LTED or SSED stress. In cases where these documents are prepared by multijurisdictional agencies (i.e., EDDs), the process, obtains input from all jurisdictions in an area and helps to allay many of the negative effects (e.g., one or several jurisdictions gaining an advantage over others) of interjurisdictional competition for economic development.

Establishment of a coordinated approach to economic regeneration. The consensus-building EDA planning process marshals local, state, and federal resources to carry out the programs and actions necessary to achieve established goals. In many respects, the planning documents are public versions of private-sector business plans. Formulation of the documents requires the same kind of realistic assessment of the problems, needs, opportunities, resource availability, and other factors that the preparation of business plans requires. The process helps assure all potential investors that their investments in the regeneration of an area will produce tangible and valuable results.

Establishment of a context for program implementation. The documents, particularly the CEDS, serve as compendia, or records, of the resources and actions needed for economic regeneration of an area, the roles various agencies and programs should play; the resources to be contributed by each agency or program, etc. Such compendia are valuable tools in achieving interagency coordination and cooperation and in educating newly elected and appointed public officials (as well as private-sector and civic officials) about the needs of the area and the roles that groups and individuals should play in dealing with those needs.

Economic Effects on Communities and Regions

During the interviews, the grantees were asked to evaluate the effectiveness of the RLF in terms of the program's positive effects on the economy of the community or region. On a scale of "1" to "10," (with "10" being the highest score), the mean score for economic effect on communities and regions was 7.5. Five of the 30 grantees gave their RLFs a score of 10, and two grantees gave theirs a score of 3 (the lowest score given).

There are two sets of responses given by grantees who awarded above-average scores to their RLFs (i.e., scores greater than 7.5). The first set of responses often began, "I think we deserve a 10 [or 8, 9, etc.] because we have:

- leveraged a lot of private capital;
- not had (or have had few and small) loan defaults;
- created jobs in the economic sectors where we need them;
- strengthened public- an private-sector ties in the lending community;
- generated more applications for loans than we can fund;
- created spin-off businesses from our borrowers;
- provided tenants for new industrial parks, supporting their development."

Different combinations of the above factors were cited by grantees, depending on the local situation.

The second set of responses by grantees who scored their RLFs above 7.5 were much the same as those given by grantees who scored their RLFs below 7.5. These grantees said, "I think we deserve a high score [i.e., an 8, 9, or 10] *given:*

- the small amount of funds we have to lend;
- the size of the capital fund compared with the size of our economy;
- the magnitude of the adjustment problems we face;
- the recent creation of our fund;
- the restrictions we have on loans [e.g., maximum percentage of RLF participation, etc.];

Grantee: Santee-Lynches Regional Council of Governments. Peace Textile America, Inc., received an RLF loan of $200,000 in 1997. The loan leveraged $1.78 million in private-sector investment and $245,000 in other public funding. The loan helped to finance a large expansion of the plant that allowed the company to knit as well as dye and finish its products. It also created 40 new jobs.

- the recent turnover in RLF staff."

Grantees who gave their RLFs below average scores (i.e., scores below 7.5) said, "We could have done better if we had:

- a larger capital fund;
- done more marketing;
- fewer restrictions on lending;
- funds to provide job training and job counseling;
- applicants with better credit."

Qualitative Impacts on Community and Regions

The grantees were also asked to evaluate the effectiveness of the RLFs in terms of positive effects on the qualitative, or noneconomic, facets of the community or region. On a scale of "1" to "10," the mean score for qualitative effect on communities and regions was 8.1. Eight of the 30 grantees gave their RLFs a score of 10, and one grantee gave a score of 3 (the lowest score given). The responses often began, "I think we deserve a high score [9 or 10] because we have

- improved the lives of our borrowers and their employees [the most frequently cited reason];
- increased the variety of retail trade and services;
- cleaned up hazardous waste sites;
- helped stabilize minority neighborhoods with basic retail trade;
- provided tenants for old industrial sites and downtown buildings."

Again, different combinations of the above factors were cited by different grantees, depending on the local situation.

Summary and Conclusions

Are CEDS and RLF Plans Adjusted for Economic Changes?

Many grantees feel that there are, indeed, changes occurring in local economies and in RLF lending practices but that (1) accommodation of these changes is already contained in their CEDS and RLF plans and, therefore, no amendments are necessary, and (2) when such changes are not accommodated in their CEDS, and RLF plans, the grantees do, in fact, update the documents.

Several grantees said that they had, in fact, amended a planning document in order, for example, to adapt lending practices to changing local conditions. Several examples were offered by the grantees:

- Both PADD (Mayfield, Kentucky) and CLB-CITY (Columbia, South Carolina) amended their RLF plans to extend the geographic coverage of their RLFs so that more loans could be made to their priority businesses.
- SLRCG (Sumter, South Carolina) amended its RLF Plan to target additional industry categories; to change the leverage ratio from 2.5/1 to 2.0/1; and to shift the 50 percent funding limitation for working capital loans from an individual loan basis to a portfolio basis.

Grantee: Berkeley-Charleston-Dorchester Regional Development Corporation. View of the interior of a guest room in the Market Street Inn. The inn is located in the upper stories of an historic downtown building and overlooks Market Square, the center of Charleston's tourist district. The inn was remodeled and furnished with a $35,000 RLF loan that created 3.5 jobs and leveraged $27,000 in owner's equity.

Is There Evidence That EDA-Funded RLF Planning Influences the Economic Structure of an Area?

Most grantees identify the expansion of the nation's economy during the 1990s as the principle force in improving their local economies. However, they credit RLF planning with having a significant influence in helping both communities and regions move to a new level of economic productivity. Economies are more diverse, the economic stage of an area is advanced, local wages show some measure of increase, and regional economic imports decline. This is economic restructuring and it is strongly associated with the planning that accompanies RLF institution.

What Is the Role of an RLF in Local Economic Development?

An RLF is but one tool in the tool kit of local and state economic development agencies. At the most general level, the role of an RLF is to create and retain jobs by providing capital that is not otherwise available to new and expanding businesses. The program fulfills this role primarily through gap financing. No other economic development tool fulfills this role.

According to the interviewees, an RLF does much more than create new permanent jobs:

- An RLF is one of the most effective tools available to economic development agencies in their efforts to directly affect the long-term economic vitality of an area by creating businesses that diversify, and fill gaps in, the local economy.
- An RLF is the only tool available to many economic development agencies that provides financial assistance directly to the business community. The program creates public-private networks and public-private partnerships that often become

Grantee: Purchase Area Development District. Located in Mayfield, KY, Kendor Wood, Inc. manufactures a variety of doors, cabinets and related wood products for a market are that includes all states east of the Mississippi. Since receiving a $200,000 RLF loan in 1983, Kendor has grown from 14 to 65 employees, a net increase of 51 jobs.

a "revolving fund of opportunities' to further economic development.

- An RLF promotes an entrepreneurial spirit in the community. It changes the quality of life of the people who succeed in new businesses, and those successful people, in turn, become role models for entrepreneurship.

