City of Los Angeles Mayor's Office of Economic Development

Project No. **07-39-02236.04**
Project Location .... **Los Angeles, California**
Contact .... **Michael Banner**
Phone Number .... **(213) 362-9113**
Year of Grant(s) **1979, 1983, 1985**

The owner of a tortilla manufacturing plant in East Los Angeles had credit problems and could not get a reasonable bank loan. The EDA RLF in Los Angeles financed the purchase of the building and now the plant is operating successfully.

Socioeconomic Profile

The EDA RLF managed by the City of Los Angeles serves Los Angeles County, which is located in southern California. The City of Los Angeles had a population of 3,694,820 in 2000—a 6 percent increase from the 1990 population of 3,485,398. In 1996, the city's unemployment rate was 9.3 percent—129 percent of the state unemployment rate (7.2 percent) and 172 percent of the national unemployment rate (5.4 percent). The city's per capita income was $16,188 in 1989—approximately 99 percent of the state per capita income ($16,409) and 112 percent of the national figure ($14,420). In 1989, the city's poverty rate was 18.9 percent, compared with 12.5 percent for California and 13.1 percent for the United States. The city's median household income was $30,925—approximately 86 percent of the state's median household income ($35,798) and 103 percent of the national median household income ($30,056).

Background to the EDA Effort

The specific agency administering the RLF is the Los Angeles Local Development Corporation (LALDC). A nonprofit organization, the LALDC was created in 1980 in response to the passage of the Community Reinvestment Act of 1977. At the time, south-central Los Angeles had not recovered from the riots of 1965, due largely to redlining by the banks and high interest rates. After the RLF was funded in 1979 and recapitalized in 1983 and 1985, interest rates remained high into the early 1990s, and the city was rocked again by the riots of 1993 and the earthquake of 1995. Today, while there are a few small areas in south-central Los Angeles that are better off, there are many other areas wherein conditions have deteriorated. Thus, the economic adjustment problem that precipitated the RLF still exists, and the economic regeneration strategy remains one of promoting business activities that will provide jobs for low- to moderate-income workers. Prior to 1995, the RLF focused on providing below-market interest rates to fill the gap between total project costs and available private financing plus owner capital. After 1995, with interest rates considerably lower, the focus shifted to the problem of a general unavailability of capital, which is currently being addressed with loans at or near market rates.

The CEDS and the RLF Plan

The RLF Plan supports the city's regeneration strategy by focusing RLF loans on start-up and expansion businesses that will provide jobs to low- and moderate-income households. The plan allows support of other elements of the regeneration strategy (e.g., funding projects) that result in, for instance, the cleanup and reuse of brownfield sites and the stabilization of low-income, minority communities. The LALDC staff believes that the plan's flexibility is important. Although the economic adjustment problem has not changed substantially, the ways in which the problem plays out in low-income, minority communities does change over time. For example, one of the major problems increasingly faced by these communities is the loss of grocery stores, reasonable access to which is essential to a community's sustainability. Recently, the RLF made a $350,000 loan to Family Farms Market to replace a grocery store that burned down two years before in the Empowerment Zone. Although the $2 million in private capital leveraged and the 40 jobs created were important, the fact that the 350,000 residents living within a two-mile radius of the project again have an accessible grocery store is regarded by the RLF staff as a "higher good" in terms of the area's quality of life and economic potential. The same holds true for funding projects that reuse brownfield sites. A recent loan was made to clean up a former gas station site and construct a 27,000-square-foot office building, making the entire area now viable for revitalization. In addition to supporting the multiple elements of the regeneration strategy, this approach has allowed the staff to develop special expertise in funding retail grocery stores and brownfield cleanups—expertise that is valuable to other city agencies and to other RLFs in California and nationwide. The RLF Plan, revised and approved in 1998, maintains this needed flexibility. The staff states that given any reasonable projection of the RLF's present capital base into the future, the RLF will never be a "mega financial institution." Until 1995, the RLF had made a lot of small loans that leveraged only small amounts of private dollars. In 1995, under new leadership, the staff determined that the LALDC could, nevertheless, be an effective institution by employing a "low-volume, high-impact" approach and by deploying its public resources in a way that leverages maximum private dollars. Since that time, the emphasis has been on a lower volume of loans in larger amounts to higher "value-added" businesses. This approach has established the LALDC as the agency that ties together Los Angeles' public- and private-capital markets.

The Role Played by EDA

The RLF staff states that most of the projects funded could not have gotten started had RLF loans not been provided. For instance, banks have little interest in funding start-up businesses because those businesses have no credit history. Even for expansion projects that have a good credit history, however, the banks typically are willing and able to undertake the research necessary to understand the market or technology involved; hence, they will not make the loan without another participant who will reduce the bank's risk exposure. The LALDC has not needed a great deal of help from the EDD, EDR, or EDA regional office; but when help has been requested, these offices have responded well. EDA could make its RLF program more successful by making it easier to combine funds from different RLFs (e.g., the EDA and SBA programs).

Direct RLF-Related Results

As of March 1998, the RLF had created 1,709 jobs and leveraged $16.1 million in private capital. The jobs are net new jobs because "most of the projects funded since 1995 have been expansions." In 2000, these jobs paid an average hourly wage of at least $7.51 with benefits or $8.76 without benefits, complying with the city's living-wage ordinance. These wages are "probably are slightly over the average wage because the program targets value-added and manufacturing businesses." The staff has had no difficulties in defining or counting either jobs created/retained or private capital leveraged. Before 1995, the annual growth of the capital base averaged approximately 6 percent. Since that time, earnings have been used to cover the costs of operations, so the average has not been as high. The growth in the capital base could be enhanced by adding funds so that more loans could be made. The RLF staff deals with the trade-off between risky loans linked to the adjustment strategy and those that will ensure a well-performing portfolio by undertaking a thorough analysis of the borrower's credit, business plan, financials, and the

With the help of an EDA RLF loan, the site was restored and a new 27,000 square feet office building now occupies the once contaminated site. This site was formerly occupied by a gasoline station that had to be demolished. The site underwent environmental clean up, including removal of underground gasoline storage tanks and contaminated soil. One of the priorities of the Los Angeles RLF program is to support the restoration and reuse of hazardous waste sites.

particular market/technology involved. In addition, the RLF tries to balance its riskier loans with loans for which pay back is almost guaranteed: "We are a bank with a public-policy conscience." There is little likelihood that the EDA RLF grant has increased the diversity of industries in Los Angeles because "the grant is too small to impact an economy the size of Los Angeles." At the neighborhood level, however, the grant has helped both to retain businesses and to diversify the microeconomy. The Los Angeles economy can be characterized as including simple manufacturing, fabricative manufacturing, and producer services, with little primary production. The furniture industry "used to be substantial, but has pretty much disappeared."

RLF Management

RLF staff members serve on several trade and ethnic organizations (e.g., the program administrator serves on the Business Tax Advisory Committee and, nationally, participates in ULI). The staff supports the USC minority program in real estate and participates in the Regional Business Assistance Network. The RLF has developed partnerships with other RLFs, including: the Pacific Coast Regional SBDC, which is an EDA-FRAP member sponsored by the state (FRAP, another EDA program, stands for Financial Restructuring Assistance Program); the Commercial Finance Resource Center, another FRAP program; FAME Renaissance; and the Commercial Reinvestment Fund of Minnesota. In addition to the $2.6 million EDA RLF program, LALDC administers a HUD-RLF of $2.8 million and the Southern California Business Development Corporation RLF funded at $2.5 million (an RLF, created by local banks, that lost $1.5 million after the 1993 riots). The LALDC contracts with banks for loan accounting services, the total cost of which is less than $1,700 a year. The LALDC staff believes that the agency's overall RLF effort is financially sustainable, but it still wants to employ a "best-practices" model of a financial accounting, which would include maintaining a loan-loss reserve. The LALDC has six FTE equivalent positions, including five full-time positions. None of the positions are exclusively paid for by the EDA RLF because the agency does not "cost-out" by individual RLFs (the programs could sustain staff at approximately $100,000 a year). The RLF staff states that staffing has been "fairly stable": "The LALDC attracts staff because we have a reputation as an agency where people can learn more than at a private bank, but then when they leave, it is for higher-level positions at banks and other lending institutions." The LALDC Board of Directors is composed of eight members: three women and five men. Four of the members represent banks; one represents grocery stores; one represents financial services; one represents community development banking; and one represents "in-city schools." The LALDC staff finds some of EDA's reporting procedures and forms cumbersome. It would be helpful if EDA operated on "generally accepted accounting practices" as much as possible or if EDA provided software for preparation of the reports.

Planning and Structural Change

The RLF Plan implementing the Comprehensive Economic Development Strategy (CEDS) assures that both small and minority businesses are part of the lexicon of local economic development activities. The resulting availability of a grocery store, laundromat, and dry cleaning store in neighborhoods where these retail players no longer exist, is certainly an achievement of the RLF. The reality of meeting these objectives actually takes away from the ability to achieve structural change. This is true because the wages paid in these types of retail facilities are low and as a SIC group, they don't advance the economic stage component of structural change.

Planning and RLF Performance

LALDC is a long standing and sophisticated economic development agency that is adept at lending and administering RLF loans from a variety of sources. This is an established agency running multiple RLFs. Planning at both the CEDS and RLF Plan levels contributes to the success of the agency. This in turn contributes to the productiveness of the RLF.

Overall Assessment of the RLF

On a scale of "1" to "10," the LALDC staff rates the RLF a "7" in terms of economic performance: "We are transitioning into a higher performing organization that can sustain itself without subsidy. To get a '10,' I feel we should be able to cover our loan losses, like a bank." On the same scale, the staff rates the RLF a "10" in terms of its qualitative impact on the community: " We've accomplished things people didn't think we could do on the neighborhood level." The LALDC staff believes that the RLF has been "immensely successful" since 1995. The measurement of success is based upon (1) the improved quality of the portfolio, (2) the broader range of clients, and (3) the amount of additional private capital leveraged. When asked how the RLF could have been more successful, the LALDC staff replied that it is difficult to separate EDA's RLF from the others; however, from a banking perspective, it would help to have the ability to "securitize" RLF assets.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	06/10/80
YEAR OF GRANT	1979, 1983, 1985		Years to Distribute	6.8 years
LOAN-TO-GRANT RATIO	3.0:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	1,685,000	953,182	0	2,638,182

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 ($)	Private-Sector Funds ($)
	78	0 / 0	4 / 7	22 /16	1.0	7,922,590	3,096,369	16,152,107

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	70	29	19	65	16

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
992	717	1,709	0.9: 1	2.0: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
74	2	54	3
Cost/Job, EDA ($)	606	**Cost/Job, RLF ($)**	949

Southeast Idaho Council of Governments

Project No. 07-39-02770.02
Project Location .... Pocatello, Idaho
Contact Persons .... Karen Corrigan; Sheila Owens
Phone Number .... (208) 233-4032, ext. 15
Year of Grant(s) 1984, 1991

Hess Pumice produces various grades of pumice for use in a wide variety of products, including cosmetics, sealant, computer monitors, etc. The plant is located in an industrial park in Oneida County. The company has received three EDA-RLF loans: one for $127,000 in 1989, another for $100,000 in 1995 (both of which have been fully repaid), and a more recent loan for $200,000. The latter loan has created 40 new jobs, 10 for minorities and 10 for women.

Socioeconomic Profile

The EDA RLF is managed by the Southeast Idaho Council of Governments (SICOG). SICOG serves seven counties located in southeastern Idaho: Bannock, Bear Lake, Bingham, Caribou, Franklin, Oneida, and Power. The area had a population of 154,007 in 2000—a 12.9 percent increase from the 1990 population of 136,466. All counties experienced population growth. Four counties experienced double-digit rates of population increase: Bingham (11.0 percent), Bannock (14.4 percent), Oneida (18.1 percent), and Franklin (22.7 percent). In 1994, the area's unemployment rate was 6.0 percent—approximately 107 percent of the state unemployment rate (5.6 percent) and 98 percent of the national unemployment rate (6.1 percent). County unemployment rates ranged from 3.6 percent in Franklin County, to 7.6 percent in Caribou County. Per capita income for the area was $15,124 in 1993—approximately 86 percent of the state per capita income ($17,512) and 73 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 13.6 percent, compared with 12.6 percent for Idaho and 13.8 percent for the United States. County poverty rates ranged from 9.2 percent in Caribou County, to 15.4 percent in Power County. Estimated median household income ranged from $29,379 in Bear Lake County, to $39,567 in Caribou County, compared with $32,003 for the state and $34,076 for the nation.

