and concerns, as well as potential solutions to the problems raised. Local lenders approach the R5DC with potential applicants. The R5DC takes a passive role in attracting applicants because it is mindful of the potential backlash from those communities and counties that may receive fewer loans. The passive role taken by the R5DC in promoting the program has not hindered the region. The RLFs have made more than 100 loans, and the communities are active in improving the economic development of the region. The first RLF (RLF-I) was approved in 1986 and recapitalized in 1991. In 1996, EDA gave the R5DC another RLF grant (RLF-II) covering only four counties. This second grant is not included here. The governmental units of the region provided input for the CEDS. The CEDS and the two RLF Plans were assembled under the guidance of and with the approval of the R5DC. The RLF Plans and loans are consistent and respond to the region's needs. Job creation was an objective of the early RLF loans; today, the RLFs focus on job retention. In the past, the RLFs made loans to start-up businesses; today, the focus is on retaining existing businesses. Lending practices take into account the need for businesses to acquire high-technology equipment to keep pace with competition. As a result, fewer jobs are created but more jobs are retained.

Newman's Manufacturing, located in Royalton, MN, manufactures trailers, docks, and boat lifts. It was assisted in 1993.

The Role Played by EDA

Initially, the RLF's ability to offer below-market interest rates facilitated business cash flow. The RLF provided high-risk loans that banks would not have considered. Five years ago, the state of Minnesota introduced state RLFs through its Department of Trade and Economic Development, which is making it easier for businesses to obtain loans. However, the EDA RLF addresses a broader base of business needs; the state RLFs address needs that are specific in nature. The manager of the RLF programs suggests that the program would be enhanced if interests and fees generated by the loans were defederalized, thereby allowing more lenient loan procedures with those funds.

Direct RLF-Related Results

In the early 1980s, most employment production in the region was involved in primary production (agriculture and forestry). Today, fabricative manufacturing is key. The preponderance of agriculture-based business that existed before the availability of the RLFs has been reduced by a considerably diverse economy. In addition, retail goods and services have been introduced in significant numbers, fostering competition. The training of the R5DC's staff has been credited with the ability to attract other businesses over time. The current level of the capital base is more than $1.0 million, for the RLF-I and its 1991 recapitalization. The capital base has exhibited an annual growth of about 2.1 percent. The manager of the RLF program believes that enhancement of the capita-base growth could be achieved if the funds were defederalized and if the loan procedures were relaxed. He admits that raising interest rates and fees would also help, but that strategy would not be preferred. The RLF staff claims that taking risk is essential to creating some of the loan packages and that such packages could not be offered without the RLF program. Banks in the region would not consider making risky loans if the RLF program did not share the risk. The RLF program fitted the economic needs of the area and allowed the R5DC to package loans that were socially and economically beneficial to the region. By targeting job retention and worker training, the RLF program has supported both the RLF Plan and the CEDS. The RLF loans have been instrumental in creating or retaining more than 1,400 jobs, all of which have been listed on the original loan applications. Tracking the jobs on a regular basis is difficult, particularly with the number of loans made. Ex-farmers probably fill many of the currently available jobs. In the future, many of the jobs that become available may be the result of relocations. Based on its experience with applicants and businesspeople, the R5DC staff feels that the jobs pay higher wages ($7.50 per hour) than the other jobs that become available in the community. The RLF program has also generated almost $30 million in private investments.

Ultra Image Powder Coating is located in Little Falls, MN. The company activities are paint coating and powdering.

RLF Management

The R5DC set up a nonprofit corporation to run the RLFs: the North-Central Economic Development Association, Inc. The RLF staff has developed strong ties with the business community. The loan committee, which meets monthly, is composed of lenders and businesspeople. Network Five is a group of 75 professionals (representing regional, state, and elected officials), who meet bimonthly to discuss regional issues for the R5DC. A formal partnership has not been formed with other RLFs, but many loans have been made in cooperation with other RLFs. The only activity contracted by the RLFs is auditing the finances of the organization. There is an RLF Board of Directors, composed of lenders, businesspeople, economic development staff, and an attorney. The board reviews all loan applications and makes recommendations to the R5DC. The EDA RLF-I, its recapitalization, and RLF-II are the only programs administered by the organization. The annual administrative budget is $41,000. Most of the budget's income is from interest and fees for the loans. The program could not be sustained without assistance from other R5DC activities. Two staff members dedicate part of their time to administering the RLF program. The current employees have been working at

R5DC for three years; their predecessors worked at R5DC for 11 years. The RLF staff feels the reporting requirements are reasonable but suggests that requirements could be eased by combining the two individual RLF reports into a single report.

Planning and Structural Change

This is a situation where the CEDS and the RLF Plan are actively engaged in attempting to foster economic structural change. From the beginning, both documents sought to diversify the economy, increase wages, reduce imports, and advance the quality of industries found locally. The RLF played a key role in the effort. It funded over 1,400 jobs, the bulk of which were in new industrial establishments. These 1,400 jobs were added to a job base of approximately 80,000. Thus, the scale was such that the impact of these jobs could be felt locally. Finally, R5DC administered an EDA RLF that lent money to those who could not have gotten it elsewhere.

Planning and RLF Performance

The RLF, operating through R5DC, performs its functions well. It oversees over 100 loans amounting to $2.5 million with less than $50,000 of this amount either in default or written off. There is a long-standing CEDS in this region and a very detailed RLF Plan. Both target markets for RLF loans and this loan fund has been very successful in those markets.

Overall Assessment of the RLF

The manager of the program considers the RLFs to be successful, based on the following: more than 1,400 jobs have been created or retained; almost $30 million in private investment has been generated; there have been few loan losses; and communities have been assisted with business start-ups. The manager suggests that additional RLF success could be achieved through the defederalization of the funds and more flexibility in the loan process. On an economic basis, the RLF can be rated a "9" because of the jobs that were created or retained and the diversity of lenders that were attracted. On the basis of the RLF's qualitative impact on the community, it can be rated a "10." Successful, noncontroversial loans have increased the tax base, created jobs, and subsequently improved the quality of life of people in the region.