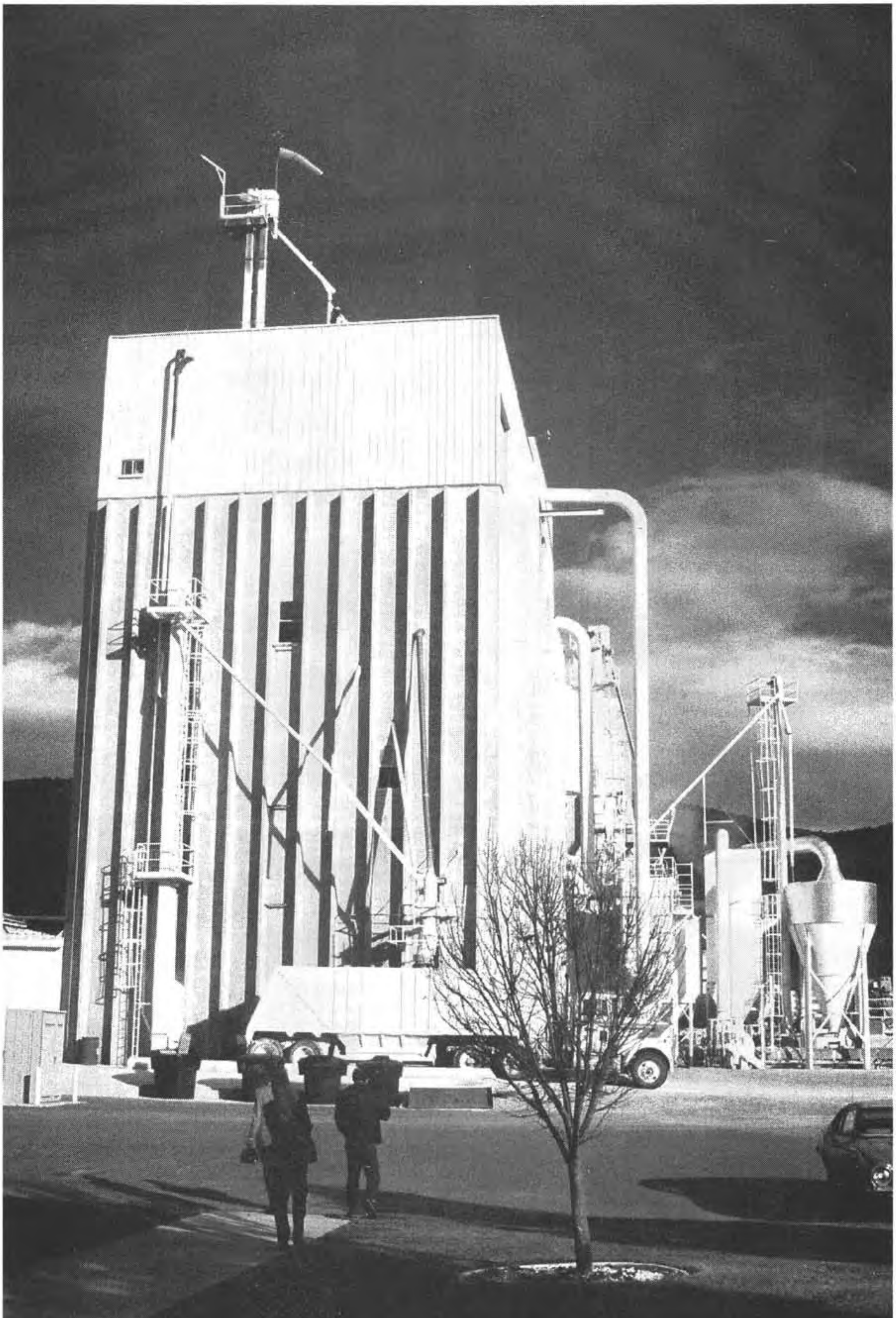
What Is the Role of Planning in Delivering a Client-Targeted, Secure RLF Loan?

This question deals with two separate issues: (1) the role of planning in targeting clients for RLF loans and (2) the role of planning in ensuring reasonably secure RLF loans. Regarding the first issue, planning is very important in targeting clients, for the reasons previously noted. The CEDS identifies the economic sectors and types of business that are needed in an area to diversify the economy and seeks to fill gaps in various categories of retail trade and services, bring higher-wage jobs into the community or region, and stem outmigration, urban decline, etc. The RLF Plan fulfills its role by identifying which of those sectors and types of business are most appropriate to prioritize for RLF loans. If a grantee follows this framework of strategic planning, then planning becomes critical to the process of targeting clients that will best contribute to economic regeneration. This framework is well demonstrated by the CSDEDD (San Diego, California) and BCDED (Towson, Maryland) programs, where the CEDS identified jobs in the high-technology sector as a high priority and the RLF plans focused loans in that sector.

Regarding the second issue—the role of planning in ensuring a reasonably secure RLF loan—the CEDS plays less of a direct role than the RLF Plan does. The CEDS as a strategic document typically does not deal with loan-security issues. It does help improve

Grantee: Region 9 Development Commission. Loan officer Doug Yentsch (left) inspects a competed calf jacket. Dick Sibbert (right) is the owner of FlyAway AgriProducts of Blue Earth, MN, a company that received a $25,000 RLF loan that leveraged $75,000 in private-sector investment and created four jobs.

loan security indirectly by targeting businesses and industries that have the best chance of succeeding in the area. It is the RLF Plan, however, that deals directly, and in detail, with the process and standards that will be used in approving and making loans. In addition, because of the extensive planning process used in preparing the RLF Plan, expertise from a wide variety of sources (e.g., public officials, bankers, civic interests, etc.) comes to bear on establishing the lending standards that are included in the RLF Plan. Thus, planning at both levels is important in helping to ensure a targeted and secure RLF loan.



Importance of RLF Planning—Case Studies

This portion of the report presents 30 case studies of EDA RLFs. Each case study covers several pages and employs the following substantive format:

- Socioeconomic Profile
- Background to the EDA Effort
- The CEDS and the RLF Plan
- The Role Played by EDA
- Direct RLF-Related Results
- RLF Management
- Planning and Structural Change
- Planning and RLF Performance
- Overall Assessment of the RLF
- Numerical Summary of RLF Accomplishments

Each of the above areas is examined in terms of what is happening at the grantee site as well as at key business sites receiving RLF loans. Using census data, the socioeconomic profile presents the geographic area served by the grantee and key local economic indices such as population, unemployment rate, poverty rate, and median household income. These figures are compared with state and national figures.

A section covering the background to the EDA effort describes historical events that created the need for the RLF and where the RLF fits into the economic development strategy. In the section on the CEDS and RLF Plan, the history of their origins, interrelationships, and changes over time is detailed. In addition, whether these plans are static or changing is discussed in light of changing directions in loan activity.

Another section focuses on EDA's role in local economic development and how the RLF fits into the local picture. Specific accomplishments of the grantee's RLF portfolio are then qualitatively summarized from information provided by the grantee.

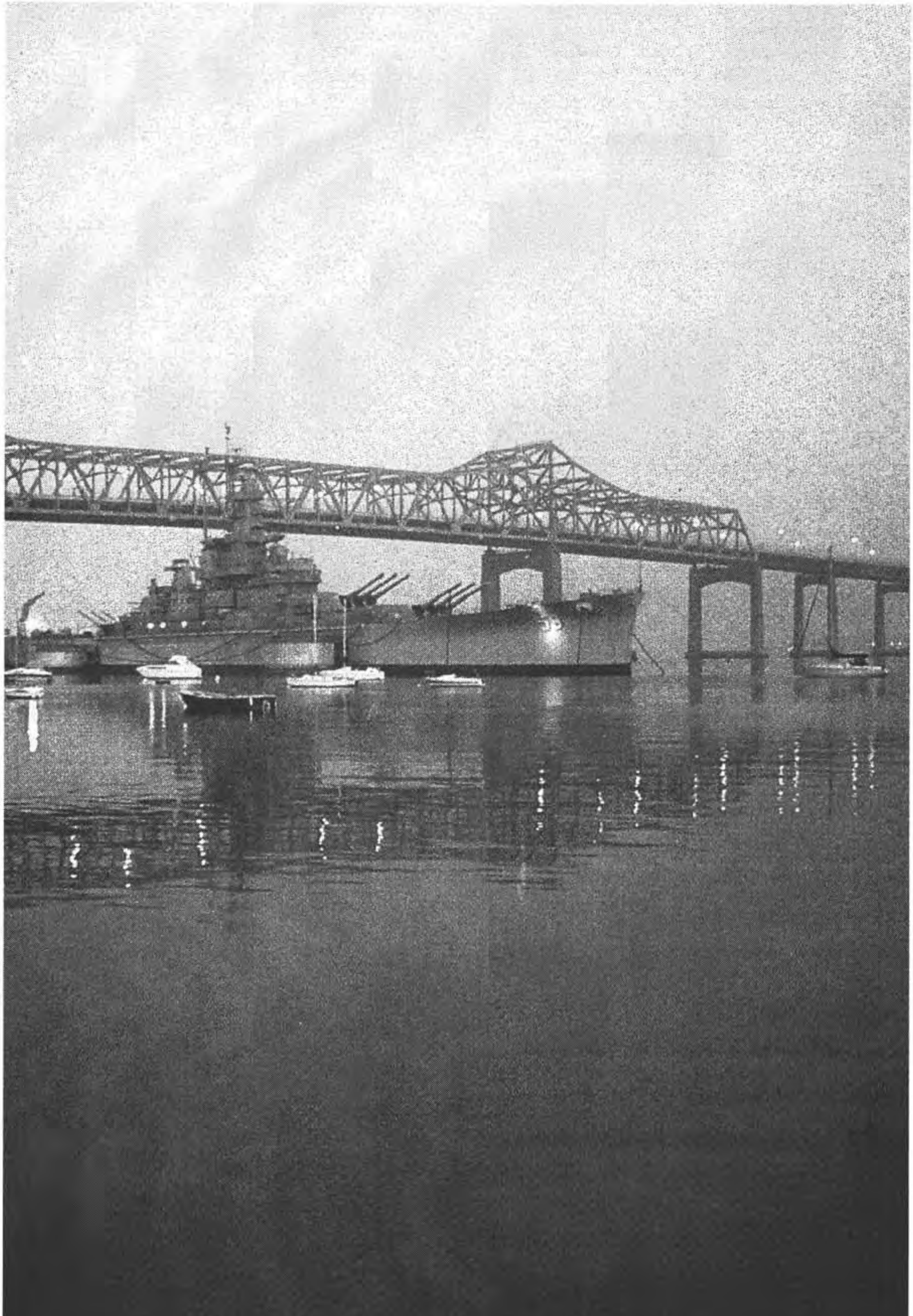
The heart of each case study is the role of planning in fostering economic structural change and in contributing to the successful outcome of RLF activities. There are a variety of factors influencing the outcomes at each site. Planning is only one of these activities: in some cases it plays a very critical role; in others, economic change and RLF performance are impacted by other forces or actors.