Background to the EDA Effort

SICOG's RLF was originally funded in 1984 with a $600,000 grant from EDA and a $400,000 local match. The RLF was recapitalized around 1991 with another $500,000 from EDA. During the mid- to late-1980s, the region experienced a restructuring of its economy. Union and other high-paying jobs dwindled, natural-resource-based industries floundered, and unemployment rates rose. Average wages declined and both small and large businesses faced a tighter money market. The region continues to face many of these problems. Although the unemployment rate has declined, wages in the region are still lower than wages in other parts of the country. Natural-resource-based industries, including agriculture, are still facing lower prices and slower markets. As large industrial firms in the region downsized, closed, or left the region, small businesses (particularly those in the retail and service sectors) took their place. Private capital, particularly working capital, for these small businesses became largely unavailable without public participation. To spur economic regeneration of the area, SICOG's CEDS promotes efforts to improve community infrastructure, increase tourism opportunities, support value-added agricultural industries, provide technical assistance and comprehensive planning to local communities, and strengthen communities that suffer leakage of retail trade to nearby urban centers (e.g., Salt Lake City, Utah). SICOG also helps communities access funding from other sources and develop cooperative working relationships with research and development personnel at the Idaho Nuclear Energy and Environmental Laboratory and Idaho State University. The 1999 CEDS was approved by SICOG on June 30, 1999. The purpose of the EDA RLF is to provide another source of funds for employers who cannot get adequate capital from private lenders. Recently, all of SICOG's RLF loans were made to small businesses that were referred by commercial or other public lenders. SICOG currently makes RLF loans at 2 percent over the prime rate. On loans that SICOG packages and funds along with private lenders, SICOG tries to make its loan at the same rate as that of the private lender(s).

The CEDS and the RLF Plan

The RLF Plan stresses the provision of loans and financial packaging services to businesses creating new jobs (particularly in downtown areas undergoing revitalization) for the long-term unemployed and for minorities and women. The plan also emphasizes loans that promote tourism and provide retail goods and services, particularly for the growing market of young people in the region. The plan promotes using RLF loans to diversify the area's economy (see Direct RLF-Related Results) and to acquire and renovate blighted vacant or abandoned properties, particularly in downtown areas undergoing revitalization. Members of the business community, including members of local chambers of commerce, are well represented on the SICOG Board, and SICOG works with local workforce-development programs to refer long-term unemployed and low-income persons to area employers. There is close interaction between staff members preparing the CEDS and the RLF Plan. In addition, SICOG's Board of Directors, whose members represent the 30 cities and seven counties in the region and a broad array of business and civic interests, approves both the RLF Plan and the CEDS. The original RLF Plan was adopted in 1984; it was amended in 1991 and, again, in 1998. Accordingly, the RLF staff is confident that the current plan addresses, to the maximum extent possible, the current economic adjustment problem in the region.

The Role Played by EDA

The RLF staff is confident that without the EDA assistance, the funded projects could not have leveraged the remaining loan funds required for start-up or expansion. This assessment was largely confirmed by the owners of the two businesses visited. The RLF staff reports that all contacts with the EDR and the EDA regional offices have been positive but that these offices are inadequately funded to provide the level of support often needed. For example, although SICOG's amended RLF Plan was submitted almost a year ago, the RLF staff had not heard by the date of the site visit whether or not the plan had been accepted by EDA. The problem, according to the RLF staff, is not unresponsiveness but an overworked EDA staff. The RLF staff feels that the EDA RLF is important because it is one of the EDA programs that directly helps private businesses: i.e., other EDA programs support public works projects. EDA could make the RLF more successful if it were to develop annual, electronically filed reports and a universal loan program on the Web that RLF staff could use (to calculate loan payments, principal, interest, and loan balance; to file all information required to make a loan or to receive payments; to obtain information on insurance renewal dates, dollar amounts of hazard and life insurance coverage, a listing of other lienholders; and UCC data). The RLF staff also feels that EDA should allow more local control over the RLF program; review its regulations to make sure they are necessary; change its loan objectives, missions, and regulations to better reflect current conditions in rural economies; and allow RLF programs to count the owner as an employee ("as with USDA").

Direct RLF-Related Results

The RLF staff reports no difficulty in defining or counting the 399 jobs created or retained. The staff is not confident, however, that these jobs are net new jobs instead of relocation or replacement jobs because the region's population has grown at the same time that large firms have closed their doors and been replaced. Hence, while there are certainly new jobs, "there must be some relocation or replacement jobs as well." The staff also reports that there is a problem in defining and counting the $6,461,700 of private-sector investment leveraged because the staff does not, and is not required to, maintain this data. The RLF capital base is $1.3 million. The RLF staff has the base of reference for adequate growth of the capital base. The staff believes that fewer EDA restrictions on lending could "loosen the money lent and increase the interest gained." The staff recognizes that there is a trade-off between making risky loans and maintaining a well-performing portfolio, and it deals with the trade-off by looking for strong borrower character, secure collateral, personal guarantees, key-man life insurance, and hazard insurance. Lending activities have supported both the RLF Plan and the CEDS. In 1999, for example, the program funded two downtown commercial businesses and remodeling of three buildings in, or close to, downtown areas; a barley-pearlizing business and an oat-flaking business; a minority-owned business enterprise; and a family-owned business operated and managed by women. The average wage of the jobs created or retained is approximately $8.00 per hour, generally exceeding the average wage in the region. The RLF staff states that supporting data is not available because SICOG is not required to gather it. The EDA RLF has increased the diversity of industries in the region by funding, for instance, pumice plants, a horse-trailer manufacturer, a potato-equipment manufacturer, a temporary personnel firm, a helmet manufacturer, a private aviation firm, a modular-home and modular-office manufacturer, and others. The region's dominant stages of production before the EDA RLF grant consisted of a mix of the primary-production and simple-manufacturing stages, and this has not changed significantly. The RLF staff adds that although the RLF is very helpful in dealing with the region's economic adjustment problem, it would be unrealistic to think that a $1.5 million loan program could radically change the economy of a 10,000-square-mile region.

RLF Management

The RLF has not created networks between the business community and other financial providers, but it has been an active participant in existing networks. The SICOG loan officer has spoken to banking groups, business-service groups, chambers of commerce, etc., during the past year. The RLF staff also is establishing strong working relationships with other public lenders, relationships that had been nonexistent or had eroded in the past. SICOG administers four separate RLF loan programs: the EDA RLF, a Rural Development Alliance RLF, and two USD RLFs. Wells Fargo Bank, First Security Bank and Bank of America have matched public funds in these programs. As of 1998, $3.1 million have been lent by the EDA RLF, and approximately $1 million dollars have been lent by the USDA and RDA RLFs. There is approximately $1 million presently available for lending. None of the RLF's administrative activities are subcontracted. The staff feels that the RLFs are financially sustainable because revenues are sufficient to sustain a staff member, pay administrative costs, and make loans. SICOG has 25 full- and part-time employees, one of whom (full-time) is paid exclusively by the RLF. Since 1985, there have been more than six RLF-loan managers, most of whom left to take similar but higher-paying jobs in the private sector. SICOG's RLF Loan Fund Committee has eight members, including two women and six men. There is one minority member on the committee. Interests represented include farming, retailing, business organizations, elected officials, migrant workers, and banking. Ex officio members include the SICOG's loan officer, executive director, and fiscal officer. The RLF staff feels that "given the small size of the original grant and the number of years the program has been in operation," the frequency (semiannual) and detail of reporting required by EDA is burdensome.

Planning and Structural Change

The CEDS and the RLF Plan both call for and attempt to implement economic diversity. For the most part, in the served counties, this is accomplished. In only one case, Franklin County, is the county sufficiently small (≈210,000 population) and the aggregate RLF loans sufficiently large (≈$500,000) that an impact on structural change could take place. Otherwise, there is a modest amount of loan activity in larger counties and much less loan activity in similar size or smaller counties than Franklin County. Structural change cannot be caused by the EDA RLF in these locations.

Planning and RLF Performance

Planning, as evidenced by the CEDS and the RLF Plan, does not significantly affect the performance of the RLF because SICOG runs multiple RLFs in a way reflecting the financial industry. Both the CEDS and the RLF Plan serve to structure lending activities, but overall, the RLF performance is determined by the diligence of the loan manager who typically has been trained and employed in the banking industry prior to coming to the RLF.

Overall Assessment of the RLF

The RLF staff gives the RLF a rating of "10" (the highest rating), particularly regarding loans made during 1999. The staff points to the fact that all loans are current in terms of payments. Relative to the RLF's qualitative impact on the region, the staff gives the RLF a rating of "7" based on job creation, support given to minority-owned and women-owned businesses, support given to downtown revitalization, and support given to other goals of the CEDS and RLF Plan. Overall, the staff considers the RLF to be very successful, based on the criteria mentioned above and the sound growth of the fund. The staff believes that the RLF could have been more successful if it had more money to lend and sufficient funds to provide technical assistance and undertake a more aggressive marketing program.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	06/05/85
YEAR OF GRANT	1984, 1991		Years to Distribute	N/A
LOAN-TO-GRANT RATIO	4.7:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	600,000	0	400,000	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 ($)	Private-Sector Funds ($)
	42	2 / 2	12 /10	2 / 2	2.1	4,665,500	1,276,958	6,461,700

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

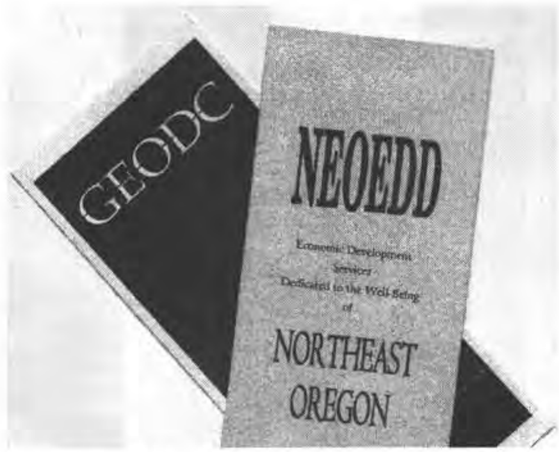
Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
15	39	14	22	30	11

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
219	180	399	0.7: 1	1.4: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
5	13	0	3
Cost/Job, EDA ($)	777	**Cost/Job, RLF ($)**	1,294

Greater Eastern Oregon Development Corporation and Northeast Oregon Economic Development District

Project No. **07-39-02935.01**
Project Location .... **Pendleton, Oregon**
Contact Persons .... **Lisa Breckenridge**
Phone Number **541-276-6745**
Year of Grant **1986, 1989**



NEOEDD and GEODC are two independent regional (multicounty) organizations that came together in partnership to apply for an EDA RLF grant. While they submit a single report to EDA, they administer and market their programs independently, coordinating and cooperating as necessary to ensure that potential clients are properly served.

Socioeconomic Profile

The EDA RLF managed by the Greater Eastern Oregon Development Corporation (GEODC) serves three counties located in eastern Oregon: Baker, Union, and Wallowa. Northeast Oregon Economic Development District (NEOEDD) serves five counties located in northern Oregon: Gilliam, Grant, Morrow, Umatilla, and Wheeler. The area served by GEODC and NEOEDD had a population of 141,437 in 2000—a 14.4 percent increase from the 1990 population of 123,666. Population growth ranged from 4 percent in Grant County, to 38 percent in Morrow County. However, most counties experienced rates of population increase between 8 percent (Wallowa County) and 20 percent (Gilliam County). In 1994, the area's unemployment rate was 7.3 percent—approximately 135 percent of the state unemployment rate (5.4 percent) and 120 percent of the national unemployment rate (6.1 percent). County unemployment rates ranged from 3.9 percent in Gilliam County, to 11.6 percent in Wheeler County. Per capita income for the area was $16,614 in 1993—approximately 85 percent of the state per capita income ($19,437) and 80 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 15.3 percent, compared with 12.5 percent for Oregon and 13.8 percent for the United States. County poverty rates ranged from 7.4 percent in Gilliam County, to 17.0 percent in Umatilla County. The estimated median household income ranged from $22,037 in Wheeler County, to $33,403 in Gilliam County, compared with $34,533 for the state and $34,076 for the nation.

Background to the EDA Effort

The RLF was originally funded by EDA in 1986 with a grant of $400,000, matched by $149,000 in grantee funds. It was recapitalized in 1989 with an additional $300,000 in EDA funds and an additional $110,100 in grantee matching funds, for a total 1989 program of $959,100. The GEODC/NEOEDD region, particularly its rural areas, had been severely affected by the recession of the early 1980s. The lumber and wood products industry experienced an unemployment rate of more than 50 percent. The agriculture and food-processing industry was hit hard as well. Most of the eight counties had double-digit unemployment rates, and per capita income was between 75 and 80 percent of the national average. The effects of the recession were worsened by global forces (e.g., the influx of Asian farm produce) and changes in domestic policy (e.g., limitations on timbering). RLF funds were needed because many banks began disinvesting in the region in the early 1980s, and many parts of the region, the RLF staff feels, has been redlined by the banking industry. The unavailability of loans for business start-ups and expansions was particularly acute. The loss of Amtrak service in 1997 added to the region's problems. Although I-84 provides adequate access to transportation for the counties in which it is located, more distant counties (which are also some of the most distressed in the state) are further disadvantaged by a lack of adequate infrastructure for transportation. Despite several high-growth communities in the area, most of these problems still exist. The CEDS, approved in 1999, includes a strategy for economic regeneration of the area that focuses on creating industrial diversity to replace the region's former dependence on timber and agriculture. Fortunately, lumber and wood-product workers have transferable employability skills (e.g., problem-solving skills, teamwork skills, etc.). Other advantages include the region's colleges and arts communities (especially Native American arts). It also helps that competition in the banking industry has increased the willingness of community banks to make commercial loans.