TYPE OF GRANT	LTED	**SCHEDULE** First Distribution from EDA	06/05/87
YEAR OF GRANT	1986, 1991	Years to Distribute	N/A
LOAN-TO-GRANT RATIO	2.9:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	650,000	228,750	0	878,750

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	106	4 / 4	3 / 2	5 / 2	2.1	2,557,005	1,084,587	30,516,213

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
17	76	7	53	31	16

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
776	630	1,406	0.7: 1	11.9: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	17	1	20
Cost/Job, EDA ($)	253	**Cost/Job, RLF ($)**	342

Greater Egypt Regional Planning and Development Commission

Project No.	06-39-02390
Project Location	Carbondale, Illinois
Contact	Ike Kirkikis
Phone Number	(618) 549-3306
Year of Grant	1989

Socioeconomic Profile

Greater Egypt Regional Planning and Development Commission (GERPDC) oversees the EDA RLF and serves five counties located in southern Illinois: Franklin, Jackson, Jefferson, Perry, and Williamson. The area had a population of 223,065 in 2000—a 2.5 percent increase from the 1990 population of 217,551. Williamson County experienced the largest population increase (5.3 percent). The population of the remaining counties remained stable. In 1994, the area's unemployment rate was 8.8 percent—approximately 154 percent of the state unemployment rate (5.7 percent) and 144 percent of the national unemployment rate (6.1 percent). County unemployment rates ranged from 5.5 percent in Jackson County, to 12.9 percent in Perry County. Per capita income for the area was $15,230 in 1993—approximately 68 percent of the state per capita income ($22,560) and 73 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 16.6 percent, compared with 11.3 percent for Minnesota and 13.8 percent for the United States. County poverty rates ranged from 13.5 percent in Perry County, to 20.1 percent in Jackson County. In 1995, estimated median household income ranged from $24,357 in Franklin County, to $29,677 in Williamson County, compared with $38,078 for the state and $34,076 for the nation.

Background to the EDA Effort

At the beginning of the twentieth century, the coal industry supported half of the families living in the five counties served by the GERPDC. In the late 1980s, world oil prices declined and the demand for high-sulfur coal dropped. Consequently, the restructuring of the coal industry led to closures of companies and layoffs of workers. Simultaneously, the number of employees in manufacturing dropped significantly. The agricultural industry played a major role in the economy of much of the region, but it was adversely affected by the drop in produce prices and the fluctuation in land prices during the 1980s. Several farms were lost as a result. Median family income for the region was less than the state median family income and the national median family income. In the 1980s, the unemployment rate was more than 10 percent—a result of the deterioration of the central business districts. The traditionally conservative bank lending practices in rural areas were made even more limited by the economic crisis affecting the local coal industry. In 1989, in response to these dire economic conditions, the GERPDC developed a CEDS. The GERPDC (composed of 31 members) includes the county chairmen, three other appointees from each county, one representative of each community with a population of more than 5,000, and a representative of the Assembly of Local Governments and the Conservancy Districts. The GERPDC set a broad range of goals to make effective use of the central business districts, encourage infrastructure investments, assist firms and communities affected by foreign trade, develop land and industrial facilities, develop an adequate and skilled labor force, develop

Lakeland Ford, Lincoln-Mercury is an auto dealer located in Herrin, IL. In 1996, this minority-owned business received a $150,000 RLF expansion loan in order to expand its facilities to new quarters. Six jobs were created.

institutional capabilities in areas of high distress, develop the tourist industry, assist with minority businesses, and assist economic and development organizations. Today, there is a limited manufacturing base (although it is changing to meet the new technology needs) and there is limited diversification of the industries that make up the community's economic base. Although people are slowly getting over the closure of many of the mines, the agricultural industry is still depressed from the reduced produce prices. The RLF promised to be a significant factor of improvement as both a provider of below-market-rate loans and a provider of financial assistance where it was in low supply. Due to the poor economic conditions of the region, many entrepreneurs had limited collateral. Without the RLF, many of the loans would not have been made (e.g., loans to Cookie Co., a card shop, a tool-and-dye shop, and Crown Line). The program helped fill an existing finance gap.

The CEDS and the RLF Plan

The RLF was approved in 1989 for a total sum of \$500,475. Modifications to the RLF Plan included the distribution of funds between industrial and commercial loans, an expansion to include more borrowers, and a change in the match from 2:1 to 1:1. The current maximum loan is \$150,000, but a higher amount is being considered. The GERPDC sets the loan interest rate at 5 percent. The RLF Plan supports the following key aspects of the CEDS strategy: expanding and diversifying the industrial sector; assisting existing industries; encouraging the involvement of financial institutions; and making vocational training available to everyone in the region. The activities of the RLF program that bolster these strategies are the provision of low-interest-rate loans and gap financing, and the increase in commercial involvement from 30 percent to 50 percent of the loans. The GERPDC has been in existence since 1961. It assists businesses in the region (e.g., providing training, working with county officials to ease regulations) and creates an atmosphere propitious for their stability. The GERPDC staff developed the CEDS and prepared the RLF application. Further development of the CEDS will require the support of the individual communities. Participation by the individual communities in regional goals tends to be poor when the economy is faring better. Dealing with the larger lending institutions is the most difficult challenge faced by the RLF staff. Many of the smaller banks have been acquired by larger ones, and that, in turn, changes the conditions for the loans from these banks. In addition, the movement of personnel within the banks makes it more difficult to maintain continuity and a stable working relationships with them.

The Role Played by EDA

The RLF made it easier for all of the companies that received loans to operate. Some would not be in existence (e.g., Cookie Co.) without the assistance of the RLF loan, while others would have had to struggle with reduced capital. One of the important features of the RLF is the fact that it provides below market loans to the private sector. The RLF staff reports that support for its activities has been good at the EDR level; however, the staff suggests that EDA should make the time to take field trips to disseminate more information to RLF grantees (e.g., information about changes in the program that could affect the grantees). The staff believes that the RLF could be improved by less oversight; more frequent, inexpensive seminars; and annual regional meetings. The staff would also appreciate receiving regular information on changes in the program that might affect them.