Two significant components of this section are the grantee's views of the importance of planning to economic restructuring and to RLF performance.

Grantee comments on administrative difficulties and recommendations for change are another component of each case study. This section includes the grantee's views on EDA reporting requirements as well as evaluations of RLF performance. An additional component of the case study involves the grantee's self-assessment of the economic development contribution.

The final element of each case study is a numerical tabulation of the grantee's RLF activity, including amount of the grant, scale of the loan fund, jobs created/retained, types of jobs created, private dollars leveraged, and minority/women participation rates in activities funded by the RLF.

(Left) Grantee: Southeast Idaho Council of Governments. 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, including 10 for minorities and 10 for women.



Jobs for Fall River, Inc. (JFRI)

Project No. 01-19-02893
Project Location .... Fall River, Massachusetts
Contact .... Steve Parr
Phone Number .... (508) 324-2620
Year of Grant 1987

Socioeconomic Profile

The EDA RLF is managed by Jobs for Fall River, Inc. (JFRI). JFRI serves the city of Fall River in Bristol County, located in southeastern Massachusetts. Fall River had a population of 88,865 in 2000—a 4.1 percent decrease from the 1990 population of 92,703. In 1996, the city's unemployment rate was 9.9 percent—230 percent of the state unemployment rate (4.3 percent) and 183 percent of the national unemployment rate (5.4 percent). The city's per capita income was $10,966 in 1989—approximately 64 percent of the state per capita income ($17,224) and 76 percent of the national figure ($14,420). In 1989, the city's poverty rate was 14.3 percent, compared with 8.9 percent for Massachusetts and 13.1 percent for the United States. In 1989, the city's median household income was $22,452—approximately 61 percent of the state's median household income ($36,952) and 75 percent of the national median household income ($30,056).

Background to the EDA Effort

The city of Fall River is a coastal community in southeastern Massachusetts. In the late 1970s and early 1980s, the city of Fall River was heavily dependent on the textiles and apparel industries. Employment in the apparel industry started to decline, and it was feared that employment in the textiles industry might do the same. The city's unemployment rate was almost 13 percent, and the banks were blocking access to capital for small-business loans. Although progress has been made in the employment area (the unemployment rate decreased to 4.3 percent during the late 1990s), the demand for subordinated financing is greater than the funds available. The manufacturing base has steadily declined; employment in textiles is expected to grow, but employment in the apparel industry continues to fall. The years have seen an expansion of the industrial base, but the focus is on additional sectors for growth.

The CEDS strategic plan for the economic regeneration of the area focuses on the development and expansion of small business through education, training, financing, site selection, and promotion, thereby improving quality of life for city residents. The existing economic development goals for the region were adopted in 1980; the most recent update was in 1998. The RLF Plan, which was approved in 1983, addresses these goals by offering below-market-rate financing and subordinated debt—provisions the market could not deliver in the early 1980s. The RLF filled the need for funding of specific local sectors and firms that banks felt insecure about supporting. EDA reduced exposure for the lender, and increased cash flow for both the lender and borrower.

Roberts House of Formals received two separate loans from Jobs for Fall River, totalling $52,000. Roberts House of Formals is located in the downtown business district and, as a result of the loans, three new jobs were created and four were retained.

(Left) Battleship Cove in Fall River.

The CEDS and the RLF Plan

The 1983 RLF Plan was approved for $500,000 and recapitalized for $250,000. In 1987, the victims of the Kerr Mill fire were targeted for $500,000 in loans, an amount which was subsequently added to the RLF capitalization. Including an additional $50,000 for start-up, the funds made available totaled $1,300,000. (Only the results of the first RLF grant are summarized here.)

The 1983 RLF Plan addresses each aspect of the CEDS regeneration strategies as follows:

- *Financing:* affordable gap financing is made available to qualified small businesses and subordinated debt creates partnerships with lenders. Approximately 50 businesses were assisted.
- *Training:* Jobs for Fall River, Inc., in partnership with local organizations, offers technical assistance to borrowers.
- *Education:* RLF-conducted seminars address the issues affecting small businesses. When appropriate, these seminars host experts from the state and federal governments to provide information about the goals and incentives of state and federal programs.
- *Site Selection:* Prospective borrowers are given assistance in the site selection and expansion of their businesses.
- *Promotion:* Small businesses are promoted with financial packaging, licensing, and permitting.
- *Quality of Life:* The RLF stimulus to investment offers job opportunities that stimulate the economy and improve the quality of life for area residents.

The RLF also promotes site development and the improvement and expansion of municipal services. Site development and municipal services were important to the renovation of the Kerr Mill site.

The Southeast Regional Planning and Economic Development District (SRPEDD) and the Fall River Office of Economic Development (FROED) prepared the RLF Plan (FROED does business as Jobs for Fall River, Inc.). SRPEDD also prepared the CEDS. Networking between the agencies has continued. The CEDS business development strategy, which focused on the expansion of existing industry, diversification of the area economy, and the creation of jobs, formed the foundation of the RLF Plan. The strategy involved augmenting existing financial resources to assist businesses in the provision of employment opportunities.

At the initiation of EDA and at the request of numerous grantees, the RLF Plan was modified in 1995 to increase the share of lending for working capital from 15 percent to 50 percent. The basic plan remains in effect; namely, to create and retain jobs and diversify the city's tax base by focusing on gap financing. The grantee feels that although the RLF Plan does not reflect the dynamics of the economic adjustment problem, RLF support activities have changed over time in response to changing economic adjustment needs.

The Role Played by EDA

These loans would not have come to fruition without EDA, due to a lack of available capital to address gap financing in the region. The revolving nature of the RLF means that with appropriate management, the RLF can last forever. Local staff effectively supports the process to achieve the plan's goals. To foster a more successful RLF, procedures should permit more flexibility for the seasoned RLF to creatively package loans. Future analyses of RLFs should consider recapitalization of those that are most successful.

Direct RLF-Related Results

Until the late 1980s, fabricative manufacturing (apparel, textiles) was the largest sector of the city's economy. The producer services sector now accounts for an equal share of the economy. The change, which occurred between 1987 and 1997, was dramatic. The retail services sector also made substantial gains. The RLF played a role in this change by providing business financing that would not otherwise have been available. Attracting and providing capital to emerging high-technology companies and responding to requests from retail and service industry businesses helped the region and the city diversify the economy. The grantee considers that nonbankable RLF loans to emerging companies define the mission of RLF assistance. The RLF's lending activities have supported the RLF Plan by increasing the level of employment, facilitating job expansion, expanding the workforce, and providing support through a unified development structure. The RLF has a current capital base of more than $1.0 million and an annual growth rate of approximately 5 percent. The RLF's growth could be enhanced by securing additional grants (preferable), reducing losses from loans, and increasing the interest rate.

Through the management of the RLF, 2,342 jobs have been created or retained. Quarterly monitoring of recipients of loans tracks the program's progress. At the time of the loans, the average hourly wage for the jobs created or retained was between $6 and $8, which is about the same as the average hourly wage for the community as a whole. The statistics for the Commonwealth of Massachusetts reflect similar wages. Just the first EDA grant totaled $700,000. During the period of the first round of loans, private matching funds totaled more than $20 million. These private matching funds are primarily bank funds that can be verified through commitment letters and legal documents.

RLF Management

Jobs For Fall River, Inc., is a private, nonprofit contractor to the city of Fall River. Its current annual budget is $750,000. The nature of the lending arrangements necessitates close networking between Jobs for Fall River, Inc., staff, and lending institutions (banks). In addition, the RLF acts as a referral service for other

Roberts House of Formals.

local, state, and federal finance programs. Although not on a formal basis, Jobs for Fall River, Inc., networks with other regional RLFs on the administrative aspects of the program.

In addition to managing the EDA RLF, Jobs for Fall River, Inc., administers the following RLFs: SBA Microloan Demonstration, SBA Loan Guarantee, HUD Section 108, and Department of Treasury CDFI. JFRI will assume management of two additional loan funds shortly. These are the Life Initiative for $750,000 and the Pelham Fund for $100,000.

There are 10 full-time employees in the organization and one intern. Staff turnover has been very low; the average length of employment is approximately 10 years. No salary is paid through the EDA RLF and no aspect of the program is contracted. The board of directors includes representatives from a broad cross section of public and private institutions; there are currently 36 members serving on the board. The goal for Jobs for Fall River, Inc., is to become a self-sustaining lender using the RLF and other sources of funds for lending. The RLF relies on administrative support from the other programs administered by Jobs for Fall River, Inc.