The CEDS and the RLF Plan

The RLF Plan was first approved originally in 1986 and revised in 1994. The plan supports the regeneration strategy for diversification by focusing lending activities on small businesses in a variety of sectors, on businesses that "add value" (particularly to agricultural and wood products), and on businesses that fill gaps in local markets. The same staff person who prepares the RLF Plan prepares the CEDS, thus ensuring that the policy and programmatic foci of both documents are well integrated and coordinated. While the RLF staff can understand why, in an area undergoing rapid change, the economic adjustment problem and RLF funding might not be fully reflected in the area's RLF Plan, they state that this is not the case with the GEODC/NEOEDD program—this area's economic adjustment problem has not changed substantially, particularly since the 1994 plan revision.

The Role Played by EDA

The RLF staff states that the projects supported by RLF funds could not have been undertaken without assistance because there simply was no capital available to fund them. The GEODC staff feels that it has "the best EDR (in Portland, Oregon) in the United States, a tireless advocate for us and each EDD in the state." The staff also feels that the support it receives from the EDA regional office (in Seattle, Washington) has a positive impact. The unique aspect of the EDA RLF is that, unlike other EDA-funded programs, the RLF program makes loans directly to businesses, not to public agencies. The staff suggests that EDA could make the GEODC/NEOEDD RLF more successful by, first, allowing more flexibility—the current maximum loan amount is $150,000. Second, the staff feels that the Davis-Bacon requirement should be removed as it now applies to small loans because the requirement all but eliminates small construction loans: "The labor rates are so high that borrowers cannot afford them." Third, EDA should provide funding to the EDD technical assistance so that financial, human resource, and managerial assistance can be provided to loan recipients on an ongoing basis. According to staff, most loan recipients have never run a business and have no bookkeeping experience, making most RLF loans riskier than necessary. The GEODC and NEOEDD staffs feel that the EDA planning grant is the most important help given to the agency.

Direct RLF-Related Results

The RLF staff indicates that it has difficulty in defining and counting the 465 jobs created or retained by the RLF. Less than half of the loan recipients respond to requests for that information after the loan has been made, and some do not have the internal bookkeeping necessary to stay abreast of such data. Information on gender and race of workers also is hard to acquire. In addition, the staff reports that in some loan situations it is difficult to determine which jobs are created and which are retained. Finally, the staff is not convinced that the number of jobs created or retained is the best measure for judging the success of an RLF. The staff is certain, however, that the jobs gained through RLF lending are new jobs, not relocation or replacement jobs: "We don't get 'relocated' jobs here because the cost of doing business here is too high." The staff reports no difficulty in defining or counting the $8.2 million of private-sector investment leveraged by the RLF. The RLF's capital base is $1.134 million, and the average annual growth rate of the fund is 1.6 percent, which the staff states "is very low but growing every year." The staff feels, however, that growth of the fund should not be an important criteria for judging the success of the RLF, particularly if the implementing agency has to use RLF interest and fees to pay some of the program's costs. The rate of growth of the fund could be enhanced with an infusion of additional funds. Regarding the trade-off between making risky loans and maintaining a well-performing portfolio, the staff states, "We aren't in the banking business. We're in the economic development business. Therefore, the risk we are most concerned about is whether or not the project has strong potential to produce economic benefits. Regarding the risk in terms of loan payback, we look for a sound business plan and owner's equity in the business, particularly for start-ups." Most of the RLF jobs are paying "about the same" as other jobs available in the region. The staff believes that the RLF has increased economic diversity, citing, as examples, a water bottler, a high-technology company, a tourism service, a small retail store, a small manufacturer, and a nursing home. The staff feels that the RLF has been particularly successful in facilitating economic diversity in small communities. For example, in Enterprise and Joseph, the program funded two of three bronze foundries that supply bronze to customers nationwide. The staff tries to make loans that will "diversify away from" seasonal tourism and wood products. Before the RLF grant became available, the dominant stages of production in the region were primary production, particularly in agriculture and timbering, and services (e.g., government). The region is still split between these two stages. The staff believes that the EDA RLF grant has been instrumental in *gradually* moving some communities, like those in Baker County, out of the primary-production stage, but the region as a whole has "a ways to go." Regardless, the staff feels that the program has been "very successful."

RLF Management

The RLF staff feels that it is very close to other "lending partners, such as the banks, in the region," and the staff occasionally makes presentations to chambers of commerce, civic clubs, and other groups. In terms of developing partnerships with other RLFs, the GEODC/NEOEDD is, itself, a partnership covering northeastern Oregon, and it works closely and shares information with other RLFs in the state. GEODC administers four RLFs totaling approximately $5 million: the EDA RLF, a USDA-IRP RLF, an SBA 504 RLF, and a multicounty, microloan RLF. GEODC administers two RLFs: the EDA RLF and a USDA-IRP RLF. The RLF activities are not subcontracted. The staff states that the RLF is not financially sustainable without the EDA planning grant and other programs that cover portions of the RLF staff's time. GEODC and NEOEDD, together, have 10 staff members, all of whom allot some time to the RLF. No staff member is paid exclusively by the RLF (at GEODC, the EDA RLF pays approximately 3 percent of the total payroll). Staff turnover has not been high, although the present loan officer was just recently hired. The two organizations have separate loan boards. GEODC's Loan Board has 25 members. The board members include several public officials and businesspeople. NEOEDD's Loan Fund Committee has seven members. The committee membership includes two county commissioners, two bankers, one business owner, one rancher, and one representative of the state employment office. The staff likes the automated form created by the EDA's Seattle office but makes several suggestions: "GEODC and NEOEDD should be able to prepare individual reports instead of a consolidated report; both organizations should be on an annual reporting basis, not semiannual; the fiscal year of reports should be optional; and old EDA forms should be updated."

Planning and Structural Change

The CEDS and the RLF Plan focus primarily on securing diversity of employment in the region. Diversity of employment, to move away from timbering, primary production, and seasonal tourism, often takes the form of small retailing and personal service establishments. While diversifying employment, these facilities have a tendency to retain the hourly wage at about the same magnitude that it is currently found. Growth in retailing also allows regional imports to diminish. This further contributes to structural change. Increases in diversity and reductions in imports fosters structural change; a lack of wage increases does not. The CEDS and RLF Plan contribute to the former; they also contribute to the latter.

Planning and RLF Performance

Planning through both the CEDS and the RLF Plan targets the activities and potential clients of the RLF. One focus of the GEODC/NEOEDD RLF is economic diversity. The RLF certainly achieves this. The management of the RLF is not, however, deliberately guided by the RLF Plan. The RLF Plan's structure is observed but the EDA RLF is run much like the other RLFs that the agency oversees. No special treatment is given to the EDA RLF due to the requirements of the RLF Plan.

Overall Assessment of the RLF

The GEODC staff believes that the EDA RLF "has not had great impact" on the region's economic performance, but it has had a positive impact on the GEODC and NEOEDD organizations and is a necessary addition to spur economic development. The GEODC staff gives the RLF a rating of "9" (out of a possible "10") in terms of its qualitative impact on certain specific "high-unemployment communities, like Baker County." The NEOEDD staff gives the RLF a rating of "8" in terms of both economic performance and qualitative impact on the community. Overall, both staffs believe that the RLF has been successful because it has created jobs and leveraged other resources. It could have been more successful if the staffs could have provided more technical assistance to borrowers and if the "retired executive corps" were better able to help businesses ("SBA should be a support system for retired executives").

TYPE OF GRANT	LTED	**SCHEDULE** First Distribution from EDA	03/04/87
YEAR OF GRANT	1986, 1989	Years to Distribute	4.0 years
LOAN-TO-GRANT RATIO	2.6:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	700,000	172,000	87,100	959,100

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 ($)	Private-Sector Funds ($)
	81	4 / 3	4 / 5	9 /12	1.6	2,534,151	1,133,701	8,235,775

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 (%)
31	59	10	40	15	45

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
408	57	465	0.4: 1	3.3: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
5	15	8	19
Cost/Job, EDA ($)	899	**Cost/Job, RLF ($)**	1,232

State of Alaska Department of Community and Economic Development

Project No. 07-39-03062.01
Grantee Location .... Juneau, Alaska
Contact .... Greg Winegar
Phone Number .... (907) 465-2510
Year of Grant 1988, 1992,1997, 1998

Socioeconomic Profile

The EDA RLF managed by the State of Alaska Department of Community and Economic Development (DCED) serves the entire state of Alaska. Alaska had a population of 626,932 in 2000—a 14.0 percent increase from the 1990 population of 550,043. In 1994, the state's unemployment rate was 7.8 percent—approximately 128 percent of the national unemployment rate (6.1 percent). Per capita income in Alaska was $23,070 in 1993—approximately 111 percent of the national per capita income ($20,800). In 1995, the state's estimated poverty rate was 10.1 percent, compared with 13.8 percent for the United States. In the same year, the state's estimated median household income was $42,255—approximately 124 percent of the national estimated median household income.

Background to the EDA Effort

When this RLF program was originally funded in 1988, Alaska had been experiencing three significant economic problems: (1) oil supplies in the Alaskan oil fields were running out at the same time that oil prices and oil production worldwide were falling; (2) the timber industry was in decline; and (3) commercial fishing had been facing a number of "run" failures (salmon returning to streams to lay their eggs). These problems still exist and are even more acute: for example, timber mills are shutting down and salmon "farming" in other countries is cutting into the market for Alaskan "wild" salmon. As these industries have experienced decline, tourism has been on the rise. There are more than 100 CEDSs in Alaska, each developed by an individual community or regional agency that is typically quite small and located in a very remote, rural area. The CEDSs are similar, therefore, in terms of the economic adjustment problems they identify and the strategies they employ. The strategies focus on helping small local businesses obtain start-up and/or expansion capital. These businesses have had difficulty obtaining financing from the banks, which adopted conservative lending policies after the failure of five Alaskan banks between 1985 and 1988—either bank loans have not been available or interest rates have been too high.

The CEDS and the RLF Plan

The state's RLF Plan and the CEDS are prepared by separate divisions within the DCED, but the individuals responsible for each document work together to prepare the RLF Plan. An economic development specialist prepares the CEDS; an experienced loan office is responsible for the RLF Plan. The original RLF Plan, approved in 1988, was revised when the RLF was recapitalized in 1992, 1997, and 1998. Revisions to the RLF Plan have been minor because the trends described above have not changed dramatically. There are three key aspects of the regeneration strategy: (1) help to stem the decline in the primary industries discussed above; (2) take advantage of the

Creative Play and Preschool was established in 1985 in Soldotna, AK. It received an RLF loan in 1997 for $100,000 to open a new childcare facility and expand their current operation. The loan created six jobs for the Soldotna area, which has a population of approximately 4,000. This facility has been operating at a profit since it opened and expanded.

rise of the tourism industry; and (3) increase the production of a more diverse array of goods and services. The RLF strategy for achieving these objectives is two-fold: first, provide more and less-expensive capital to small businesses than is generally available from banks; and, second, provide technical assistance to these businesses. The RLF Plan has focused on this strategy while taking particular care to protect the environment and cultural resources, both to meet civic concerns regarding these issues and to conserve the unique amenities that support the growing tourism industry.

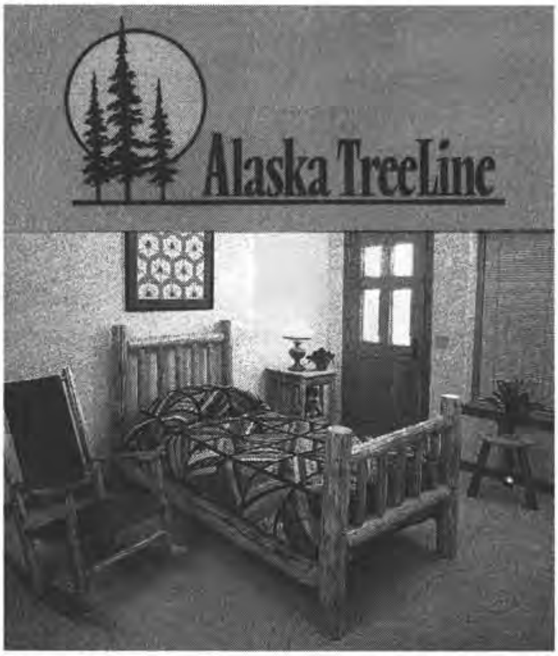
The Role Played by EDA

The RLF staff is convinced that the vast majority of projects supported by RLF loans would not have been undertaken without EDA assistance because, in most cases, banks had already turned down the projects. The staff feels that EDA is providing excellent program support from both its state and regional offices. EDA could further ensure program success by allowing RLFs to set aside a small percentage of total proceeds for "collateral protection," rather than requiring a 100 percent drawdown.