Direct RLF-Related Results

In the late 1980s, this section of the state was defined by employment in agriculture and coal mining, and to a lesser extent, in fabricative manufacturing. Today, fabricative manufacturing has become dominant and producer services have become strong. Yet, agriculture and coal mining are still important. RLF loans can be given some credit for diversification of local

Located in Mt. Vernon, IL, Mt. Vernon Mold Works maintains molds for general tires. In 1992, the company received a $150,000 RLF start-up loan that leveraged $303,000 in private funding and $84,000 in new equity. Sixteen jobs were created.

industry, considering the new cookie factory, tool-and-dye operations, and expanded boat operations. Although no direct investment has been made in the retail goods and services areas, it is possible that retail operations have improved due to the addition of the other investments. The RLF capital base has increased to $590,000, reflecting an annual growth rate of 2.5 percent. This has been accompanied by private investment of $5.8 million. A further increase in growth can be achieved with an increase in prudent and sound loans. However, the nature of the RLF program is the less secure loan, precluding an easily bankable loan. The less-secure loan makes it possible to close the gap for private investment. The performance of the portfolio can be enhanced, however, by more in-depth questioning of the borrower about his or her needs and by approving loans for businesses that show greater potential for success. Eighty-nine jobs, ranging in hourly wage from $6.50 to $12, have been created with the loans. The hourly wages are about the same as the wages paid for other jobs available in the region. The job market within the region is difficult to ascertain. Although some businesses may cut their workforce, new businesses open, giving employees opportunities to move around or advance. The commission has made great strides in advancing the qualitative performance of employees in the region. It has developed a 14-characteristic evaluation questionnaire that is completed by company supervisors. The detailed results are given to company management, and summaries are used in marketing information that is mailed to prospective companies. The surveys are taken approximately every three years.

RLF Management

The GERPDC has the decision-making authority on loan applications, and all necessary work on the loans is accomplished with commission staff. The Loan Administration Board (LAB) reviews all applications and makes recommendations to the commission. The 10-member LAB is made up of businesspeople, county board members, a banker, and an attorney. Although a CDBG is the only other RLF administered by the commission, other organizations have received the commission's assistance in starting an RLF. The executive director reports that networking with banks has been moderately successful but that further efforts must be made with the larger multiple-outlet banks. Partnerships with other RLFs have formed on loan deals, and informal arrangements have occurred with others. There are four full-time employees on the commission staff, none of whom are exclusively paid from RLF-activity income. The average tenure for staff is approximately 20 years. The executive director believes that the RLF cannot be self-sustaining unless it generates $100,000 a year in income. This would require a capitalized RLF of approximately $4,000,000.

Planning and Structural Change

The CEDS and the RLF Plan in this location in southern Illinois functions primarily to revive an economy that has been depressed due to industrial relocations related to lack of demand for its prime natural resource—coal. This is not a situation where the CEDS and the RLF Plan have been initiated with structural change in mind. Both the CEDS and the RLF Plan have as their main mission the return of these counties from significant economic depression and structure abandonment. This will be done whether or not per worker wages are increased, the general economy becomes more diversified, the new indus-

CrownLine Boats, Inc. is located in West Frankfort, IL. The company received an initial $104,000 RLF loan and two additional loans for working capital ($46,000 and $73,000). These three loans combined leveraged $2.87 million of private funding, $1.2 million of other public funding, and $31,200 of new equity. At the time of the first loan (1993), the company employed 200 people. Currently this number has increased and reaches 540.

tries are more advanced, and the multicounty region is less dependent on imports. If this area can attract retail or service industries at low wages, it will do so to encourage job growth and prevent unemployment. Structural change is far from the immediate goal of areawide regeneration.

Planning and RLF Performance

This is a well performing loan pool because those involved with the RLF have found a niche market in below market loans to new and existing small businesses that have been frozen out of traditional credit sources. These new and existing entrepreneurs did not get loans because local thrift institutions decided that the area was too depressed. Their economic development proposals, given past experience and current collateral, were too risky to be funded by traditional sources. EDA stepped in and was very successful. Very little of this had to do with the content of the CEDS or RLF Plan, both of which were relatively silent on who to lend to and how much was to be lent.

Overall Assessment of the RLF

On the basis of the jobs created by the RLF loans, the EDA RLF is considered to be successful. One of the companies assisted with a loan has become so successful that it has been bought out by an international firm. The RLF could be more successful with more active involvement and partnering with banks. Rating the RLF on economic performance, the staff assigns a score of "6" out of "10." Although the number of loans is limited, the number of jobs created and the amount of private investment generated have been significant. On a qualitative basis, the staff gives the RLF a score of "8." The loans have benefited the communities, and women have been given more job opportunities.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	09/26/91
YEAR OF GRANT	1989		Years to Distribute	1.6 years
LOAN-TO-GRANT RATIO	1.6:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	375,356	125,119	0	500,475

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	11	0 / 0	9 / 6	9 / 6	2.5	813,475	589,722	5,817,016

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
38	59	3	78	21	1

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
89	973	1,062	0.0: 1	7.2: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	2	0	27
Cost/Job, EDA ($)	98	**Cost/Job, RLF ($)**	130

Fairfield County Regional Planning Commission

Project No. 06-39-02566
Project Location .... Lancaster, Ohio
Contact .... Marianne Huey
Phone Number .... (740) 653-541
Year of Grant 1991

Socioeconomic Profile

The Fairfield County EDA RLF is managed by Fairfield County Regional Planning Commission and serves Fairfield County in southeastern Ohio. The county had a population of 122,759 in 2000—an 18 percent increase from the 1990 population of 103,461. In 1994, the county's unemployment rate was 5.3 percent—approximately 96 percent of the state unemployment rate (5.5 percent) and 87 percent of the national unemployment rate (6.1 percent). Per capita income in Fairfield County was $18,543 in 1993—approximately 94 percent of the state per capita income ($19,696) and 89 percent of the national figure ($20,800). In 1995, the county's estimated poverty rate was 7.0 percent, compared with 11.3 percent for Ohio and 13.8 percent for the United States. In 1995, the county's estimated median household income was $40,792—approximately 120 percent of both the state and national figures for estimated median household income ($33,958 and $34,076, respectively).