Planning and Structural Change

Fall River is in Bristol County, Massachusetts, which has an employment base of 265,000. Fall River has been declining for a decade, contributed to primarily by outmigration of firms and jobs followed by residential outmigration. The CEDS and RLF Plan for the city are not as focused on changing the economic structure of the city as they are on halting its population and tax base decline. The RLF has been used as gap financing to allow larger loans to occur. This is because local financial institutions were no longer lending in the city. Planning and economic development are not, per se, advancing structural change, but they are stemming the outflow of residential and nonresidential tenants from the city.

Planning and RLF Performance

A large number of loans have been issued from this RLF with low rates of default and write-off and a high rate of growth of the capital base. The RLF is performing well, related both to planning and management. All of the planning documents are in place and they clearly structure loan lending activity. In addition, a competent management agency oversees this and other loan funds.

Overall Assessment of the RLF

The executive director considers that the RLF's efforts have been successful: 2,342 jobs have been created and the RLF has leveraged more than $20 million in private investment. On this basis, he gives the EDA RLF the highest rating for economic performance, "10" (on a scale of "1" to "10"). In terms of the qualitative impact, he indicated that the employment opportunities offered to city residents lessen the strain on the community's social services support system. These jobs should improve the quality of life of the residents of Fall River; therefore, he feels he can give the program a relatively high rating of "7" for qualitative impact.

TYPE OF GRANT	SSED/Other	**SCHEDULE**	First Distribution from EDA	10/29/87
YEAR OF GRANT	1987		Years to Distribute	3.9 years
LOAN-TO-GRANT RATIO	21.5:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	500,000	200,000	0	700,000

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 ($)	Private-Sector Funds ($)
	41	0 / 0	7 / 6	5 / 4	4.7	15,080,934	1,058,686	20,051,635

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 (%)
25	65	9	66	25	9

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
2,342	0	2,342	N/A: 1	1.3: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	18	1	9
Cost/Job, EDA ($)	98	**Cost/Job, RLF ($)**	137

*Results of the first of three grants by EDA (does not include the 1987 recapitalizations of the 1983 grant.

Androscoggin Valley Council of Governments

Project No. 01-19-03192
Project Location .. Androscoggin, Franklin, Oxford, ME
Contact .... Julie Sherman
Phone Number .... (207) 783-9186
Year of Grant 1991

Socioeconomic Profile

The EDA RLF is overseen by the Androscoggin Valley Council of Governments (AVCOG). AVCOG serves three counties in western Maine: Androscoggin, Franklin, and Oxford. These three counties had an aggregate population of 183,015 in 2000—a 2.1 percent decrease from the 1990 population of 186,869. The population of Androscoggin County decreased by approximately 1.4 percent. The populations of Oxford County and Franklin County increased by approximately 4.1 and 1.6 percent, respectively. In 1994, the area's unemployment rate was 8.1 percent—approximately 110 percent of the state unemployment rate (7.4 percent) and 133 percent of the national unemployment rate (6.1 percent). Unemployment rates were 7.5 percent in Androscoggin County, 7.9 percent in Franklin County, and 9.5 percent in Oxford County. Per capita income in the area was $17,180 in 1994—approximately 91 percent of the state per capita income ($18,780) and 83 percent of the national per capita income ($20,800). Per capita income in Androscoggin County ($18,286) was above the area average, but per capita income in Franklin County ($15,713) and in Oxford County ($15,830) were below the area average. In 1994, the area's estimated poverty rate was 13.0 percent, compared with 12.3 percent for Maine and 13.8 percent for the United States. Estimated median household income (1994) ranged from $28,664 in Franklin County to $32,691 in Androscoggin County, compared with $31,189 for the state and $34,076 for the nation.

Located in Buckfield, ME, Maine Apple Growers received a $72,000 retention loan that created 19 additional jobs and saved 14 existing jobs.

Background to the EDA Effort

The bank credit shortage of the late 1980s severely affected businesses located in the three counties served by AVCOG. The regional economy—especially the region's banks—suffered from the downturn of the real estate market. Some of the major banks closed, while others overextended themselves and eventually stopped lending. Since that time, employers have reduced their workforce (1,500 jobs were lost between 1998 and 1999). Other factors are also responsible for current reductions in employment: for example, the foreign competition of regionally produced goods that has developed since the early 1980s and the increasing use of high technology by industries. AVCOG developed a CEDS to address several major issues affecting the region's economy. Among the more important strategies were those for capital formation, technical assistance for businesses, infrastructure development, business retention, business expansion and attraction, workforce training and retraining, natural-resource-based industry, improvement in the business climate, and collaboration with existing economic development initiatives. In 1991, the absence of funds for business start-ups, microbusinesses, debt for faltering businesses, service businesses that had little or no collateral, and small asset-based loans led the region to seek funding to address these needs.

W.A. Mitchell Chair Makers is a business located in Temple, ME. It received a $50,000 RLF expansion loan that helped create four additional jobs.

The CEDS and the RLF Plan

In 1998, the AVCOG adopted a CEDS for the 1999 to 2000 period. This updated and revised an older OEDP. The CEDS serves as a plan for sustaining economic development, transportation, and community-planning direction in the region. The RLF Plan, approved in 1991, specifically addresses the following major components of the CEDS:

- *Capital formation:* Small businesses need capital financing for both expansion and promotion to meet the needs of businesses in western Maine. Since the beginning of the RLF, the AVCOG has made more than 20 loans available to businesses.
- *Technical assistance for businesses:* AVCOG provides individual assistance to business representatives and organizes seminars and workshops on topics concerning business matters and exporting opportunities.
- *Business retention, expansion, and attraction:* Community assistance is provided to help build local capacity and to maintain existing regional development strategies.
- *Workforce training:* Partnerships are formed with educational and training providers for the delivery of business-based training resources. AVCOG considers retraining to be an essential activity because hundreds jobs are lost each year as a result of business and industry closings, primarily in the lumber and wood industry. (For example, Keiser Industries has taken advantage of substantial training assistance through the RLF to improve the skills of its workers.)

The RLF provides funds for working capital, which is not supplied by banks because they require collateral. AVCOG has an enhanced marketing program to attract the attention of potential business managers. The RLF has the expanded capacity to deliver loans that other state and federal loan programs cannot provide. The RLF does not make loans if available from banks.

The CEDS and the RLF Plan were prepared by AVCOG's staff and subsequently approved by AVCOG's Executive Committee. The RLF Plan has been modified to include microlending and lending without leverage. The director of the program feels that the plan has changed with the economic adjustments that have occurred over time. Presently, AVCOG staff tests lending practices in order to revise and improve them.

The Role Played by EDA

The businesses supported by the RLF would not have been funded otherwise; banks would not underwrite the risky loans considered by AVCOG. The RLF director suggests that the allowable funding level for some of the loans be raised and that a pool of funds be set aside on a national level to be drawn upon when an RLF's funds have been depleted. RLFs defined as successful (based on a set of criteria that would have to be established) could benefit from this additional source of funding.

Direct RLF-Related Results

Since the early 1990s, employment in the Lewiston-Auburn area has shifted from fabricative manufacturing to producer services. Agriculture-related employment continues to prevail in the remaining area of the Androscoggin Valley, but finance and information processing industries have become strong throughout the valley.

Because of its structure—AVCOG is composed of city and county officials, as well as business- and financial-sector representatives from Androscoggin, Franklin, and Oxford counties—and frequent meetings, AVCOG is well known for interaction between its staff and business representatives. The director believes that the RLF's support for the creation of start-up businesses—which has provided employment for former employees of the larger businesses that restructured and consolidated—has diversified the area's industry. Philip Doerr Rug Makers, a company that produces rugs designed (from pattern to materials) in cooperation with customers, is a good example of a growing business assisted by the RLF. The reputation of this company has brought it, in just a few years, to the point of near capacity. Nevertheless, retail businesses are not the main recipients of RLF assistance. The director of the RLF claims that opting for a well-performing loan portfolio would have prohibited assistance to the start-up businesses. The RLF supports the entire region by providing high-risk loans, making capital available, providing technical assistance for businesses, retaining businesses, and providing training. Although the current level of the RLF capital base is $910,000, with an annual growth rate of 1.1 percent, the RLF staff believes that the RLF could be enhanced; more capital could be infused, other means could be sought to finance staff and RLF operations; and loan losses could be reduced. The RLF's efforts have attracted more than $10.5 million in private matching funds (six of the loans account for about half of the private matching funds), which is a significant improvement from conditions 10 years ago, when banks would not consider loans to these businesses. The leveraged funds are direct matches for the RLF loans. Unemployment is down dramatically from the early 1990s. The RLF has created or retained 642 jobs. The jobs are primarily in manufacturing and therefore, offer higher wages than most other jobs available in the community (according to the Maine Enterprise Option). There are two concerns about the job count: some could be relocated from either within the region or from outside the region, and some jobs could be counted by co-lending institutions. However, one of the related activities of the AVCOG is to track the job losses in the valley, and that activity gives them an indication that the job counts are reasonably accurate and reflect net new jobs.