Direct RLF-Related Results

The 1998 semiannual report states that the program has created or retained 365 jobs. Confirmation of most jobs created or retained is made by mail. There have been no major problems in defining or counting jobs, but the further away from the date of the loan that a count is made, the more difficult it is to link new jobs to the loan. While there may be some "replacement" jobs, the RLF staff is confident that most of the jobs created are new jobs. The RLF has leveraged $12.8 million in private-sector investment, and it has a ratio of private-sector to RLF dollars of approximately 3.4:1, "much higher than when the RLF started." There have been no problems defining or counting private-sector investment, and, when needed, the EDA state and regional staffs have been of great help. The RLF capital base is $2.6 million, including the recapitalizations. The average annual growth rate of the RLF capital base, including recapitalizations, is 1.1 percent. In addition to the effects of the recapitalizations, the percentage depends on when the original grant was received (the rate rises slowly in the early years) and on when bad loans are written off. There are several ways in which this growth could be enhanced: (1) raise the interest rate on loans, which the RLF administrator would prefer not to do at the present time; and (2) provide more capital, which the program administrator sees as unlikely given the previous three recapitalizations and the improbability of securing a state match during present tight budget conditions. The Alaska Development and Export Authority (ADEA) is a possible source of funds in the future, and the Western Alaska Program (see RLF Management, below) will probably be merged with this program as its loans are repaid. The RLF staff recognizes that there is a trade-off between making risky loans that implement the CEDS and making more secure loans that contribute to a well-performing loan portfolio. Fortunately, the Alaska DCED has been making loans for years, and, unlike a bank, it has technical-assistance staff available to help borrowers (e.g., in the preparation of business plans), thus improving the likelihood of repayment. The staff admits that the trade-off is "tricky." Generally speaking, however, if a bank is interested in a borrower but is unwilling to assume the entire risk, the investment of RLF funds

Hoonah Auto and Marine was established in 1996 in Hoonah, AK, a commercial fishing port. It received a $55,000 RLF loan and created 2.5 jobs. Prior to the opening of this store, all parts for vessels, autos, four wheelers, snow machines, and even chainsaws had to be flown or barged in.



Custom Woodworking, Inc., was established in 1972 in Fairbanks, AK. This business received a $50,000 RLF expansion loan in 1995. The loan created two additional jobs. This plant has been operating at a profit since it opened and has expanded into the pole furniture business.

is usually a good strategy. The program administrator views the CEDS/RLF-plan linkage as critical in providing focus in lending. The loan division works closely with the staff member preparing the CEDS to ensure that the plan is followed in terms of job creation, diversification achieved, and related strategies. When there is a question or doubt about consistency, the state and regional EDA staffs have been very helpful. The DCED has not undertaken the research necessary to determine the average hourly wage of jobs created and retained by the RLF loans. The RLF administrator suspects that the average wage is about the same as the average wage for similar jobs in the Alaskan communities, perhaps a little lower when the borrower is "strapped." Given the types of business supported by the RLF loans (e.g., restaurants, village general stores, woodworking shops, child-care centers, lodges, mail-order businesses), the economic diversity of many communities has been enhanced, particularly in tourism, but in other areas as well. The dominant stage of production in most Alaskan communities has been primary production, particularly in the oil, timber, and fishing industries. While most communities are still in this primary stage, the RLF has been instrumental in moving communities toward the simple-manufacturing stage (e.g., processing in the fishing industry) and toward the producer-services stage (e.g., tourism).

RLF Management

The RLF board of directors has five members: three constitute the Senior Loan Committee (senior state staff) and two are public members (the President of the Salamatof Native Association and a private consultant). The DCED division responsible for administering this fund, and another RLF fund called the Western Alaska Program (WAP) (funded by EDA in 1999 at $4 million), has 44 employees and very little staff turnover. The RLF used to contract with a bank to receive loan payments, but now the program receives payments directly. No administrative or operating expenses are paid out of either this fund or the WAP fund, thus ensuring that the maximum amount of capital is available for lending and that the funds are financially sound and sustainable. The RLF has established good working relationships with banks, and it is an active participant in networks involving the business community and other financial providers. The RLF also uses the Alaska Business and Development Center (ABDC), a private, nonprofit organization with which the state has a contract for technical assistance, networking, and other assistance to link with other organizations. The RLF works closely with Small Business Development Centers (SBDC), an association supported by the University of Alaska. The RLF staff participates in EDA's annual regional conferences, meeting with state and local attendees on the last day to discuss mutual issues. The RLF cooperates with the Kenai Peninsula Borough Economic Development District's RLF, referring to it any projects from that area, and with the Tanana Chiefs. Having to abide by the wage policies of the Davis-Bacon Act in remote, rural areas "hurts." Also, staff members consider that EDA's reporting procedures might be reviewed. For instance, EDA has a policy that an RLF can "graduate" from semiannual to annual reporting when it has disbursed all of its fund. Because this RLF has been recapitalized three times over the past 11 years, it must continue reporting on a semiannual basis, at no small expense. Second, if on-line reporting is possible, a great deal of time and expense could be saved.

Planning and Structural Change

CEDS in Alaska often cover isolated yet concentrated areas. They almost all call for diversity in the local economy and for movement away from natural resource dependence to high-tech or tourism dependent activities. They further attempt to reduce imports to the state. All of these activities clearly move the jurisdictions involved towards structural change.

The RLF Plan is targeted to small businesses in terms of assuring that they get their share of loan money and technical assistance. This loan fund has supported 43 loans, the vast majority of which are expansion or start-up. The focus of most of the lending has been on personal services and retailing which is increasing employment diversity and keeping per worker wages a pace. Retailing employment does not lower local wages because wages in natural resource industries are already low.

Planning and RLF Performance

The RLF appears to be well-run with relatively low rates of default and write-off. The RLF Plan provides guidance as to where to lend and what criteria loan applicants must meet. Those who prepare the RLF Plan are intimately involved in loan oversight. The RLF Plan clearly affects loan performance.

Overall Assessment of the RLF

The RLF staff rates the performance of the RLF a high "9" on a scale of "1" to "10": "Only two loans have 'gone bad,' but given the risks we take and the fund's high annual growth rate, I think we have done really well." The qualitative impact of the loans on communities varies by the size of the community: "In small communities, particularly, I think we rate '9' as well. For instance, funding a taxi company in a 100-person community would be a big change, but in larger communities, it takes bigger projects and more money to produce significant impacts." The staff considers the present RLF successful when measured according to four criteria: (1) jobs created/retained; (2) provision of new services where there had been none; (3) a low loan-failure rate; and (4) a growing fund. Nothing found during the site visit contradicts this assessment.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	10/12/89
YEAR OF GRANT	1988, 1992, 1997, 1998		Years to Distribute	7.8 years
LOAN-TO-GRANT RATIO	1.6:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	1,676,371	0	736,700	2,413,071

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	2 / 8	7 /12	5 / 7	1.1	3,755,893	2,645,701	12,793,696

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 (%)
21	56	13	7	54	29

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
190	175	365	N/A: 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 (%)
24	36	13	7
Cost/Job, EDA ($)	1,844	**Cost/Job, RLF ($)**	2,655

City of San Diego Economic Development Division

Project No.	07-49-02681
Project Location	San Diego, California
Contact	Mark Sullivan
Phone Number	(619) 236-6235
Year of Grant	1994

Socioeconomic Profile

The EDA RLF managed by the City of San Diego Economic Development Division serves San Diego County, which is located in southern California. San Diego County, the most western county on the Mexican border, had a population of 2,813,833 in 2000—a 12.6 percent increase from the 1990 population of 2,498,016. In 1994, the county's unemployment rate was 7.2 percent—approximately 84 percent of the state unemployment rate (8.6 percent) and 118 percent of the national unemployment rate (6.1 percent). Per capita income in San Diego County was $20,950 in 1993—approximately 96 percent of the state per capita income ($21,895) and 101 percent of the national figure ($20,800). In 1995, the county's estimated poverty rate was 15.5 percent, compared with 16.5 percent for California and 13.8 percent for the United States. The estimated median household income was $37,239—slightly higher than the state's estimated median household income ($36,787) and approximately 124 percent of the national estimated median household income ($34,076).

Background to the EDA Effort

This RLF was established in 1994 with an EDA grant of $750,000, matched by $250,000 from the City of San Diego. It was recapitalized in June 1999 with $1.1 million from banks, $125,000 from the city, and $125,000 from San Diego County. For several years before the EDA grant became available, the area suffered from reductions and shifts in defense contracting. General Dynamics, for example, which employed 33,000 area workers in the 1960s, employed only 7,000 by the late 1980s and closed in 1994. By 1989, a recession loomed, triggered by the reductions in defense contracting. In the early 1990s, these conditions were exacerbated by the fall of the Berlin Wall, a global recession, and the savings-and-loan scandal. In 1991, city revenues decreased dramatically, and an alarmed city council created a blue-ribbon committee of business, civic, and public leaders to develop a strategy to reverse the effects of the above events and to stimulate business development. The city received a DOD-OEA grant to help the area adjust to cutbacks in defense, and the city identified EDA as another possible source of assistance. As a precondition to receiving other EDA funding (e.g., public works grants), EDA required the city to create, with EDA assistance, an RLF program that would be regional in scope. The CEDS was approved in 1998 and specified seven goals: retain existing businesses; attract new industry; foster friendly relations with the business community; increase employment of the disadvantaged and minorities; diversify sectorally, geographically, and demographically; expand the fiscal base of local governments; and expand international trade. While the effects of a mean four-year recession are still being felt, they are "geographically isolated" in the region. The city, for instance, is now a "growing high-tech center, particularly for manufacturing of electronic components and for telecommunications." The RLF filled a void in the private capi-

San Diego's RLF loan officer (right) discusses Vectron's successes with its president and CEO. Vectron is a leading designer and manufacturer of innovative leading-edge mechanical, electronic, and image processing equipment. Vectron received a $125,000 RLF loan in 1995. The loan leveraged $260,000 in private-sector investment and $1.293 million in new equity. The loan created 11 jobs and saved three pre-loan jobs. Of the 14 total jobs, minority employees fill four and women fill six.

tal market by providing funds for transactions that were too small to attract venture capital.

The CEDS and the RLF Plan

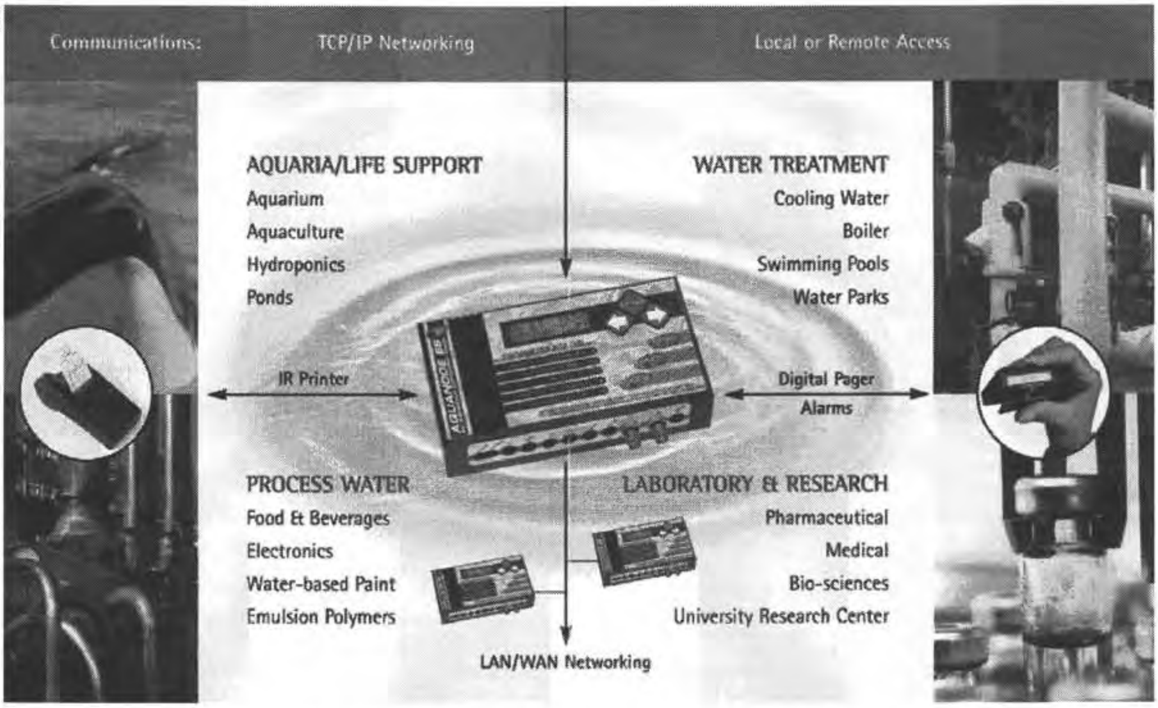
The RLF Plan supports are the following key aspects of the regeneration strategy: (1) promoting business retention and expansion and (2) promoting economic diversity. The original RLF Plan was developed in 1994, primarily as a response to defense downsizing. Therefore, its overall strategy was to provide seed capital to former defense workers to commercialize defense technology. Because so much has been accomplished in that regard, the RLF Plan can now also address other issues, including the need for technical assistance to businesses, the lack of growth capital at the "small end" of the market, and the need to help businesses that are not benefiting from the current economic boom. There was a well-documented business development strategy (formulated by the blue-ribbon committee) before the RLF's inception. The RLF loan officer prepares the RLF Plan. The loan officer's immediate supervisor is responsible for coordinating preparation of the RLF Plan and the CEDS (the latter for approval by the CEDS committee). The original RLF Plan was approved in 1994 and was later modified to deal with "minor technical issues." The focus of the plan remains on defense conversion and diversification. Because EDA allows flexibility in the RLF Plan, the staff has not felt it necessary to modify the plan frequently to reflect the ever-changing nature of the adjustment problem, particularly when the focus of the program has remained largely unchanged.