Background to the EDA Effort

With the onset of the 1980 recession, Fairfield County had to face an abrupt reversal of its economic health. Employment in the manufacturing sector fell by 700 to 1,000 jobs each year through 1986, and this loss was not offset by employment in the other sectors. Unemployment increased to levels above the state and national averages, especially when Anchor Hocking (in the glass industry) was purchased and restructured by Newell. Corporate headquarters and several divisions moved out of the county. The price decline in the oil and gas industry resulted in the capping of wells in 1988. In Bremen, Bremco Industries, which employed about 300 people and made oil field equipment and pressure vessels, discontinued operations. Overall, employment fell from more than 13,000 in 1979 to less than 6,900 in 1988. Since the late 1980s, the economy in Fairfield County has improved dramatically. In September 1999, Fairfield County's unemployment rate was down to 2.8 percent. In addition to the low rate of unemployment, approximately half of the labor force is employed outside the county. The result is a severe labor shortage in the county. The CEDS was developed in the early 1990s and updated in 1994. Because of the improvement in employment and the feeling that the county's good fortune would make it ineligible for additional funds from EDA, the county refrained from updating the OEDP recently. Some of the goals stated in the updated CEDS are to increase the availability of capital in the county; support existing businesses; diversify the economy; achieve full employment; promote orderly growth; enhance the quality of life; and foster economic development. The RLF played an essential role in the economic recovery of the region by making available low-interest, fixed-rate financing for marginal business ventures at a time when bankable loans were not available.

Fairfield Pet Hospital is located in Lancaster, OH. In 1996, it received a $32,000 RLF start-up loan that leveraged $45,000 in private funding and $4,000 in new equity. Four jobs have been created.

The CEDS and the RLF Plan

The CEDS developed a well-documented strategic plan that emphasized the uniqueness of Fairfield County in the region; stressed residential growth; sought to improve programs that supported existing businesses; continued its efforts to diversify the county's economic base to reduce its dependence on a few large businesses; directed its efforts to achieve full employment and economic opportunities for the existing workforce; promoted orderly growth patterns; promoted business involvement in the community; and supported a new business incubator initiative. A subcommittee of CEDS preparers developed the RLF Plan, which was subsequently approved by the CEDS committee. The RLF Plan addresses the following key aspects of the regeneration strategy: the support for small businesses (close to 20 loans have been made to date); the diversification of loans to industrial and service sectors (more than 90 percent of the total loans have been to these sectors); and the nurturing of small businesses (only one loan to date has been for more than $60,000). The RLF accomplished these objectives through gap financing and low-interest loans targeted to small businesses (half of the loans have an interest rate of 4 percent, and no loan has an interest rate exceeding 5.5 percent). The RLF was the only vehicle available for business expansions. In fact, initially, it was the only activity targeted for the program. EDA approved the RLF Plan with a grant of $350,000 in 1991. However, activity on the grant did not start until 1993, when the current manager was appointed. Modifications to the plan were made only to the administrative items, but an Ohio State University Extension (OSUE) agent proposed that some attention be given to labor training. The region continues to experience losses in industry, but the technological changes that are sweeping the nation give ample opportunity to train both unemployed and employed in computer-related skills. The OSUE agent noted that section one of the plan must be updated to reflect the current economic strategy of Fairfield County. As indicated below, the administration of the program puts strategic development within the realm of the county. The OSUE agent believes that the need for gap financing and small-business development exists, but the improvement in the economy suggests that the criteria for RLF loans should be altered to fill the gaps.

The Role Played by EDA

In 1993, after a slow beginning, the RLF staff carefully drafted loan guidelines to develop a well-performing portfolio that would protect the integrity of the program. Consequently, during the early years of the program, many loans made through the RLF program were borderline bankable and given to "safe" businesses. The RLF staff acknowledges that support from EDA is available when needed and suggests that a more successful program could be achieved through the training of the staff administering the program and through the provision of technical assistance for loan applicants. There is also an opinion present that some of the current EDA rules and procedures should be relaxed.

Direct RLF-Related Results

In the 1980s, the county's dominant stages of production were simple and fabricative manufacturing (40 percent) and producer services (20 percent). Over the years, and with the help of the loans made by the RLF, this distribution has changed to 25 percent for simple and fabricative manufacturing, 30 percent for producer services, 30 percent for retail trade, and 10 percent for government. The RLF has a cap of 25 percent on retail goods and services, and, therefore, those sectors were not targeted by the RLF. Of the loans made, family businesses were encouraged and franchises were not. Some loans, particularly new business loans, were risky, but close monitoring helped to keep them on track. The loans for start-up businesses have built pockets of employment and diversified the economic base of the region. The OSUE agent thinks that EDA might consider tempering the risk of the loans with prudent lending practices. The RLF loan practices have supported the CEDS and the RLF Plan by increasing employment in the county and providing fixed-rate financing for companies. The program capital base is currently more than $560,000, and has grown at an annual rate of 4.1 percent. The OSUE agent believes that the RLF program does not need enhancement. She thinks that it would not be in the interest of the mission of the EDA program to use nonproductive means (e.g., raising fees and interest rates) to increase growth. Since 1993, the program has created or retained 108 jobs. However, the OSUE agent notes that the reporting system that keeps track of the jobs could be improved. The job-reporting process is composed of a questionnaire that the employer must return to the OSUE and a follow-up interview of the business owner. When companies downsize, the remaining or lost jobs are difficult to trace back to the RLF loan. The agent thinks that many of the jobs are net new jobs, but the census may give a better picture of where the employees are coming from. The majority of the loans are to companies that have been in the county for decades, the agent says that the participating companies pay wages that are higher than the wages paid for jobs that normally become available in the county. More than $4.8 million in private-sector investment has been leveraged. The agent states that this is a conservative estimate and represents the amount noted in the grant agreements.

Kumler Collision is located in Lancaster, OH. The business received a $32,000 RLF expansion loan that leveraged $40,000 in private funding and $8,000 in new equity. Eight jobs have been created.

Much more private investment is believed to have taken place subsequent to the loans.