RLF Management

AVCOG fosters agency and community interaction. Each community in the three counties appoints two representatives to AVCOG (it is expected that 50 percent of the board members will be public officials). Representatives of the AVCOG board serve on the executive board. The RLF loan committee is appointed by the executive board and includes business, banking, and community interests. AVCOG staff provides information on the loans to the loan committee, and the committee makes the final decision on the loans. The RLF has underwriting partnerships with other RLFs and has subcontracted some of its marketing activities. In addition to the RLF, AVCOG administers the following programs: EDA Defense Adjustment, Rural Development, Rural Business Enterprise, and the Finance Authority of Maine. The operating budget for the RLF portion of AVCOG activities is $70,000. The director indicates that the RLF cannot be financially sustainable because of the administrative costs associated with it. AVCOG needs to administer other programs in order to be able to share the administrative costs of all programs. There are 27 full-time AVCOG employees who assist in the administration of multiple programs; five staff members are assigned to the loan programs and none of these are exclusively paid from the RLF. The turnover of staff is very low. The director of the RLF proposes that the activities of the RLF can probably be well presented in an annual report instead of a semi-annual report.

Planning and Structural Change

There is a relatively new CEDS (1998) and an older RLF Plan (1991) that have been updated for this region of the state of Maine. Maine is a state of relatively slow economic change and one of stable population. There are not significant technological changes taking place in this state such that its basic economic structure would be noticably altered. In this RLF, planning is being undertaken but it is not directed at economic structural change. Most of the planning focuses on allowing new businesses to grow and expand by having the capital wherewithal to fund these activities. There are no real goals or objectives for economic restructuring while there are clear goals and objectives to get more development capital on the streets.

Planning and RLF Performance

This RLF is managed by a regional agency that manages other loan programs. Capital base growth is average and rates of default and write-off are also average. There also is an attempt to lend to recipients who would normally not get loans. Twenty-three loans have been issued for $1.4 million. Planning and good management share equally in a relatively successful RLF effort.

Overall Assessment of the RLF

The director of the RLF considers it to be successful based on the number of jobs created, the private funds leveraged, the diversity of the businesses served, and, particularly, the change over time in the ability of the fund to influence the banking industry to leverage funds. She believes that if more capital had been available to the region, an earlier positive influence may have been felt in the economy. The director gives the RLF's economic performance a rating of "8" (out of "10"). However, if funding for technical assistance had been added to the loan package, she would have raised this rating to a "10." In terms of the qualitative impact on the community, she claims that the program's rating would have to be a "10." The loans have enabled communities in the region to maintain a vibrant urban life. The other loan funds also play an important role in the overall AVCOG activities by extending the depth and breadth of activities funded by the RLF.

TYPE OF GRANT	SSED/Other	**SCHEDULE** First Distribution from EDA	03/12/92
YEAR OF GRANT	1991	Years to Distribute	4.0 years
LOAN-TO-GRANT RATIO	1.6:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	650,000	200,000	0	850,000

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 ($)	Private-Sector Funds ($)
	23	9 /16	22 /10	9 / 6	1.1	1,398,386	909,421	10,555,000

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
13	58	29	69	12	19

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
284	358	642	0.0: 1	7.6: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
1	4	0	12

Cost/Job, EDA ($)	310	**Cost/Job, RLF ($)**	405

City of Camden, Division of Economic Development

Project No. .... 01-39-02558 and 01
Project Location .... Camden, New Jersey
Contact .... Mike Diemer
Phone Number .... (856) 966-8181
Year of Grant 1983, 1989

Socioeconomic Profile

The EDA RLF is managed by the City of Camden, Division of Economic Development. This agency serves the city of Camden, which is located in south-central New Jersey across the Delaware River from Philadelphia. Camden had a population of 79,904 in 2000—an 8.6 percent decrease from the 1990 population of 87,492. In 1996, the city's unemployment rate was 16.7 percent—269 percent of the state unemployment rate (6.2 percent) and 309 percent of the national unemployment rate (5.4 percent). The city's per capita income was $7,276 in 1989—approximately 39 percent of the state per capita income ($18,714) and 50 percent of the national figure ($14,420). In 1989, the city's poverty rate was 36.6 percent, compared with 7.6 percent for New Jersey and 13.1 percent for the United States. In 1995, the city's median household income was $17,386—approximately 42 percent of the state's median household income ($40,927) and 58 percent of the national median household income ($30,056).

Background to the EDA Effort

Early in the 1990s, the city was redlined by the banking industry. Capital for business start ups and expansions was not available. The finance industry refused to support private industry in the city. Because of the lack of funds, businesses could not take advantage of opportunities that could help the city's residents. Business financing was desperately needed to create jobs. The RLF strategy, which was approved by EDA in 1983, was to target lending to the needs of the population; namely, adhering to the basics for

Los Playeros Restaurant received a $13,000 RLF loan that leveraged $28,000 and helped creating six jobs.

maintaining and expanding businesses. "Will-o'-the-wisp" and "peer" lending were avoided. In 1987, three business loans (for a total of $130,000) were granted by a federal agency, but with the initiation of the EDA RLF, larger and more numerous loans have been made expanding the opportunity for employment in the city. The Cooperative Business Assistance Corporation (CBAC) is a quasi-public organization that runs the RLF and other loan programs of the city of Camden.

The CEDS and the RLF Plan

The key elements of the RLF Plan, which was prepared by the manager of economic development in the city, were to make money available as loans to the businesses in the city and to create jobs. A secondary objective of the plan was to use this strategy to help stabilize the community. These objectives were felt to be necessary to overcome the perceived shortcomings of the CEDS, which included, for example, the lack of concrete steps to address the basic needs of the community and the lack of financial experience reflected in the plan. The RLF was approved in 1983. Two significant changes made since approval were the addition of a microfund, which has subsequently been separated from the RLF, and a recapitalization in 1997 to bolster the RLF. Although loan offerings have been made available to businesses in the community and unemployment has dropped (albeit to a level well above the statewide average), there have been no other significant economic changes in the program area since 1983.

The Role Played by EDA

As noted in the background section, the city's businesses were not viewed by the financial community as viable for bank loans, hence the RLF became a significant source of financial assistance for the city. Although the loans do not require collateral, business acumen and cash flow are important to a successful program. The RLF has become the financial loan arm of the city. Because of the efforts and backing of the RLF, banks have started to participate. There is no other EDA funding source that can accomplish the purposes and reach the type of client that the RLF does. The CBAC executive director feels that increased funding would be beneficial to efforts to achieve even greater success. Support from the Economic Development District office has been overwhelming, and the interaction with an accommodating EDA staff has been very productive.