The Role Played by EDA

The RLF staff does not believe that the projects supported by RLF loans would have been undertaken without that support, and those projects that might have moved ahead would have done so at a slower rate. Regarding support from the EDR and the EDA regional office, the staff states that it gets all the support it needs. Although the city receives financial assistance from other EDA programs, the staff finds the RLF unique because it provides assistance directly to businesses. The staff suggests that EDA could make the program more successful by (1) permitting equity interest; (2) providing for follow-on funding if the program has proved to be valuable, thus "allowing us to become financially sustainable"; and (3) providing funds to the program for technical assistance, "because technical-assistance organizations that are independent of the program usually cannot provide the quality of business-development assistance that high-tech entrepreneurs, the primary targets of this program, need."

Direct RLF-Related Results

The staff reports no difficulty in defining the 86 jobs created or retained, but it does encounter problems in counting these jobs: "High-tech jobs will come and go. Plus, these companies hire a lot of consultants and often farm out manufacturing of their products, so we don't know how many jobs are created this way. I'm sure we don't capture *all* the jobs generated. Also, we stop counting when the loan is paid." The staff is confident that the jobs are net new jobs, not relocation or replacement jobs. While the staff has no difficulty counting the $985,000 in private-sector investment, it does not like the fact that EDA "doesn't let us count post-loan investment, or follow-on capital." The RLF capital base is $954,417, but the staff states that this is misleading: "We purchase warrants on stock to 'shadow' the value of the underlying stock, but we are not allowed to count the value of these warrants in calculating the capital base of the RLF even though, in reality, they may add considerably to the value and growth of the fund. We eventually sell the warrants; we never exercise them." Staff states that there is a trade-off between making risky loans with linkage to the adjustment strategy and loans that contribute to a well-performing portfolio, but adds, "You've got to run the program based on the goal of getting the loan repaid. We use 'yield enhancement' mechanisms (e.g., warrants) that allow



Aquadine Computer Corporation, established in 1993, develops, markets, and supports the next generation of low-cost, multiparameter water quality monitoring, alarming, and control devices. The company received an RLF loan in 1995 for $160,000. The loan leveraged $97,000 in private-sector investment and $400,000 in new equity, and it created four jobs and saved four jobs. The company employs one minority and one woman.

us to participate in successes." Regarding the amount of the average hourly wage of jobs created/retained by the RLF, the staff feels that most of these jobs "are about wealth creation, not wages." The staff does not think that the 10 RLF loans made by the program to date have, or could have, significantly increased either the diversity of industries or the mix and availability of retail goods and services in an area the size of San Diego: "The fund is much too small right now." Before the availability of RLF grant, production in the San Diego area was in the fabricative-manufacturing stage, and the staff feels that production is now in the producer-services stage. The staff also feels that the EDA RLF program has been "symbolically" instrumental in the transition but not a substantially instrumental force because of the small size of the fund.

RLF Management

The RLF staff believes that, as a result of its efforts to build credibility in the financial and business communities, it is now viewed largely as part of a network that includes, among others, the San Diego Venture Group (venture capitalists); the San Diego Band of Angels, a financial support group for businesses; the University of California at San Diego's CONNECT, a business network; and the San Diego Software and Internet Council. The RLF works in partnership with another EDA RLF—the Southeast San Diego Metro EZ Loan Fund—with which the city is co-grantee. In addition, the Los Angeles Local Development Corporation (LALDC) helped the RLF, in its early stages; the RLF, in turn, has helped the LALDC in recent years. The RLF subcontracts its legal services, and its credit-underwriting, business-plan evaluation, and technology-assessment services. The staff believes that the RLF, to be financially sustainable, needs to be able to draw between $250,000 and $350,000 from the fund for program expenses. At the present time, it is able to draw approximately $150,000. None of the 24 employees in the Economic Development Division are paid exclusively out of the RLF. The fund pays for approximately 30 percent of three positions. The RLF has had the same program manager since its inception, but there has been some staff turnover in other positions. The staff finds EDA's reporting procedures reasonable: "Especially since they automated the report in WordPerfect."

Planning and Structural Change

Both the CEDS and the RLF Plan focus on diversity of the local economy and movement away from defense dependent industries. The CEDS has this as its primary thrust; the RLF Plan seeks out smaller high-tech businesses (particularly those that are minority-owned). Minority ownership is present in one-quarter of the loans tendered thus far. While this is a small loan program ($1 million) in a county of close to three million people, its entire basis is to create structural change. The number of new employees is too small to affect structural change, but the planning for economic development is absolutely focused in this direction.

Planning and RLF Performance

The RLF Plan has targeted small businesses as its primary market. None of the current eight loans are delinquent or in default, although one prior loan has been written-off. Most major RLF oversight on report-producing tasks are contracted out, yet the RLF Plan clearly guides the direction and purpose of loan granting. At this site, RLF performance is affected by and not indifferent to the RLF Plan.

Overall Assessment of the RLF

When asked to evaluate the economic performance of the EDA RLF against that of other government programs, the staff awards a rating of "10" out of "10"; when asked to evaluate the RLF against those of the private sector (banks, venture capitalists, etc.), the staff awards a rating of "5" out of "10." The staff also rates the RLF a "5" in terms of its qualitative impact on the area: "The RLF simply does not have the scale of dollars necessary to have a discernible impact—it's a pea in the pod for the San Diego region." The staff adds that the real significance of the RLF lies in its symbolic value: "It symbolizes the city government's commitment to improving the area's high-tech entrepreneurial economy, and this has helped to create a business-friendly atmosphere that hadn't existed before." The staff believes that the RLF has been successful because it has leveraged money—capital investment—from the private sector. The staff also believes that the RLF could have been more successful, if its operating budget had been large enough to enable it to become a separate nonprofit organization. Such a change, the staff believes, would raise its stature and visibility in the business community and reduce the burden of bureaucracy that the RLF bears as part of a large-scale government organization.

TYPE OF GRANT		Defense Adjustment		**SCHEDULE**	First Distribution from EDA		10/21/94	
YEAR OF GRANT		1994			Years to Distribute		3.0 years	
LOAN-TO-GRANT RATIO		1.0:1			Up and Running		Yes	
					Produced Jobs		Yes	
PROJECT-RELATED GRANT SUPPORT								
Grant ($)	**EDA**		**Applicant**		**Other**		**Total**	
	750,000		250,000		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 ($)	Private-Sector Funds ($)
	8	0 / 0	0 / 0	13 /15	- 1.2	1,030,000	954,417	984,815
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 (%)	
4	77		19	85		0	15	
Jobs Created	Jobs Retained		Total Jobs	Public-Sector Leverage		Private-Sector Leverage		
37	49		86	0.0: 1		1.0: 1		
% of Jobs to Minority Workers		% of Jobs to Female Workers		% of Loans to Minority-Owned Businesses (%)		% of Loans to Female-Owned Businesses (%)		
23		19		27		0		
Cost/Job, EDA ($)		2,929		**Cost/Job, RLF ($)**		3,905		

City of Fort Worth

Project No. 08-39-02250
Project Location .... Fort Worth, Texas
Contact .... Beth Andrews Boyer
Phone Number .... (817) 336-6420
Year of Grant 1980

In January 1996, Scampi's Mediterranean Cafe received a $25,000 start-up RLF loan that leveraged $25,000 in private funds and $5,000 in equity. This loan created six jobs including four jobs held by minority employees.

Socioeconomic Profile

The EDA RLF managed by the City of Fort Worth serves the city of Fort Worth located in northeastern Texas about 33 miles west of Dallas. Fort Worth is a commercial and transportation center of a stock-raising and oil-producing region. Fort Worth had a population of 479,716 in 1996—a 7.2 percent increase from the 1990 population of 447,619. In 1996, the city's unemployment rate was 5.1 percent—91 percent of the state unemployment rate (5.6 percent) and 94 percent of the national unemployment rate (5.4 percent). The city's per capita income was $13,162 in 1989—approximately 102 percent of the state per capita income ($12,904) and 91 percent of the national figure ($14,420). In 1989, the city's poverty rate was 17.4 percent, compared with 18.1 percent for Texas and 13.1 percent for the United States. The city's median household income was $26,547—approximately 98 percent of the state's median household income ($27,016) and 88 percent of the national median household income ($30,056).

Background to the EDA Effort

The City of Fort Worth RLF was originally funded in 1980. Within Forth Worth, there had been an increase in the number of low-to-moderate income residents in the Coordinated Neighborhood Revitalization (CNR) areas. The economic distress in the four CNR areas resulted in eligibility for Title IX assistance. The economic adjustment problems that contributed to economic distress included the following: the decline and stagnation of commercial and industrial development in the CNR areas, deteriorating economic conditions and demographic conditions caused by a decrease in the number of jobs available in the CNR areas; the inability of small businesses to secure bank financing, which caused property values to decrease; and the financial burden on small, minority-owned and women-owned businesses, caused by recent bank failures in the CNR areas. In addition to these economic conditions, Fort Worth had been affected by layoffs at Lockheed, Motorola, and American Airlines, and by the closing of Lennox Air Conditioning, Snapper Tools, the Fort Worth State School, and Carwell Air Force Base. All of those events impacted the residents of Fort Worth, especially the low-to-moderate income residents. Since the RLF was established, economic conditions have changed and the area's economy has recovered. However, the CNR areas, while improved, are still economically depressed. Also, the character of the CNR areas has also changed. The areas have become more residential, and the residents are resistant to commercial and industrial developments.

The CEDS and the RLF Plan

The initial RLF Plan was developed in 1978 in response to the conditions described above. In 1994, the RLF was revised to address the changing economic conditions of the area. The revised RLF Plan was initiated and established to achieve numerous

The Best Hat Store received a $192,000 RLF loan that leveraged $288,000 of private-sector investment and created four jobs.

goals. This first was to create new jobs or retain existing jobs in the CNR areas and to improve employment opportunities for low- and moderate-income residents in Fort Worth; especially the residents of the CNR areas. The second goal was to redevelop and recycle blighted or vacant land and facilities in the CNR areas and to rehabilitate, renovate, or adapt deteriorating structures for use in commercial and industrial enterprises in the CNR areas. The third goal was to leverage private development funds for use in the CNR areas for commercial and industrial projects. This would be achieved by obtaining a maximum amount of private investment capital from conventional lending institutions for development projects and by stimulating the investment of private equity capital in commercial and industrial projects. The fourth goal was to establish an EDA-approved guaranteed loan program in cooperation with local financial institutions for higher-risk business loans in the CNR areas. The fifth goal was to provide additional financing opportunities for businesses owned or operated by minorities and women in the CNR areas. The RLF was to be used to provide loan financing for business expansions and start-ups in the target areas.

The Role Played by EDA

EDA provided one million of the $1.5 million initial RLF base. Most of the remainder came from HUD CDBG funds. According to the 1970 U.S. Census, the four CNR areas were among the worst areas in Fort Worth. The areas have been historically redlined and ignored by banking institutions. The RLF loans have provided the gap financing. However, the RLF staff believes that EDA can be too restrictive in their RLF policies. The RLF is restricted to providing loans in only the four CNR areas. In order to lend RLF money to businesses located outside the CNR areas, the RLF staff must obtain special permission from EDA. On all occasions, EDA has denied permission. In one instance, a new business could not find a suitable property inside the CNR areas. Although the applicant found a location directly across the street from the CNR boundary, the request for special permission to provide an RLF loan was rejected by EDA. Thus, although other areas of the city outside the CNR areas could benefit from the use of RLF loans, the city, county, and other municipalities in the region may need to create a new CEDS plan in order to establish the eligibility of those areas. The RLF staff does not believe that policymakers will accomplish this task any time soon.