RLF Management

The Fairfield County EDA RLF is a county program administered by a representative of the Ohio State University Extension. The county and the state are the sources of revenue for the OSUE budget. OSUE provides literature on the various programs available in the county and distributes the literature within the county. Networking has expanded; recently, banks have been calling OSUE to find available financial sources for potential applicants. Contacts with the other lending and grant programs are well established. All of the administrative activities are conducted within OSUE, except for contracting the environmental reviews associated with land purchases. In addition to the EDA RLF, OSUE administers a Community Development Block Grant program with a capital base of $130,000. Two part-time employees administer the program, at no cost to the RLF and with no turnover in staff. The agent states that administrative sustainability is not possible with the income from overseeing only two activities. The loan review committee comprises bankers, businesspeople, county representatives, and an attorney. The county commissioners approve the loan recommendations made by the loan review committee. The reporting procedures for EDA appear excessive to the program manager, who suggests replacing the current semiannual reports with annual reports.

Planning and Structural Change

The RLF, through the CEDS and the RLF Plan, specifically attempts to diversify the county's economic base and reduce dependence on several large businesses. Yet it also attempts to achieve both full employment and orderly growth patterns, perhaps at the expense of structural change. This RLF is a middle-of-the-road RLF that actively promotes the growth of small businesses of a variety of types. It under-takes a broad band of economic development activities that are neither associated with unnecessary risk, nor focused structural change. The CEDS and RLF Plan are sufficiently general that the RLF can fund relatively solid business ventures that evidence low rates of default and write-off.

Planning and RLF Performance

This RLF performs at a very high level due to the specific oversight provided by OSUE. This is a university-based operation that is conservative in its outlook and "by the book" in its procedures. The reason that the RLF performs has much more to do with the specific agent of oversight than with the planning recommendations emanating from either the CEDS or the RLF Plan. The CEDS and the RLF Plan are not as current as they could be and only marginally contribute to RLF effectiveness. This is an effective RLF, but it is effective because it is run by university-inspired operating procedures.

Overall Assessment of the RLF

The OSUE agent considers the RLF to be successful. There have been no defaults or delinquencies, nearly 110 jobs have been created or retained, and the relationship between the public and private sectors is good. The OSUE agent suggests the following program improvements: increase flexibility in the procedures for lending and provide training, technical assistance, and training manuals for the RLF staff. The RLF manager also suggests a defederalization of the funds: as loan payments are made, the interest received would not constitute federal money. In terms of economic performance, the OSUE agent rates the RLF an "8+," even though she believes that changes in the CEDS and RLF Plan should be made and that additional private funds could be pursued. In terms of its qualitative effect on the community, she rates the program a "9," only because RLF funds are too low to achieve a widespread impact.

Lancaster Bingo Company, Inc. is located in Lancaster, OH. In 1994, the company received a $40,000 RLF expansion loan that leveraged $590,000 in private funding and $70,000 in new equity. With this money, the company purchased new machinery and equipment. Ten jobs were created.

TYPE OF GRANT	LTED	**SCHEDULE** First Distribution from EDA	03/16/94
YEAR OF GRANT	1991	Years to Distribute	1.1 years
LOAN-TO-GRANT RATIO	1.7:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	350,000	125,000	0	475,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	19	0 / 0	0 / 0	0 / 0	4.1	830,844	563,260	4,820,835

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
11	82	7	44	8	47

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
100	8	108	0.3: 1	5.8: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	11	0	8
Cost/Job, EDA ($)	338	**Cost/Job, RLF ($)**	459

Clark County Economic Development Corporation

Project No.	06-39-02585
Project Location	Greenwood, Wisconsin
Contact	Amy Melvin
Phone Number	(715) 267-3205
Year of Grant	1992

Socioeconomic Profile

The Clark County Economic Development Corporation (CCEDC) manages the EDA RLF and serves Clark County, which is located in central Wisconsin. Clark County had a population of 33,557 in 2000—a 6.0 percent increase from the 1990 population of 31,647. In 1994, the county's unemployment rate was 8.3 percent—approximately 177 percent of the state unemployment rate (4.7 percent) and 136 percent of the national unemployment rate (6.1 percent). Per capita income in Clark County was $14,333 in 1993—approximately 72 percent of the state per capita income ($19,806) and 69 percent of the national figure ($20,800). In 1995, the county's estimated poverty rate was 10.7 percent, compared with 8.9 percent for Wisconsin and 13.8 percent for the United States. In 1995, the county's estimated median household income was $28,352—approximately 75 percent of the state's estimated median household income ($37,572) and 83 percent of the national estimated median household income ($34,076).

Background to the EDA Effort

Clark County is one of the physically largest counties in Wisconsin. The economy of the county is heavily dependent on agriculture. In the late 1980s and early 1990s, the agricultural industry declined precipitously across the county. Produce and milk prices dropped. Land values rose and then dropped. The county had a high unemployment rate and the lowest per capita income and household income in the region. Consequently, people moved out of the county. The overwhelming negative effect on the county's economy created a gap in the private-capital markets necessary to financing small-business expansions. The CEDS, which was approved in the early 1990s, was designed to respond in a dynamic way to the economic conditions and to take advantage of changes in goals. The objectives were to diversify the industrial and economic base to provide broad employment opportunities; to provide basic public-works facilities and community services to allow for growth; to endeavor to achieve quality employment through diverse job opportunities; to create a hospitable environment for economic investment; and to maintain an active economic development program. Unfortunately, the agricultural economy is still dominant, but not healthy; there is little diversification of the economic base, but unemployment has dropped and household income has risen. The RLF was essential to the region because it filled the existing financial gap by providing low-interest, long-term, fixed-rate, low-down-payment loans that were not available through traditional private lending sources.

The CEDS and the RLF Plan

The RLF Plan had as its primary objectives the attainment of private-sector investment in business facilities, equipment, and the creation of new jobs in the county. The following goals of the RLF Plan are consistent with the CEDS: create and retain employment; increase net per capita income; develop small businesses; encourage the participation of local lend-

Haas Towels is located in Greenwood, WI. In 1998, this business received a $15,000 RLF retention loan that leveraged $75,000 in private funding and saved one job.