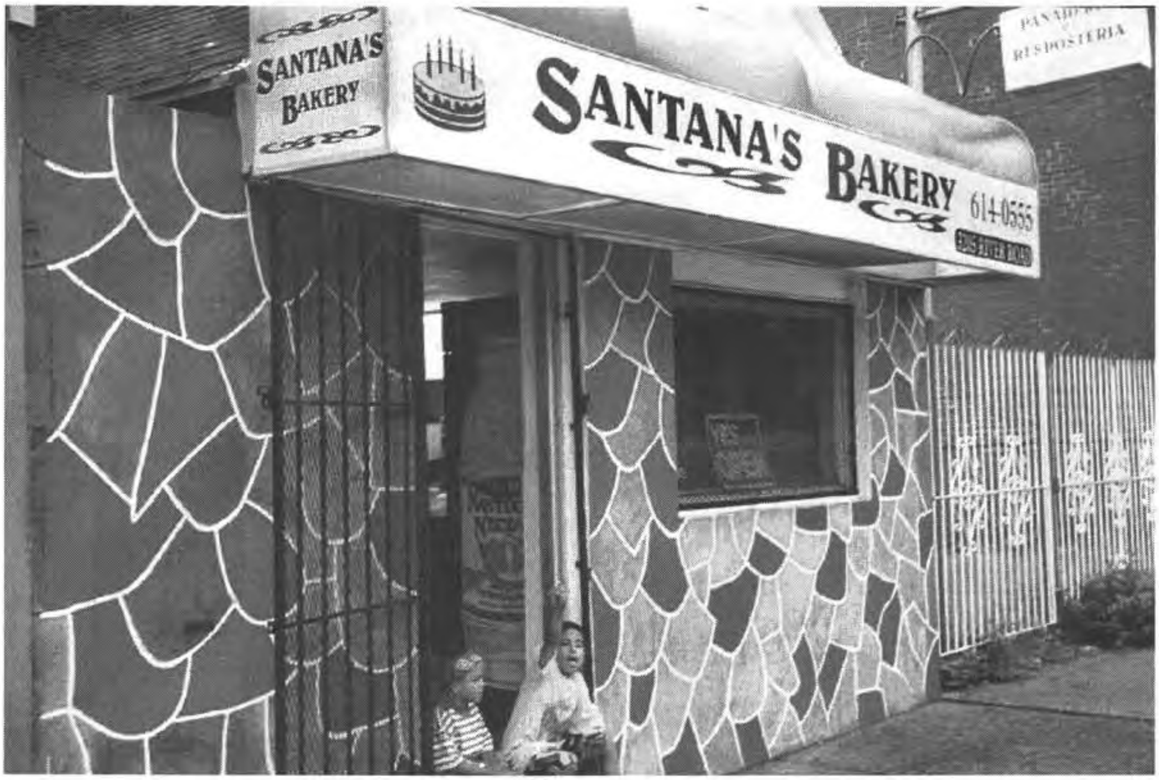
Direct RLF-Related Results

Employment opportunities in the city of Camden are almost equally divided among three primary areas: simple manufacturing, fabricative manufacturing, and health care. This distribution has remained relatively constant during the past 15 years. As a result of the loans made to existing industries, EDA's RLF grant is credited with stabilizing employment. Capital for loans has grown at a 3.6 percent average annual rate, and further growth can be expected with less-risky loans, better underwriting, and less delinquency in collection. The effectiveness of the RLF is measured by the significance of the economic development it achieves (as opposed to the profit motive sought by private investments). The EDA mission supports a fair amount of risk in the loans made; the RLF also anticipates and supports the social benefits that may accrue to the community as a result of the loans. With the influx of funds supporting the RLF, 85 percent of the businesses that received loans have remained in business. Of the 30 loans made to date, only one has been written off, suggesting diligence on the part of the RLF loan staff in applying prudent loan practices. Very few loans have been made to retailers; in fact, even large-scale retail business is not supported in Camden. Over the term of the RLF, 340 jobs have been created or retained. Accounting for jobs is difficult for some businesses, but most of the loans are for start-up businesses, which require new hires. In some instances, staffing for the business may come from adjoining regions. Information provided by the loan agreement reflects an average hourly wage of \$7 for the jobs, which is comparable to the average wage of other jobs in the community. The private sector has contributed more than \$2 for every \$1 loaned by the fund. To date, private investment amounts to more than \$3.7 million, all of which is in the form of cash and not a soft match (e.g., in-kind services). The manager of the Camden fund does not see any problem with the definition or counting of private-sector funding.

River Primary Care Center Family Practice received a \$40,000 RLF loan that leveraged \$80,000 in private funding. The loan helped create two jobs.

RLF Management

Relationships with the business community are maintained primarily through the banking industry. RLF staff put the loan package together. The seven banks that are active in the program are then contacted for participation in the loan. Formal partnerships with other RLF grantees have not been made. Contact with them has been on an ad hoc basis, usually in the form of requests for assistance. A board of directors composed of bankers, business owners, and members of



Santana's Bakery received a $30,000 RLF loan that leveraged $53,000 in private funding. The loan helped create two jobs and save two jobs.

the academic community reviews the activities of the CBAC's loan office, which administers 14 loan programs, including the following: EDA RLF, HUD, Treasury (CDFI), SBA, Empowerment Zone, DRPA, New Jersey Fund for Community Economic Development, ALOE, and William Penn. The overall operating budget for the RLF is $805,000 (which includes a $200,000 line item for capital reserve). Taking into account all of the loan programs, an additional $2 million is available for capital loans. Over the life of the program, individual loans of $1,000 to $500,000 have been made. The RLF is a sustainable organization, but it relies on other loan funds to help. The infrequency of bad loans and the staff's ability to accomplish all of its goals has allowed the RLF to grow. All of the seven staff members have some banking background, all are full-time, and none are paid partly with EDA funds. The RLF is kept abreast of the loans, as well as loan progress and financial status, through reporting procedures that the Camden RLF director considers to be reasonable. Periodic reviews by the EDA staff should reinforce the need for all reporting line items, such as "fixed assets" and "working capital."

Planning and Structural Change

The City of Camden continues to be in relatively dire straits. When most of its peer "big six" New Jersey cities have stabilized or increased their populations over the decade, Camden lost nearly 9 percent of its population. The city's positive socioeconomic indices are at 40 percent of the statewide average; its negative indices are 2.5 times the statewide average. So much of Camden's job base is being swept away that it is difficult to view small contributions as influencing overall economic development. The Camden city RLF supports giving business loans to newly emerging entrepreneurs. No other financial institution is doing this. These loans are to maintain businesses or for new start-ups; they are not necessarily for economic restructuring.

Santana's Bakery received a $30,000 RLF loan that leveraged $53,000 in private funding. The loan helped create two jobs and saving two jobs.

Planning and RLF Performance

A nonprofit corporation (CBAC) is managing this RLF and other loan funds for the city. This agency is doing a reasonable job. The RLF has issued 30 loans creating or retaining 340 jobs, and only one loan has been written off. Performance is less related to good planning and more related to an experienced nonprofit business that knows how to manage loan funds.

Overall Assessment of the RLF

The Camden RLF director considers the RLF to be very successful. Altogether, the 14 programs administered by the CBAC's loan office have created 1,300 jobs, increased tax revenue by $7 million, and produced 170 loans. They have also helped to generate economic base for the community. The RLF has been one of the most effective. The default rate for RLF loans is low, and, as the loans are paid back, the capital is reinvested in outstanding loans. Therefore, the RLF is successful in terms of the investments that are made. The loans flow to businesses in need, resulting in very positive economic and quality-of-life benefits for the community. A 10 rating (on a scale of "1" to "10") is given by the Camden RLF director for the economic and qualitative impacts of the RLF in the City of Camden.

TYPE OF GRANT	LTED		**SCHEDULE**	First Distribution from EDA		11/30/83		
YEAR OF GRANT	1983, 1989			Years to Distribute		11.9 years		
LOAN-TO-GRANT RATIO	1.6:1			Up and Running		Yes		
				Produced Jobs		Yes		
PROJECT-RELATED GRANT SUPPORT								
Grant ($)	**EDA**		**Applicant**		**Other**		**Total**	
	800,000		316,667		0		1,116,667	
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 ($)	Private-Sector Funds ($)
	30	10 /29	13 / 6	3 / 6	0.6	1,736,317	1,211,647	3,738,933
PROJECT-RELATED DIRECT ECONOMIC EFFECTS								
Percentage Distribution of Loans (by Type of Activity)				Percentage Distribution of Loans (by Type of Job)				
Start-Up (%)	Expansion (%)		Retention (%)	Industrial (%)		Commercial (%)	Service (%)	
6	90		12	32		52	31	
Jobs Created	Jobs Retained		Total Jobs	Public-Sector Leverage		Private-Sector Leverage		
122	218		340	0.0: 1		2.2: 1		
% of Jobs to Minority Workers		% of Jobs to Female Workers		% of Loans to Minority-Owned Businesses (%)		% of Loans to Female-Owned Businesses (%)		
9		13		34		25		
Cost/Job, EDA ($)		1,572		**Cost/Job, RLF ($)**		2,195		

Tier Information and Enterprise Resources, Inc.

Project No. **01-39-02879.04**
Project Location .... **Binghamton, New York**
Contact .... **Richard McCormick**
Phone Number .... **(607) 724-1327**
Year of Grant **1987**

Socioeconomic Profile

The EDA RLF is managed by Tier Information and Enterprise Resources, Inc. (TIER). TIER serves eight counties in southern New York: Broome, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga, and Tompkins. These eight counties had a population of 590,134 in 2000—a 1.5 percent decrease from the 1990 population of 598,926. Five of the counties lost population: Broome, Chenango, Cortland, Delaware, Schoharie, and Tioga. Of these, Broome experienced the most dramatic loss (a decrease of 5.5 percent). On the other hand, population in Delaware, Otsego, and Tompkins counties showed slight increases. In 1994, the area's unemployment rate was 6.5 percent—approximately 94 percent of the state unemployment rate (6.9 percent) and 106 percent of the national unemployment rate (6.1 percent). Tompkins County had the lowest unemployment rate (4.1 percent); Chenango County had the highest rate (8.2 percent). Unemployment rates in the remaining counties ranged between 6.4 percent and 7.8 percent. Per capita income for the area was $17,410 in 1993—approximately 70 percent of the state per capita income ($24,824) and 84 percent of the national figure ($20,800). Delaware County had the lowest per capita income ($15,080) and Broome County had the highest ($19,604). In 1995, the area's estimated poverty rate was 13.4 percent, compared with 15.8 percent for New York and 13.8 percent for the United States. In 1995, estimated median household income ranged from $27,959 (Delaware County) to $35,554 (Tioga County), compared with $33,805 for the state and $34,076 for the nation.