Direct RLF-Related Results

The RLF staff believes that 241 jobs have been created and an additional 106 jobs have been saved through the RLF. The staff believes that most of these jobs are new, as there have been limited business relocations into these areas. However, the staff acknowledges that it is difficult to verify these numbers be-

Expressions by Sonja is a woman-owned business that received a $40,000 RLF expansion loan in 1997. This loan leveraged $49,946 in private funds and $9,994 in equity. One job was created.

The building where Joe T. Garcia restaurant is located was purchased in 1996 by Lancarte Trust with an RLF loan of $58,000. This loan leveraged $72,500 in private funds and $14,500 in equity. Four jobs have been created.

cause borrowers have little incentive to provide information to them after the loan is approved. However, the staff attempts to verify these numbers by following up with applicants on an annual basis. The staff also relies on the Texas Employment Commission to check employment listings. To date, the RLF has lent $3.4 million and leveraged $6.3 million in private-sector financing. Reflecting the higher risk inherent with the RLF, during the past 20 years, 24 loans worth $785,000 have been written off. In addition, six loans (worth $233,000) are in default.

RLF Management

The City of Fort Worth manages and coordinates the CEDS. The Fort Worth Economic Development Corporation (FW-CITY) administers the RLF, which is one component of the CEDS. In addition, the FW-CITY administers a multicounty, $30 million SBA 504 program, a citywide $250,000 HUD CDBG micro-loan program, and a $7 million HUD 108 program. Five full-time employees employed at the FW-CITY administer those programs. While no one employee works exclusively on the EDA RLF, the revenues from the RLF provide approximately 60 percent of one staff member's salary. The RLF organization has created networks between the business community and other financial providers. A typical loan is structured with the RLF providing 40 percent of the funds, the bank providing 50 percent, and the borrower providing the remaining 10 percent. The RLF loans provide leverage so banks will make somewhat riskier loans. The loan review committee recommends potential loan applicants. Then, after review of the application, the FW-CITY's General Board of Directors either accepts or rejects the applicant.

Planning and Structural Change

The CEDS for the Fort Worth city area (Tarrant County) calls for a movement away from cattle raising and oil refining and diversification of the local economy in the form of attraction of high-tech and service industry firms. The high-tech firms attracted to the city tend to be airport-related and are part of a

In September 1998, Carillo Funeral received a $25,000 RLF start-up loan that leveraged $100,000 in private funds and $17,500 in equity.

mix that includes both openings and closings. The city itself is growing and experiencing a downtown residential revitalization. Structural change is not taking place; residential growth is replacing nonresidential growth. While the city is moving away from a resource-oriented economy, local wages are stagnant or decreasing. Minor service industries and retailing are the only growth as business is slow, especially retailed to residential growth.

Planning and RLF Performance

The RLF is over 20-years old and has close to 40 percent of its loans in default. Loans are granted to fledgling urban businesses reflecting the goals of the RLF Plan. The City of Fort Worth RLF places the bulk of its loans to some of the worst areas of the city. Its goal is to be less concerned about loan performance and concerned more about who is getting the loans. RLF results reflect this emphasis.

Overall Assessment of the RLF

The RLF staff rates the economic performance of the RLF an "8" out of "10" points, citing the approximately 350 jobs created or retained in the region. The staff also rates the RLF's qualitative impact on the community as a "4" out of "10." This lower rating is due to the high turnover in employment and continued economic depression in the area. As mentioned earlier, the area has slowly become a more residential area. As such, manufacturing employment has left the area, leaving behind only low-skilled, local service employment; for example, restaurants, day-care centers, and small grocery stores. According to the RLF staff, "the EDA pool did not revitalize these areas, but they are certainly better off than similar areas with the support."

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	02/02/83
YEAR OF GRANT	1980		Years to Distribute	6.3 years
LOAN-TO-GRANT RATIO	2.2:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	**EDA**	**Applicant**	**Other**	**Total**
	1,000,000	490,000	64,414	1,554,414

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 ($)	Private-Sector Funds ($)
	61	0 / 0	10 / 7	39 /23	- 1.5	3,390,916	1,202,372	6,346,371

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 (%)
26	57	18	34	49	18
Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage	
241	106	347	0.0: 1	1.9: 1	

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
55	2	41	30
Cost/Job, EDA ($)	5,652	**Cost/Job, RLF ($)**	8,785

South Central Planning and Development Commission

Project No. 08-59-02912
Project Location .... Thibodaux, Louisiana
Contact .... Kevin Belanger
Phone Number .... (504) 851-2900
Year of Grant 1994, 1998

Shelby Gaudet Contractors, Inc., is a company located in Belle Rose, LA, which received a $61,030 RLF expansion loan in 1997. This loan leveraged $193,679 in private funding and created 10 additional jobs.

Socioeconomic Profile

The EDA RLF managed by the South Central Planning and Development Commission (SCPDC) serves five parishes[1] located in southeastern Louisiana: Assumption, Lafourche, St. Charles, St. James, and St. John the Baptist. The area had a population of 225,694 in 2000—a 6.5 percent increase from the 1990 population of 211,925. All parishes experienced population growth. St. Charles Parish's population increased by 13.8 percent. The remaining parishes experienced rates of population growth ranging from 1.2 percent in Assumption Parish, to 5.7 percent in St. John the Baptist Parish. In 1994, the area's unemployment rate was 8.5 percent—approximately 106 percent of the state unemployment rate (8.0 percent) and 139 percent of the national unemployment rate (6.1 percent). Parish unemployment rates ranged from 7.0 percent in Lafourche Parish, to 12.8 percent in St. James Parish. Per capita income for the area was $15,045 in 1993—approximately 91 percent of the state per capita income ($16,612) and 72 percent of the national figure ($20,800). Per capita income in the parishes ranged from $12,986 in Assumption Parish, to $17,999 in St. Charles Parish. In 1995, the area's estimated poverty rate was 17.7 percent, compared with 21.2 percent for Louisiana and 13.8 percent for the United States. Parish poverty rates ranged from 12.7 percent in St. Charles Parish, to 22.0 percent in Assumption Parish. Estimated median household income ranged from $26,381 in Assumption Parish, to $38,940 in St. Charles Parish, compared with $27,265 for the state and $34,076 for the nation.

[1] The U.S. Census views parishes to be equivalent to counties in terms of geographic coverage of a state.

Background to the EDA Effort

Since the 1980s, the SCPDC district has been a Long-Term Economic Deterioration (LTED) area. The district's economy is tied to the extraction of nonrenewable oil and natural gas; catching shrimp and other marine and freshwater fish and crustaceans; and growing sugarcane and other crops. Except for a few chemical and fabrication plants serving the energy industry, the district primarily relies on producing raw materials, with little significant value-added activity. In addition, the region's economy, which is largely dependant on energy and natural resources (especially seafood), collapsed due to the recession of the mid-1980s—approximately 9 percent of the area's businesses failed between 1985 and 1989. As a result, much of the population was virtually unemployable but lacked the resources to go elsewhere. In 1993, after being hit by Hurricane Andrew—the sixth most devastating hurricane, in terms of damage and deaths, to strike the United States during the past century—the SCPDC district was declared a Federal Natural Disaster Area and eligible for SSED assistance. As recently as 1995, the district's poverty rate, while lower than the rate in surrounding areas, was 17.7 percent, compared with 13.8 percent for the United States. Initially established in 1994 with a $1,000,000 grant, the RLF was recapitalized in 1997 with an additional $568,000, for a total EDA investment of $1,568,000. The RLF was part of a larger, comprehensive Disaster Recovery Strategy which included: the RLF grant; a special-purpose, post–Hurricane Andrew SSED grant; the establishment of a Procurement Technical Assistance Center (PTAC) program; and "Hurricane Andrew Post-Mortem Meetings" bringing together representatives of the region's municipalities and parishes. Although the recovery strategy originally concentrated on the immediate effects of the hurricane, over time, the strategy has been linked to the district's CEDS planning process.

The CEDS and the RLF Plan

Initially, RLF loans were targeted to aid in the recovery from Hurricane Andrew by stabilizing and expanding affected businesses to retain and create jobs for displaced workers. Afterward, the funds were targeted to promote economic adjustment and diversification in growth sectors identified by the CEDS, the Louisiana Department of Economic Development, the Coastal Zone Advisory Committee, and the Louisiana State University. Specifically, the SCPDC targeted the following sectors: shipbuilding and boatbuilding, data-entry centers and service, export of local products, light manufacturing, and the import of Latin and South American products. While still capitalizing on the area's natural resources, the plan hopes to provide opportunities for new and existing businesses to refocus and add value to existing products and services in non-energy-related markets. In the Corporation for Enterprise Development's *Annual Report Card for the States*, Louisiana consistently scores an "A" for entrepreneurial activity. Unfortunately, many start-ups in the area failed due to lack of capital. The generally low level of lending activity is paralleled by relatively low loan/equity ratios compared to surrounding states. Today, the RLF provides crucial gap financing where conventional loans are not available. The RLF usually participates in loans with banks by providing approximately 33 percent of the total loan amount; the RLF's participation provides the incentive for banks to make riskier loans and as an incentive for new businesses to enter the region.

The Role Played by EDA

The SCPDC staff believes that many of the new businesses would not have moved to the region without the availability of the RLF loans. The SCPDC staff is in contact with an EDA representative on a weekly basis and meets with the representative twice a month. To a degree, however, EDA restrictions have inhibited optimal use of the funds. For instance, RLF funds can be used only for capital and operating expenses, not for research and development. Research-and-development funding is a necessity in fulfilling the CEDS goal to bolster value-added products and services for existing businesses. In addition, the RLF cannot fund other than purely nonresidential development (e.g., mixed use [including housing projects]). As a result of these restrictions, a major shipyard that was considering expansion into the area chose another location for its facility—the SCPDC region did not have sufficient housing available nearby for its workers.

Direct RLF-Related Results

The SCPDC reports that the RLF has generated 179 new jobs. Hourly wages for these jobs are at or slightly above the average hourly wage offered by other jobs available in the region. The RLF has also leveraged almost $5 million in private-sector funding, at a 5:1 ratio of private to public funding. Although the SCPDC does not have a mechanism to verify these numbers, the staff is confident that they are accurate. In fact, given the period of time that has passed on some of the loans, the staff believes the numbers actually underestimate the true effects of the RLF. The effects of the RLF are also revealed in the decrease in the unemployment rates and in an increase in the overall quality of life in the region, including improved medical and transportation services. The RLF

Located in Houma, LA, Copeland's Restaurant started with a $250,000 RLF loan. This loan leveraged $1.55 million of private-sector investment and new equity and created 125 jobs. The loan was fully repaid in 1999.

loan portfolio successfully fulfills the goals and strategies of the CEDS. Almost 65 percent of the funds have been lent to industrial companies in the targeted sectors mentioned above; that is above the 55 percent called for in the RLF Plan. As called for in the plan, the funds have been distributed almost evenly between start-up and expansion loans. According to the RLF director, the RLF has successfully managed riskier loans while maintaining both the link to the economic adjustment strategy and a well-performing portfolio with no delinquencies or defaults. As a result, the RLF capital base is currently $1,611,677; it has been growing about 1 percent each year. SCPDC currently has about $700,000 available for new loans because of the recent recapitalization. The industrial mix in the region is still highly tilted toward primary production, especially in energy and fishing. However, the RLF loans are aiding in the slow process of shifting production toward simple manufacturing, especially in food processing of aquacultural and maricultural products.

RLF Management

The SCPDC staff consists of six full-time professionals who work on a range of functions, including the RLF program. The SCPDC has experienced significant turnover. Not one of the original staff members who worked on the RLF Plan is still at the agency. The CEO position has been turned over twice in the last two years. Also, only one employee has been at the agency for more than five years. However, all staff members are highly educated, trained, and experienced. Staff members hold degrees in regional planning and architecture, geology and urban planning, and marketing and accounting, and they have multiple years of planning experience at the community level. The staff is involved in establishing and supporting the CEDS efforts in all of its subregions. District staff work with local staff and other groups (e.g., chambers of commerce, port commissions, and universities) to develop economic plans and assist member governments in developing strategic plans, SWOT analyses, and strategic audits related to the CEDS. In return, the parishes contribute annual dues, totaling $45,000, to aid in the administration of the program.

This figure is supplemented by a one percent closing fee levied on the EDA loans. Loans must be approved by the RLF Board of Directors. The board consists of the six parish presidents, one banker from each parish, a CPA, an attorney, an economic development professional, and four representatives of minority businesses and/or regional development.