When Hardware Hank—a business located in Loyal, WI— was sold, the new owner received a $10,000 RLF loan that helped him leverage $205,450,000 in private funding. The loan saved two jobs.

ing institutions; leverage private investment; and stabilize and diversify the county's economy. The RLF also encourages new technology markets, and the placement of low-skill employees into the economy. A regionwide CEDS was difficult to achieve because of different levels of economic development of Clark and its surrounding counties. Nevertheless, the CEDS proposes strategies that attempt to address the issues of each county. The West-Central Wisconsin Regional Planning Commission (WCWRPC) framed the CEDS (Clark was one of five counties that participated in the development of the CEDS) and assisted the CCEDC with the development of the RLF Plan. CCEDC assembled several officials and bankers to provide input for the RLF Plan. The RLF Plan was approved in 1992 and has not been modified—the agricultural industry's position today is similar to what it was in the early 1990s—or recapitalized. Although the economic adjustment problem has not changed significantly since the early 1990s, the improved economic condition of county residents is encouraging the county to reexamine its RLF Plan with input from the public.

The Role Played by EDA

Before the introduction of the RLF, banks were unwilling to take the risks necessary to restructure struggling businesses (e.g., Westar, Haas Towels). The success achieved with many of the RLF loans has induced some of the banks to reconsider their position. The RLF staff notes that although there is limited support from EDA and its offices, small businesses are getting loans that would not have been possible without the RLF.

Direct RLF-Related Results

The dominant stage of production in the county was, and still is, agriculture. Fabricative-manufacturing outlets have been filling industrial parks in parts of the county but the RLF cannot take credit for these businesses—the RLF grant is too small to have an effect in this area. The companies coming into the county have their own sources for financing. The RLF has supported companies such as Westar, which supplies equipment to larger businesses. In order to strengthen the overall economy and diversify the economic base of the county, the RLF includes loans in the manufacturing, service, and "main street" retail sectors. A bakery, an automotive supply business, and a print shop are examples of RLF loan recipients. The RLF makes less severe loans to access those who normally can not get loans. Nonetheless, the RLF staff recognizes the existence of a trade-off between less severe loans and a well-performing loan portfolio, and believes that both objectives frame the role of the EDA RLF program. Approved in 1991 and 1992, respectively, the CEDS and the RLF Plan were developed as two complementary and interconnected documents. The lending activities of the RLF support the CEDS and the RLF Plan by providing low amounts of loans, gap financing to reduce lending risk, a significant number of jobs per investment, diversification of the economy, new markets, and assistance to businesses. As of the beginning of 1999, the lending activities of the RLF have resulted in a capital base of over $132,000. In addition, private investment has been generated in excess of $2.1 million, as indicated in the loan packages. The RLF staff believes that recapitalizing the RLF, and raising the interest rates on the loans could enhance growth. The loans to date have generated 97 jobs. The RLF staff makes visits to each site to verify the number of jobs created and retained. Most of the loans are for new businesses; hence many may be considered net new jobs. The wage levels of these new jobs is broad, but the RLF staff estimates that the average per hour wage is equivalent to the average wage of other jobs available in the county.

RLF Management

The CCEDC was formed in 1991. The board of directors comprises bankers, retired businesspeople, an attorney, and a county official. The RLF Loan Committee is made up of two county representatives and three corporation representatives (one is a banker). The RLF Loan Committee takes action and later informs the board of directors of its activities. Networking has been generated with some of the lending institutions of the county. Today, the banks approach the CCEDC with potential loan applicants. Partnerships with other RLF programs in the county's communities have developed through sharing the loan package. None of the RLFs activities are contracted. In addition to the EDA RLF, the corporation has responsibility for the state/EDA CDBG. There is no specific budget allocated for these activities, which are all part of the CCEDC's budget for three full-time employees. The employees dedicate part of their time to the RLF, which cannot cover the full cost of their salaries. Because the RLF is small, income from the loans is too small, and therefore, there is no expectation that the program will soon be self-sustaining. The RLF staff considers the EDA reporting requirements lengthy and time consuming. Turnover has recently affected the RLF. The first director of the RLF completed a six-year term. An interim director has just completed a one-year term. A search for a new

Haas Towels is located in Greenwood, WI. In 1998, this business received a $15,000 RLF retention loan that leveraged $75,000 in private funding and saved one job.

director is in progress, but it may be hampered by the slow growth and low salary of the director position.

Planning and Structural Change

There are signs here of the impacts of planning on structural change. There are specific sections of the CEDS and RLF Plan which encourage use of the EDA RLF: to raise local wages; move to a more technologically-oriented economy; diversify the local economic base; and reduce imports from other counties. This is exactly what is necessary for structural change. There is also a potentially verifiable effect because nearly 100 direct jobs have been added to an economic base of only 15,000 jobs. Field interviews indicate that structural change is taking place and the job base of the county is small enough for EDA-RLF activities to have an impact. The reason that this impact is being felt is that it is specifically called for by multiple documents that promote local economic restructuring.

Planning and RLF Performance

The Clark County RLF is an economic development entity that seeks out less-secure lending situations to retain certain business or create others that would normally not locate in the county. It is not run by adhering to bank-oriented actuarial standards, but rather takes a higher risk position with its loans to pursue a lending mission that is deeply involved with creating women-owned small businesses. This is related to specific goals found in both the CEDS and the RLF Plan. Planning affects RLF performance, but in a manner that promotes much more aggressive lending and higher than average loan write-offs.