The owner of Hansmann's Mills gives Richard McCormick and the researcher conducting the site visit a tour of the facilities. An RLF loan of $23,500 to Hansmann's Mills, which makes instant pancake mix and related products, leveraged $99,500 in public, private and equity funds.

Background to the EDA Effort

The EDA RLF of TIER was originally funded in 1987 with an EDA investment of $370,000 and a local match of $20,000. TIER is a not-for-profit, 501(c)(6) organization associated with the South Tier East Regional Planning and Development Board (STERPDB). The STERPDB had been the only regional council in upstate New York that did not have an RLF, and EDA encouraged it to apply. At the time, there was a general malaise in the region's economy, particularly in manufacturing. Agricultural employment had been in decline for several decades, and unemployment in the rural counties of TIER was high, between 8 percent and 10 percent. In the late 1980s and early 1990s, the pace of industrial decline accelerated. Between 1990 and 1995, nearly 20,000 manufacturing and defense-related jobs were lost, particularly in the area of computer simulation (e.g., the Link Simulator used in the space program). Both IBM, with 18,000 employees, and Endicott-Johnson downsized. The decline in agricultural employment resulted in an economic crisis in most of the local rural counties. Given the limited amount of funding available through the RLF, TIER has focused on gap financing and on situations in which firms could get a bank loan at all. Because TIER, as an LDD, was eligible for economic development assistance under the Appalachian Regional Commission before it became eligible for EDA assistance as an LDD in 1979, an economic regeneration strategy was in existence before the

CEDS. The strategy included the development of local infrastructure and improvement in governmental efficiency. This two-fold strategy was largely extended to the CEDS, and the TIER RLF staff believes that the ARC and EDA assistance complement each other, particularly relative to start-up and expansion businesses. RLF assistance provides gap financing when a bank is unwilling to assume the entire risk, 100 percent financing when a bank is not interested in financing any portion of a project, and "working capital" loans when a bank will not provide financing without collateral. The need for assistance is due more to the absence of available funding than to the absence of below-market-rate funding. Although TIER will make a loan at below-market rates, it does not like to do so. Presently, there is a cap of $100,000 on the amount of an EDA RLF loan, and TIER usually requires a 10 percent equity contribution from the owner.

The CEDS and the RLF Plan

The RLF Plan supports job creation, which is a key aspect of the regeneration strategy. As the program evolved, it focused on support for start-up and expanding businesses owned by minorities, women, and other economically disadvantaged individuals. As a result, the RLF staff had to develop a new approach to assessing credit risk and other factors. As stated, there was already a well-documented business development strategy under the ARC program. In fact, as agricultural unemployment increased during the 1980s, TIER worked with ARC to develop a regional farmland strategy. More recently, with funds from the state and two years of funding from ARC, TIER has worked with its counties to develop farm protection plans. At the time of this site visit, five counties had completed county agriculture and farmland plans, and three such county plans were under way. The same STERPDB staff members who administer the RLF and prepare the RLF Plan also help prepare the CEDS. Oversight of the CEDS is provided by the CEDS subcommittee of STERPDB's Economic Advisory Committee. The first RLF Plan was approved in 1988 and revised in 1995. The RLF staff says that there have been no significant changes in either the economic adjustment problem or RLF funding, and, therefore, the RLF Plan has not changed significantly. The STERPDB board, however, has directed staff to shift its focus in lending programs to better address the problems in the agricultural sector (the focus of the lending programs had been on the industrial sector) and to revise the CEDS and the RLF Plan accordingly.

"The Whole in the Wall," a vegetarian restaurant in downtown Binghamton, uses herbs grown by RLF loan recipient Angel Ridge Farm, also the owner of the restaurant. The $10,000 loan, paid off in 1993, helped Angel Ridge Farm to succeed, resulting in renovation of a rundown building and contributing to the revitalization of a section of downtown Binghamton.

The Role Played by EDA

The RLF staff members believe that most of the projects supported by RLF loans would not have been undertaken without EDA support. This assessment was supported by the owners of the four businesses that were visited. Although the staff considers ARC to be the core, or dominant, federal funding agency for the STERPDB, the support received from the EDR has "always been great!" The staff noted a unique feature of the EDA RLF: "With other EDA programs, we work primarily with local governments and industrial authorities. With the RLF though, we deal directly with businesspeople, which adds a different perspective to our economic development efforts." To make TIER's RLF more successful, EDA could first, "get rid of Davis-Bacon wage rates because they add significantly to costs of construction projects and, therefore, forces us to steer clear of such projects" (also, obtaining information about Davis-Bacon wage rates is "almost impossible"); and, second, provide software for the program (the SBA provides software for its programs), particularly for forms (e.g., the credit analysis form).

Direct RLF-Related Results

The RLF staff reported no problems in defining the 313.5 jobs cited in the 1998 semiannual report as created or retained. However, the staff did note that limited staff resources preclude monitoring projects on a frequent basis to maintain an accurate job count (the last thorough count was done two years ago). The staff is confident that these jobs are net new jobs because the program does not get involved with business relocations. The staff also had no difficulties defining or counting the $4.87 million in private-sector dollars invested in the projects because this information is included in loan documentation. The current (1998) level of the RLF capital base is $354,369, which is lower than the 1997 capital base of approximately $400,000 because of write-offs of unpaid loans. The growth of the capital base could be enhanced with a recapitalization of the program and by bringing together all loan programs and other EDA program resources to address the agricultural problem. In terms of dealing with the trade-off between making risky loans with demonstrable linkage to the economic adjustment strategy and maintaining a well-performing portfolio, the RLF staff states that the purpose of the EDA RLF program is to make risky loans that banks will not consider. The staff adds that the EDA RLF aspires to a higher public purpose than maintaining a well-performing portfolio. Hence, the staff places a "strong" emphasis on potential job creation over credit risk. The average hourly wage of jobs created or retained by an RLF grant is "somewhere" between $7 and $10, or about the same as other jobs available in the region. When IBM, Endicott-Johnson, and other large companies were in the region, the rate would have been lower. Given the small size of TIER's RLF, the staff does not feel that the RLF has contributed greatly to the diversity of industries in the region, but it does feel that it "has created opportunities that otherwise would not have occurred." Regarding the RLF's impact on the mix and availability of retail goods and services, the staff believes that the RLF has been very successful, particularly in Binghamton. To provide an example, the staff cited an RLF loan made to an African American woman to start an apparel shop catering to African American tastes. She "struck a nerve in the black community," became a role model for other black entrepreneurs, and has started a number of other businesses catering to that community. Prior to the RLF grant, agriculture was the major employer, except for Binghamton and Tompkins, where it was fabricative manufacturing. Now, the region is shifting into the producer-services employment, with fabricative manufacturing a close second. The RLF "has probably not" been instrumental in this transition.

RLF Management

Several years ago, the STERPDB board wanted to terminate all of the agency's loan programs because they were a major drain on the agency's resources in terms of operations, administration, and reporting. However, the board later reversed that decision. TIER has been somewhat successful in creating networks between banks, local governments, and state agencies, and the staff participates in the meetings of a number of local business groups. There are 23 public loan programs in the region. The EDA RLF has a formal partnership with the Empire State Certified Development Company (ESCDC); TIER refers SBA-504 loan candidates to the ESCDC, and the ESCDC refers RLF candidates to TIER. TIER also has informal relationships with other RLFs in the region, such as the Binghamton Microloan, the Southern Tier East Enterprise Development Program (funded by ARC), and the Cortland Business Development Corporation (affiliated with the Cortland County Chamber of Commerce). In addition to the EDA RLF, TIER administers a $90,000 Rural Microloan Fund, funded by USDA's Rural Development program, and a $450,000 Revolving Loan Trust Fund (which serves nine counties) on behalf of the Southern Tier Regional Economic Development Corporation. In regard to the latter, TIER contracts with the Elmira/Corning Area Regional Economic Development Energy Corporation. The TIER staff does not feel that the EDA RLF is a financially sustainable entity because its capital base is deteriorating as a result of unpaid loans. The STERPDB has 10 staff, one of which is assigned to administer the EDA RLF. No staff member is paid exclusively by the RLF. There has been no turnover in RLF staff since the program's inception. The staff finds EDA's reporting procedures reasonable, although it has been disappointed that the TIER program has not been moved to annual reporting as expected. The reports, however, are "quick to compile."