Planning and Structural Change

Both the CEDS and the RLF Plan call for diversity of growth and augmentation of basic industries with business and personal services. The CEDS also calls for increasing regional exports relative to imports, and for increasing hourly wages relative to reports of current wages. Planning documents are focusing on structural change and trying to move the district forward in this direction. This is being achieved at the local site.

Planning and RLF Performance

The RLF Plan directs the lending activities of this grantee. A senior and sophisticated staff targets loans according to CEDS priorities. The board of the RLF has significant banking membership and the RLF runs smoothly. The RLF Plan guides lending area emphases; banking board representation and oversight enables the fund to run smoothly.

Brake's Plus is located in Houma, LA. It received a $109,000 RLF start-up loan that leveraged $187,000 in private funding and $44,000 in new equity, and created 8 jobs.

Overall Assessment of the RLF

The SCPDC staff rates its RLF a "5" out of "10" in terms of its economic performance. The staff believes that the EDA restrictions, mentioned earlier, inhibit some needed investments in the region, especially research-and-development funding and speculative housing-development funding. The staff rates the RLF's performance in terms of its qualitative impact on the community as a "10." This high score reflects the improvements in quality of life and the number of starting-ups new business ventures supported. The staff considers the EDA reporting requirements to be reasonable.

TYPE OF GRANT	Disaster Relief	**SCHEDULE** First Distribution from EDA	08/22/95
YEAR OF GRANT	1994, 1998	Years to Distribute	Not yet distributed
LOAN-TO-GRANT RATIO	0.6:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	1,568,000	0	0	1,568,000

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 ($)	Private-Sector Funds ($)
	8	0 / 0	0 / 0	0 / 0	0.9	1,016,030	1,611,677	4,603,679

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 (%)
49	51	0	65	8	27

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
179	0	179	0.3: 1	4.5: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
N/A	N/A	0	42
Cost/Job, EDA ($)	6,706	**Cost/Job, RLF ($)**	6,706

Appendix A—Site Visit Script

Information on CEDS and RLF Plan

1. What were the nature and scale of the area's economic adjustment problem, which was at the origin of EDA assistance?

2. Is this economic adjustment problem still current? If yes, has it changed? How? If no, what is the present problem? In few sentences, describe the dynamics, if any, of the economic adjustment problem.

3. What is your strategic plan for the economic regeneration of the area? Can you summarize the Comprehensive Economic Development Strategy (CEDS), Defense Adjustment Strategy, or Disaster Recovery Plan in a few sentences? When was it approved?

4. What are the key aspects of the regeneration strategy that the RLF Plan supports?

5. How does the RLF Plan specifically address these issues?

6. Does the RLF Plan address other issues? Which ones?

7. Was there an already well-documented business development strategy in the CEDS?
   - If yes, summarize it briefly.
   - If no, how has it been designed? What was the level of participation of the business community? List the main features of the strategy.

8. Did some of the members who prepared the RLF Plan participate in the preparation of the CEDS? Who? Is there networking between those who prepared the CEDS and those who prepared the RLF Plan?

9. When was the RLF Plan approved? Has the RLF Plan been modified? If yes, when and why? If no, why and how does it relate to the current economic adjustment problem and lending practice?

10. EDA Washington reported to us that there is a feeling that the economic adjustment problem and RLF funding change over time but that the plan never reflects the dynamics of the economic adjustment problem or the funding. Do you believe it is true? Locally, what has been your experience?

Specific Performance of the RLF Portfolio

11. In the semiannual report, you indicate __________ jobs created or retained. Is there a problem with the definition or the counting of jobs? If yes, what is it?

12. Do you think the jobs that have been gained are net new jobs or relocation/replacement jobs to the county or region? Why?

13. Do you feel confident about the answer given above? Is there any other information you could provide that would bolster your feelings about the above?

14. From the semiannual report, you indicate $________ of private sector investment? Is there a problem with the definition or the counting of private sector investment? If yes, what is it?

15. From the RLF semiannual report you indicate that the current level of RLF capital base is $__________ (total RLF funding + program income added to RLF –losses on loans and guarantees). What percentage is the RLF capital base growing annually?

16. Are there ways that this growth could be enhanced?

17. Is there a tradeoff between risky loans with demonstrable linkage to the economic adjustment strategy and a truly well-performing loan portfolio? How is this tradeoff resolved? Which of the above best responds to the EDA mission?

RLF Outcomes and Economic Development Needs

18. How have the RLF lending activities or outcomes supported the RLF Plan? How have they supported the CEDS?

19. What was the need for RLF funds that the market could not deliver?

20. Was the need for RLF funds due to a total absence of available funding or to an absence of funding at a below-market rate?

21. How would you evaluate the overall EDA RLF in terms of economic performance? Explain (rating of 1 [low] to 10 [high]).

22. How would you evaluate the overall EDA RLF in terms of qualitative impact on the community? Explain (rating of 1 [low] to 10 [high]).

23. Do you have an idea of the amount of the average hourly wage of the jobs created/retained by the EDA RLF grant? If yes, specify.
    - Compared to jobs that come available in the community, do you think the jobs created/retained by the EDA RLF grant are higher paying, about the same, or lower paying?
    - Is there any information that you could cite or provide that would bolster your previous answer?

24. Has the EDA RLF grant increased the diversity of industries that comprise the community's economic base? If yes, how? If no, why not?

25. Has the EDA RLF grant increased the community's mix and availability of retail goods and services? If yes, how? If no, why not?

26. Among the following stages of production, what *used to be* the dominant stage in your community before the EDA RLF grant?
    — Primary production (e.g., agriculture, mining and timber);
    — Simple manufacturing (i.e., processing of local primary products, e.g., food processing and lumber milling);
    — Fabricative manufacturing (i.e., manufacturing that uses as input already-manufactured products, e.g., furniture, apparel, industrial machinery, electronic equipment, etc.); and
    — Producer services (business-oriented banking, insurance, finance, publishing, information processing, consultancy, planning, research and development, etc.)

- Given the above stages of production, which stage is your community in currently?
- Do you think the EDA RLF grant has been instrumental in the above, regardless of whether or not a shift has taken place? If yes, how? If no, why not?

27. Overall, do you consider the RLF successful? Based on what criteria?

28. How could the RLF have been more successful?

29. Could the projects supported by RLF loans have been undertaken without EDA support? If no, why not? If yes, how?

Administration of the RLF

30. Has the RLF organization created networks between the business community and other financial providers? Explain.

31. Has the RLF organization developed partnerships with other RLFs? Explain.

32. Does your organization administer multiple RLFs (EDA RLFs other than this one or other agency's RLFs)? If yes, how many RLFs? What is the total budget? What are the other agencies that sponsored the RLFs?

33. Does your organization subcontract some of its activities? If yes, which ones?

34. Is the RLF a financially sustainable entity? Explain.

35. How many full-time and part-time employees work in your organization? How many are exclusively paid for by the RLF?

36. Has your organization been able to retain staff over time or does it have a high turnover? If you have turnover, why is this so? Could it be reduced?

37. What is the composition of the RLF board of directors? Does it include ex-officio members (members who do not vote on policies and loans but bring a public interest perspective to the deliberations)?

38. Does your institution have a Web site? If yes, for what purpose? Do you know how many "hits" you get monthly?

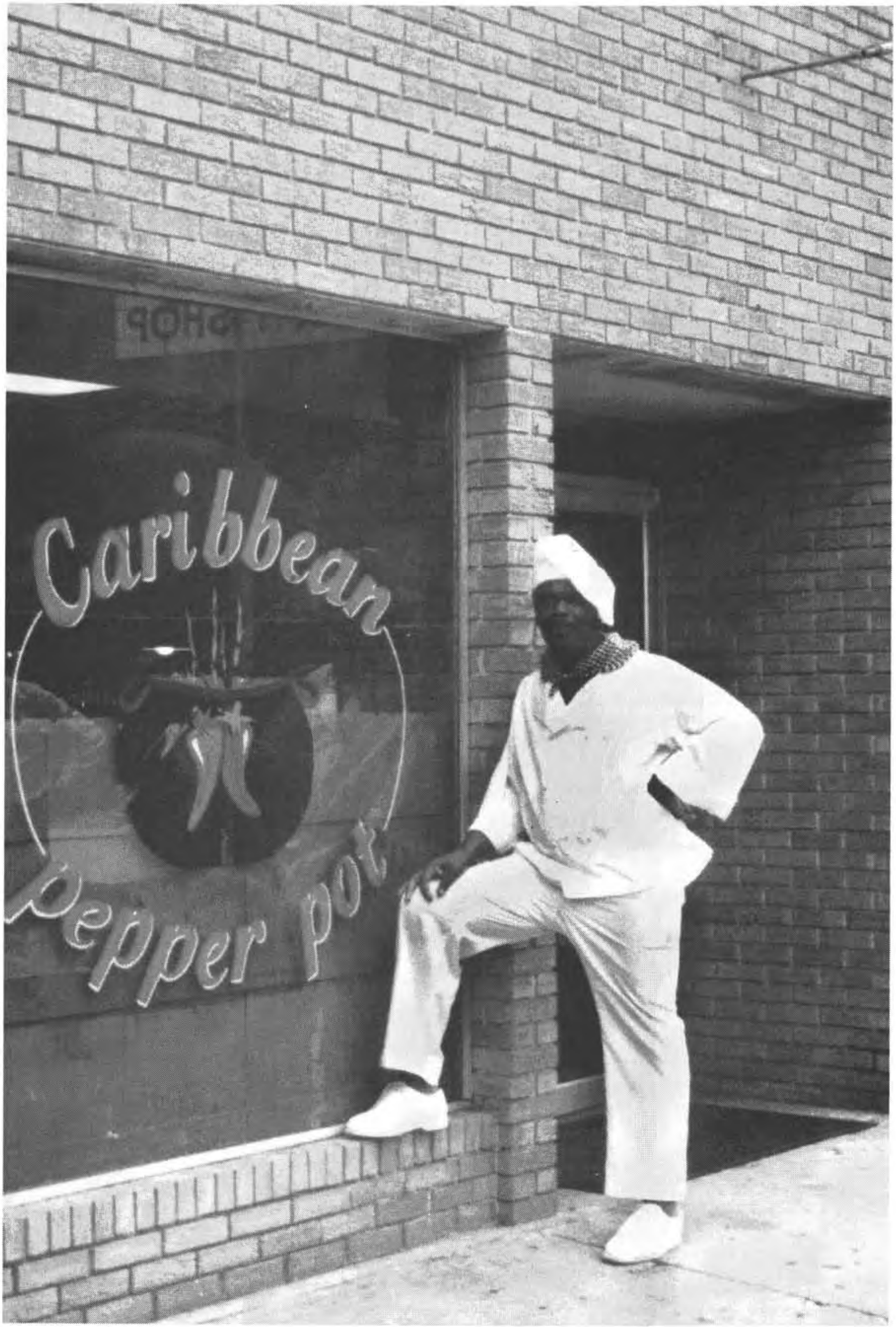
39. Are you getting enough support from the EDD, EDR, and EDA regional office?

40. Do you find the reporting procedures reasonable? Why or why not?

41. What does the EDA RLF grant specifically achieve that other EDA funding would not?

42. What could EDA do to make the RLF more successful?

(Next page) Grantee: Santee-Lynches Regional Council of Governments. The owner of Caribbean Restaurant stands in front of his new establishment, The Caribbean Pepper Pot. 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.