Overall Assessment of the RLF

The RLF staff and WCWRPC personnel consider the RLF to be quite successful. It has diversified the economy, increased the tax base in the county's communities, promoted new jobs in the county, provided occupants for vacated buildings in the county, and allowed businesses to either start, expand, or be retained. The RLF staff and WCWRPC believe that the fund could have been even more successful if it had been larger, but the board of directors has not yet considered recapitalization. In terms of economic performance, the RLF is rated a "9," because of its importance in meeting the needs of local businesses. In terms of the program's qualitative impact on the community, the staff rates the fund a "9." It has a reputation as a gap financer that assists small businesses.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	05/07/93
YEAR OF GRANT	1992		Years to Distribute	2.0 years
LOAN-TO-GRANT RATIO	1.9:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	112,500	37,500	0	150,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	12	0 / 0	0 / 0	17 /18	- 2.2	284,000	132,241	2,109,500

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
39	6	55	71	18	11

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
64	33	97	0.4: 1	7.4: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	15	0	45
Cost/Job, EDA ($)	519	**Cost/Job, RLF ($)**	692

The Lending Network

Project No. 07-19-03752
Project Location .... Chehalis, Washington
Contact .... Tani K. Allen-Gunn
Phone Number .... (360) 748-0114
Year of Grant 1997

Socioeconomic Profile

The EDA RLF grant is managed by the Lending Network, which serves three counties located in southwestern Washington state: Cowlitz, Lewis, and Thurston. These counties had a combined population of 369,000 in 2000—a 21.9 percent increase from the 1990 population of 302,715. The population of Cowlitz, Lewis, and Thurston counties increased by 13.2 percent, 15.6 percent, and 28.6 percent, respectively. In 1994, the area's unemployment rate was 7.2 percent—approximately 113 percent of the state unemployment rate (6.4 percent) and 118 percent of the national unemployment rate (6.1 percent). County unemployment rates ranged from 6.2 percent in Thurston County, to 8.6 percent in Lewis County. Per capita income for the area was $19,253 in 1993—approximately 88 percent of the state per capita income ($21,774) and 93 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 11.1 percent, compared with 10.8 percent for Washington state and 13.8 percent for the United States. County poverty rates ranged from 9.4 percent in Thurston County to 14.1 percent in Lewis County. In 1995, estimated median household income was $31,318 in Lewis County, $35,723 in Cowlitz County, and $40,600 in Thurston County, compared with $37,015 for the state and $34,076 for the nation.

Background to the EDA Effort

The Lending Network was originally funded in 1997 with a $100,000 grant from EDA. In 1996, a major (200-year level) flood "really hurt" a number of businesses, and many were not replaced. In addition, the area had experienced a long-term decline in the agriculture and timber industries (particularly the latter in both Cowlitz and Lewis counties). As young people moved out of the area in search of better job opportunities, retired people moved in and local tax revenues decreased. A staff member observed that "many retired people tend to be less willing to support quality schools and are against tax increases." Due to the decrease in local tax revenues, local governments were unable to maintain public services. These conditions produced a "free fall of family-wage jobs." The average wage for worker in the area "dropped from 97 percent of the state average in 1970 to 73 percent of the state average in 2000." To deal with these trends, a Community Development District was established in 1990 with the Ports districts (which have taxing authority and the ability to leverage local funds) as key partners. This initiative was followed in 1995 by the designation of Cowlitz and Lewis counties as an EDD, making them eligible for EDA grants. The CEDS set a 20-year goal to offset the 25 percent loss in wages by attracting, or helping to create, capital-intensive industry. The CEDS focuses on three strategies: retain existing businesses, particularly "basic" employers; recruit industries that will help to diversify the economy; and improve the "cost of doing business." This third strategy includes the provision of affordable financing to local businesses. The Lending Network was created to lead this effort. The problem has not been an absence of below-market-rate funding, but a shortage of available capi-

Elan Painting, Inc., constructed a state-of-the-art, high-tech facility in the Port of Chehalis Industrial Park to clean and paint bus frames manufactured by the adjacent Imperial Fabricating plant (also an RLF loan recipient). The RLF loan of $40,000 to Elan Painting, Inc., created five new jobs and leveraged $136,000 in private-sector investment (including $28,000 in owner's equity).

tal. Given the poor economic conditions in the area, banks simply were unwilling to assume the entire risk. The situation has improved somewhat as the banks have started to "take on more risk than they used to." Many of the big banks, however, "still don't know the communities or the character of borrowers like we do." While the area's economy has improved slightly over the past several years, "it still lags the state and nation" in terms of economic growth.

The CEDS and the RLF Plan

The RLF Plan supports the following key aspects of the CEDS regeneration strategy: retaining jobs and workers; helping entrepreneurs start new businesses and helping existing businesses to expand; and diversifying the economy. Because the state of Washington has a strong statewide growth-management program, new businesses are encouraged to locate where infrastructure exists or is planned, primarily in business/industrial parks. The Lending Network, working in partnership with the Lewis County Economic Development Council (LCEDC), uses low-interest RLF and IRP funds as part of a package to encourage new businesses to locate in these parks (much of the land used for the business/industrial parks is purchased under the state's newly authorized "land banking program"). To create jobs that pay a living wage, the RLF Plan encourages a focus on manufacturing businesses (73 percent of the loans to date have been to manufacturers). In general, lower-paying services or retail businesses are not considered—unless they intend to leave, shut down, or provide a product not presently available. As described above, a well-documented business development strategy was in place when the RLF was initiated. The staff members who draft the RLF Plan also participate in the preparation of the CEDS (The Lending Network and the LCEDC are co-located). In addition, policy-board members of the individual economic development organizations typically serve on the boards of the other organizations, ensuring coordinated interagency policies. The RLF Plan was approved in 1997 and has not been modified. The RLF staff states that the economic adjustment problem has not changed sufficiently to warrant modification of the plan. In addition, staff adds, there is not enough staff to administer the RLF programs, modify previous plans, and undertake the other tasks needed to promote the area's development (e.g., the program is in the process of becoming a Certified Community Development Financial Institution, a U.S. Treasury designation). The staff believes that the focus of loan providers in the EDA RLF should be on setting goals and reporting on progress, not on spending scarce time to redo plans.

The Role Played by EDA

The RLF staff states that the projects supported by the EDA RLF loans could not have been undertaken without EDA support: "Financing the gap" between commercial bank loans and the total cost of the projects "was critical!" This assessment was confirmed by the owners of two businesses that received RLF loans and were interviewed during the site visit. The staff adds that the EDR and EDA's regional office are "very supportive." The staff's biggest complaint is the loss of the program's portfolio manager at the EDA regional office: "She was great!" The staff indicated that it has a "real good relationship" with the EDD. The staff notes that the EDA RLF program is different from other EDA programs because it puts the planning and loan staffs in direct contact with private businesses, and it makes loans available to start-up businesses that can fulfill a specific need. In the opinion of the staff, EDA could make the RLF program more successful by "listening to practitioners re: program design, reporting and guidelines; removing Davis-Bacon (neither the USDA-IRP, nor the SBA Microloan programs have Davis-Bacon); and profiting from grantee reports." The staff suggested that EDA should provide administrative and technical assistance funds in addition to loan capital. Technical assistance funding is particularly critical to start-up and expanding businesses operated by owners with little background in financial, personnel, and other management areas.

Direct RLF-Related Results

The Lending Network RLF staff reports no difficulty in defining or counting the 10 jobs created or retained with EDA's RLF (in 1999, 266 jobs were created or retained by all three RLFs—see RLF management, below). The staff confirms the data by making a site visit after "about a year or so, giving them time to employ the people." Most of the jobs, staff believes, are jobs in industries replacing the basic employment of agriculture and timbering. The staff also had no difficulty defining or counting the $239,300 in private-sector investment, adding that owners' equity and the amount that banks and other private investors contribute are in the RLF loan papers. The RLF's capital base is $103,448. Regarding the trade-off between making risky loans and maintaining a well-performing portfolio, the RLF staff states that it tries to minimize the risk by approaching loans like equity investors: i.e., assessing the potential market for the product or service, the quality of the borrower's managerial skills, and the borrower's character. RLF-loan activities have supported the RLF Plan and the CEDS by lending "primarily to manufacturing start-ups who cannot get private financing." The average hourly wage of jobs created or retained by the RLF is $9.50. The staff believes that this wage is higher than the average hourly wage for other jobs in the area because of the loan priority given to manufacturing businesses. The RLF has contributed to the diversity of industries in the area because manufacturing has not been a traditional sector in the area's economy. The staff feels, nevertheless, that the RLF has increased the mix and availability of retail goods and services because the program does not fund competitive businesses. In the past, production in the area straddled the primary-production and simple-manufacturing stages; production is now between the simple-manufacturing and fabricative-manufacturing stages. The staff doubts that the EDA RLF has been instrumental in this transition: "$400,000 couldn't be instrumental, but it was certainly a favorable contributor."

Custom Aircraft Painting, Inc., was a one-man operation before a $100,000 RLF loan allowed him to build this facility and create three new jobs. The facility is located in an industrial park in Kelso, WA. Custom Aircraft Painting. Inc., paints private and corporate aircraft. The RLF loan leveraged $160,000, including $60,000 in owner's equity.

RLF Management

The RLF staff participates in a number of networks. Networking activities include speaking at civic group meetings and operating a booth at local chamber of commerce annual trade shows. The staff also introduces RLF businesses to the banks; attends business council meetings (400 business members); prepares an article every two or three months for publication in the LCEDC's monthly newsletter; encourages RLF businesses to participate in bank-sponsored financial seminars; and actively participates as a member of the Washington State Lenders' Network. The Lending Network has an agreement with the Longview RLF (a 10-year-old, $300,000 EDA RLF managed by Cowlitz County) to share clients. In addition to the EDA RLF, the agency administers a USDA-IRP funded at $1.9 million and a local RLF funded with $500,000 in CDBG funds. Together, these RLFs have made 22 loans: 10 start-up loan, four retention loans, and eight expansion loans. The RLF subcontracts with the LCEDC for market outreach and technical assistance. In the past, the SBDC provided technical assistance, but after several part-time staffing arrangements failed, the position has remained vacant. The staff believes that the multiple RLFs are "just about" self-sustaining and that a $3.0 million to $3.5 million fund would be needed to become completely self-sustaining. The Lending Network staff includes one full-time loan officer, one-quarter of a secretary's time, and a small portion of the LCEDC executive director's time. Only the loan officer is paid exclusively by the RLF. There has been no staff turnover. The RLF board of directors in comprised of seven members: five males and two females. These members include two bankers, three business representatives, one real-estate representative, and the LCEDC executive director. The staff finds EDA's reporting procedures reasonable, but it does not like semiannual reporting.

Planning and Structural Change

There is a concerted effort on the part of the CEDS to encourage structural change. This is apparent in both its attempt to diversify the local economy and to raise the scale of local wages. Yet, even though the major loan of the EDA-RLF was placed in Lewis County, the scale of the loan ($100,000) and the resulting number of jobs (10) was small compared to the existing job base of the county (38,000). Its effects are negligible at the county scale. However, clearly stated in the CEDS and supported by procedures in the RLF Plan are focused efforts to diversify the local economy and raise local wages. This in the long run will contribute to structural change.

Planning and RLF Performance

The RLF Plan clearly structures and provides a backdrop to the activities of the RLF. The RLF Plan affects RLF performance by provinding guidelines regarding what and who the RLF can fund. The RLF funds primarily small manufacturing activities whose employers pay higher than average local wages. These facilities are less likely to default and more likely to stay in business over the long run. RLF performance in this case is related to a focused structure of lending alternatives whose limited range helps to guarantee portfolio performance.

Overall Assessment of the RLF

The RLF staff gives its EDA program a rating of "9" out of a possible "10" in terms of its economic performance. In terms of its qualitative impact on the area, the staff gives the program a rating of "5," adding that "a '5' is good considering the limited amount of dollars in the fund." Overall, the staff considers the RLF to be "very successful for a three-year-old loan pool, particularly in Lewis County." The RLF could be more successful with implementation of the changes specified in the RLF Plan section, above, and if additional capital becomes available.

TYPE OF GRANT	SSED/Other	**SCHEDULE**	First Distribution from EDA	05/04/98
YEAR OF GRANT	1997		Years to Distribute	Too recent
LOAN-TO-GRANT RATIO	1.0:1		Up and Running	Too recent
			Produced Jobs	Too recent

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	100,000	0	0	100,000

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	1	0 / 0	0 / 0	0 / 0	N/A	100,000	103,448	239,300

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
0	100	0	100	0	0

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
0	10	10	0.0: 1	2.4: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	0	0	0

Cost/Job, EDA ($)	190	**Cost/Job, RLF ($)**	190