Caribbean
pepper pot

Appendix B—Abbreviations and Acronyms

Abbreviations and Acronyms Used to Identify Sites

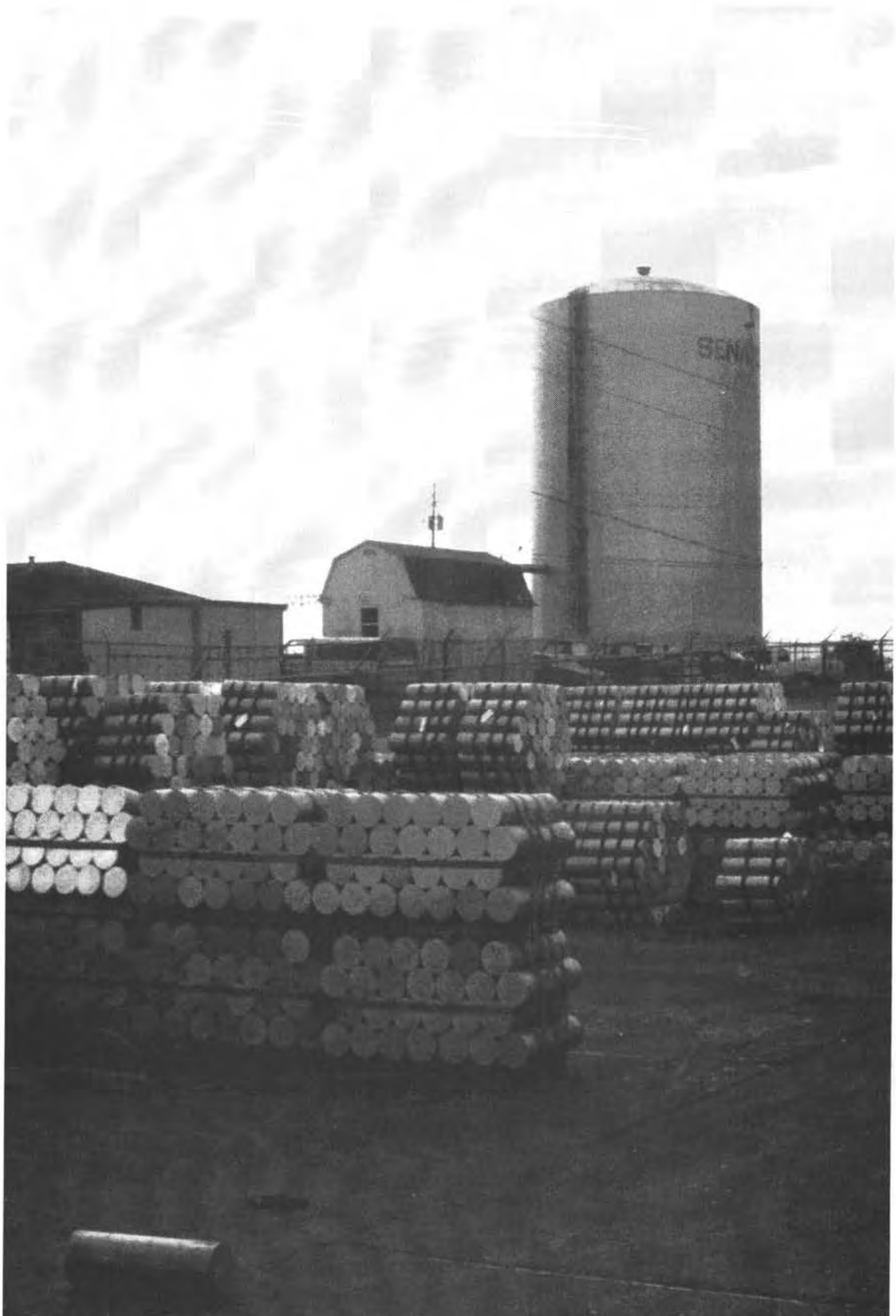
Grantee Name	Abbreviation/ Acronym	City	State	Funding Basis	Type	Grant Number
State of Alaska Department of Community and Economic Development	DCED	Juneau	AK	LTED	Rural	07-39-03062.01
Androscoggin Valley Council of Governments	AVCOG	Androscoggin	ME	SSED	Rural	01-19-03192.00
Baltimore County Department of Economic Development	BCDED	Towson	MD	SSED (Defense)	Urban	01-49-03361.00
Berkeley-Charleston-Dorchester Council of Governments	BCDCOG	N. Charleston	SC	SSED	Rural	04-19-03706.00
City of Camden, Division of Economic Development—Cooperative Business Assistance Corporation	CBAC	Camden	NJ	LTED	Urban	01-39-02558.01
City of Columbia Department of Community Development	CLB-CITY	Columbia	SC	LTED	Urban	04-39-03312.02
City of Fort Worth	FW-CITY	Fort Worth	TX	LTED	Urban	08-39-02250.00
City of Los Angeles, Mayor's Office of Economic Development	LA-CITY	Los Angeles	CA	LTED	Urban	07-39-02236.04
City of San Diego Economic Development Division	CSDEDD	San Diego	CA	SSED (Defense)	Urban	07-49-02681.00
Clark County Economic Development Corporation	CCEDC	Greenwood	WI	LTED	Rural	06-39-02585.00
Economic Development Corporation of the County of Marquette	EDCCM	Marquette	MI	SSED	Rural	06-19-02459.00
Fairfield County Regional Planning Commission	FCRPC	Lancaster	OH	LTED	Rural	06-39-02566.00
Greater Eastern Oregon Development Corporation/ Northeast Oregon Economic Development District	GEODC/NEOEDD	Pendleton	OR	LTED	Rural	07-39-02935.01
Greater Egypt Regional Planning and Development Commission	GERPDC	Carbondale	IL	LTED	Rural	06-39-02390.00
Jobs for Fall River, Inc.	JFR	Fall River	MA	SSED	Rural	01-19-02893.00
Kentucky Department for Local Government	KDLG	Frankfort	KY	SSED	Rural	04-19-01885.01

Grantee Name	Abbreviation/ Acronym	City	State	Funding Basis	Type	Grant Number
Lower Brule Sioux Tribal Planning Development	LBSTPD	Lower Brule	SD	LTED	Rural	05-39-02832.00
North Central Planning Council	NCPC	Devils Lake	ND	SSED	Rural	05-19-02290.00
North Delta Planning and Development District	NDPDD	Batesville	MS	LTED	Rural	04-39-03389.00
Northwest Iowa Planning and Development Commission	NIPDC	Spencer	IA	LTED	Rural	05-39-02917.00
Purchase Area Development District	PADD	Mayfield	KY	LTED	Rural	04-39-03297.01
Region 5 Development Commission	R5DC	Staples	MN	LTED	Rural	06-39-02168.01
Region 8 Planning and Development Council	R8PDC	Petersburg	WV	LTED	Rural	01-39-02963.00
Region 9 Development Commission	R9DC	Mankato	MN	SSED	Rural	06-19-61035.00
Santee-Lynches Regional Council of Governments	SLRCG	Sumter	SC	LTED	Rural	04-39-03571.00
South Central Planning and Development Commission	SCPDC	Thibodaux	LA	SSED (Disaster)	Rural	08-59-02192.00
Southeast Idaho Council of Governments	SICOG	Pocatello	ID	LTED	Rural	07-39-02770.02
Tier Information and Enterprise Resources, Inc.	TIER	Binghamton	NY	LTED	Rural	01-39-02879.04
The Lending Network	TLN	Chehalis	WA	SSED	Rural	07-19-03752.00
Uintah Basin Association of Governments	UBAOG	Roosevelt	UT	LTED	Rural	05-39-02238.00

Other Abbreviations and Acronyms

CDBG	Community Development Block Grant
CEDS	Comprehensive Economic Development Strategy
CPA	Certified Public Accountant
DOD-OEA	Department of Defense—Office of Economic Adjustment
EDD	Economic Development District
EDFS	Economic Development Finance Service (NADO's research foundation)
EDR	Economic Development Representative
FRAP	Financial Restructuring Assistance Program (another EDA program)
HUD	Housing and Urban Development
LTED	Long-Term Economic Deterioration
MSA	Metropolitan Statistical Area
NADO	National Association of Development Organizations
NAFTA	North American Free Trade Agreement

OEDP	Overall Economic Development Program
QOL	Quality of Life
RD-IRP	Rural Development–Intermediary Relending Program
RD-RBEG-RLF	Rural Development–Rural Business Enterprise Grant–Revolving Loan Fund
SBA	Small Business Administration
SBDC	Small Business Development Centers
SSED	Sudden and Severe Economic Dislocation
UDAG	Urban Development Action Grant
ULI	Urban Land Institute
USDA	U.S. Department of Agriculture
USDA-RD	U.S. Department of Agriculture–Rural Development



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(Left) Grantee: North Delta Planning and Development District. Aluminum Extrusions, Inc. got started with an RLF loan of $75,000 in 1992, which leveraged another $450,000 in other public funds and $715,000 in owner's equity, for a total project cost of $1.24 million. This EDA investment resulted in the creation of 90 jobs, 45 of which are filled with minority employees.

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Research Team and Acknowledgments

Research Team

This research was funded by the Economic Development Administration. It was undertaken by Rutgers University Center for Urban Policy Research (CUPR); New Jersey Institute of Technology (NJIT); and The Epling Corporation (TEC). The Rutgers–NJIT-TEC team was staffed by seven academic principals—Robert W. Burchell, Louis J. Pignataro, John W. Epling, William R. Dolphin, Catherine C. Galley, Eugene Reilly, and Naveed Shad.

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Research Organizations

Rutgers University, Center for Urban Policy Research (CUPR)

For nearly three decades, the Center for Urban Policy Research has conducted a broad spectrum of urban research. In particular, CUPR has concentrated its efforts in the analysis of infrastructure, public finance, economic impacts and forecasting, land use, environmental policy, and geographic information systems. CUPR has undertaken economic impact and infrastructure studies for the National Academy of Science, the National Trust for Historic Preservation, the Environmental Protection Agency, the New York Metropolitan Transportation Commission, the states of South Carolina and New Jersey, the Southeast Michigan Council of Governments, and the North Jersey Transportation Planning Authority.

New Jersey Institute of Technology (NJIT)–Transportation Information and Decision Engineering (TIDE) Center

The Transportation Information and Decision Engineering Center represents a substantial investment of the State of New Jersey's resources and research capacity in activities that are intended to address problems of relevance to local governments, the state, and the nation. The TIDE Center's research involves state transportation studies of motor vehicles and transit-based systems.

Current research projects include economic and land use impacts of transportation projects, the property rights implications of communicating transportation information, and the effect of transportation communications on traffic safety.

The Epling Corporation

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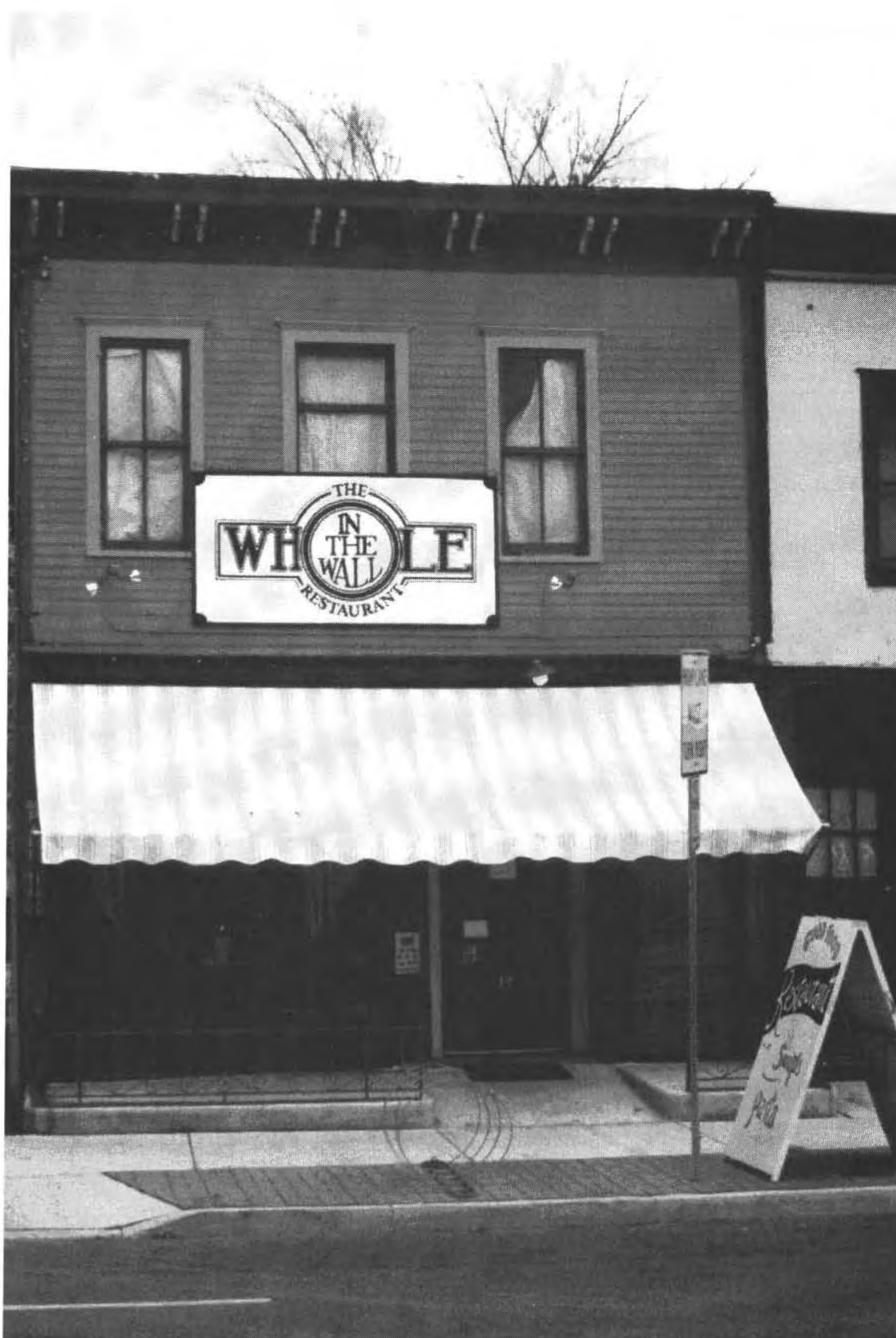
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