Planning and Structural Change

This RLF is overseen by a nonprofit corporation that specializes in the management of economic development loans and grants. The RLF is located in an area of upstate New York that historically has been losing population. The nonprofit is committed to giving loans to those aspiring entrepreneurs who cannot get loans from traditional financial institutions and to minorities, women, and other economically disadvantaged individuals. There is a plan here but it is not focused on economic restructuring. Rather, the plan is focused on communities emerging from poverty and the empowerment of people who are without power. Further, structural change is not taking place in this region of 320,000 jobs from an RLF that has produced and retained only 314 jobs in 10 to 12 years.

Planning ad RLF Performance

This is an RLF that is dedicated to giving loans to as marginal a clientele as can be found. This is the goal of the RLF Plan. The goal is being realized in that the share of loans given to minority- and/or women-owned businesses is three times the average, but default and write-off rates are also three times the average. Planning is affecting performance and those likely not to get a loan elsewhere are getting it here at the cost of relatively high loan failure.

Overall Assessment of the RLF

The RLF staff gives its RLF a rating of "3" out of "10" in terms of its economic performance and a "7" in terms of its qualitative impact on "people's lives." The staff considers the RLF successful in terms of giving people opportunities to succeed, but perhaps not so successful if the criteria include a scale of the capital base and "turning the economy of the region around." The RLF could have been successful, the staff adds, if the fund were larger. Site visits and brief interviews with the owners of four businesses receiving RLF loans revealed strong support for the RLF and confirmed the critical importance of the loans to the success of these businesses.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA 04/14/89
YEAR OF GRANT	1987		Years to Distribute 4.0 years
LOAN-TO-GRANT RATIO	2.2:1		Up and Running Yes
			Produced Jobs Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	368,750	0	20,000	388,750

Financial Statistics	# of Loans	% of Loans Delinquent (# and $)	% of Loans in Default (# and $)	% of Loans Written Off (# and $)	Average % Growth of Capital Base	Total Amount of Loans ($)	RLF Capital Base ($)	Private-Sector Funds ($)
	24	0 / 0	25 /20	21 /22	- 0.9	836,486	354,369	4,870,930

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
43	45	12	82	12	6

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
231	83	314	0.0: 1	5.8: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
1	9	14	14
Cost/Job, EDA ($)	946	**Cost/Job, RLF ($)**	997

Region 8 Planning and Development Council

Project No.	01-39-02963
Project Location	Petersburg, West Virginia
Contact	Terry Lively
Phone Number	(304) 257-2448
Year of Grant	1988

Socioeconomic Profile

The EDA RLF is administered by the Region 8 Planning and Development Council (R8PDC). R8PDC serves five counties in northeastern West Virginia: Grant, Hampshire, Hardy, Mineral, and Pendleton. These five counties had a population of 79,395 in 2000—a 9.3 percent increase from the 1990 population of 72,654. The population of Mineral and Pendleton counties remained stable. The population of Grant County grew by 8.4 percent. Hardy and Hampshire counties experienced a 15.4 and 22.5 percent increase in population, respectively. In 1994, the area's unemployment rate was 6.6 percent—approximately 74 percent of the state unemployment rate (8.9 percent) and 108 percent of the national unemployment rate (6.1 percent). Hardy County had the lowest unemployment rate (4.9 percent). Grant County had the highest rate (11.1 percent). Unemployment rates in the remaining counties ranged between 5.3 percent and 6.9 percent. Per capita income for the area was $14,784 in 1993—approximately 91 percent of the state per capita income ($16,169) and 71 percent of the national figure ($20,800). Hampshire County had the lowest per capita income ($12,729) and Hardy County had the highest ($17,019). In 1995, the area's estimated poverty rate was 16.3 percent, compared with 19.9 percent for West Virginia and 13.8 percent for the United States. In 1995, estimated median household income ranged from $25,755, in Pendleton County, to $27,665, in Mineral County, compared with $25,354 for the state and $34,076 for the nation.

Background to the EDA Effort

This RLF was originally funded in 1988 with $187,500 in EDA funds and $62,500 in local matching funds, for a total program of $250,000. Before it received EDA assistance, the region faced an economic adjustment problem that can best be characterized as a general decline in the regional economy over several decades. The decline was originally led by cutbacks in the coal industry. In the early and mid-1980s, there were large layoffs at a shoe factory (which eventually closed). Another shoe factory was scheduled to close by February 2000, resulting in a layoff of approximately 350 workers. The RLF staff states that while there has been some improvement in certain communities, "things, overall, are pretty much the same." There have been recent layoffs, for example, in the garment industry, but there have been gains in other sectors—the poultry industry (raising and processing of chickens, particularly in Moorefield), manufacturing (metal fabrication, cabinetry), and furniture repair. The strategic plan for economic regeneration of the region is "to create the economic base (industrial parks and infrastructure) that attracts industry and allows it to grow." Efforts focus on the region's rising industries: poultry; wood production, particularly value-added wood products; and metal fabrication. The R8PDC, which is the EDD for the region, has used EDA public-works funds to help local communities create a number of industrial

Criterion, Inc. received a $50,000 RLF loan and moved into a new facility, in an industrial park in Mineral, WV. Criterion restores outside patio and lawn furniture for hotels, motels, and the public. The loan leveraged $70,000 in private funds, $120,000 in other public funds, and $26,000 in owner's equity.

parks and build multi-tenant buildings. The industrial parks have been successful. The Grant County Industrial Park, for example, is almost full, and more industrial acreage and floor space is needed. While there are several industrial firms that have moved into the parks from outside the region, most of the firms are "home grown." The R8PDC relies on the counties and the state for marketing the program outside the region. RLF funds were needed primarily to help the "home grown" firms become established or to help them expand. Banks, the RLF staff stated, "just would not fund the full costs of projects. As a result, we became 'gap financers.'" The staff adds that the general absence of funding and the lack of funding at a below-market rate were issues; however, the main problem was that the banks were simply unwilling to assume all the risks associated with small start-up businesses and expansions.

The CEDS and the RLF Plan

The RLF Plan supports two key aspects of the regeneration strategy: (1) to "grow" local businesses so "they will not pick up and move"; and (2) to create more manufacturing jobs. Regarding the latter, the staff adds, "All things being equal and if there were only enough dollars to fund one project, we would lean toward a welding shop over a restaurant because the welding shop provides higher-skill jobs and higher wages than a restaurant." As was the case with most of the other RLF agencies visited, the staff's description of the business development strategy in the CEDS did not differ significantly from the staff's description of the economic development and regeneration strategies. The CEDS is prepared and approved by local leaders serving on the R8PDC's Board of Directors and committees. The executive director coordinates preparation of the CEDS and is also responsible for preparation of the RLF Plan. The RLF Plan was originally approved in 1988 and has been approved in each subsequent year since by resolution of the board. The Plan has been modified to allow the agency to make loans of up to $20,000, at market rates without bank participation, and to fund up to one-third of project costs up to $75,000 (the staff states that prior to the modification, the agency could only fund up to one-third of project costs up to $50,000). Responding to the EDAs' observation that although economic adjustment problems and RLF funding change over time, RLF plans do not seem to reflect these changes. The RLF staff states that, indeed, "Our plan has changed to reflect these things." For example, the modifications described above, were made in response to the expressed needs of small businesses in the region. The staff also points to a change that will allow the agency to lend funds to projects that produce one job for every $10,000 to $15,000 borrowed, instead of one job for every $5,000 borrowed, which is the present requirement. Again, this reflects the changing nature of the region's economy.

The Role Played by EDA

The RLF staff believes that approximately 65 percent to 70 percent of the projects supported by EDA RLF funds would not have been undertaken without that support: "Even had the businesses tried to go ahead without the support, most would have been undercapitalized and that would have meant real trouble for them." The staff feels that it gets "really good support" from its EDR and "good support, too, from Philly (its EDA regional office)!" The staff states that the EDA RLF program is unique among other EDA-

S. J. Morse makes wood veneer for furniture, cabinets, and other wood products. An RLF loan in the amount of $25,5000 filled the gap between total project costs of $255,500 and the $230,000 invested by the private sector ($115,000) and other public programs ($115,000). The loan created/retained two jobs.

funded programs because "it deals more directly with individual businesses, which makes the technical assistance funded by the EDA planning grant work better." The staff feels that EDA could make the R8PDC's RLF be more successful if EDA were to provide more money for the fund; the staff, however, has not requested a recapitalization of the fund.

Direct RLF-Related Results

The RLF staff reports no difficulty in defining or counting the 94 jobs created or retained. The staff adds: "The numbers change all the time because of situations specific or unique to the businesses. We survey once a year, and the response rate varies based on 'situational issues.'" The majority of these jobs, the staff feels, are net new jobs: "One of our criteria is whether or not the applicant is relocating a job within the labor market area [not a new job]." The staff also did not have difficulty defining or counting the $1.9 million of private-sector investment because "the banks have those numbers." The annual growth rate of the capital base is 1.6 percent annually. This growth could be enhanced by recapitalizing the fund and/or by "selling the present loans we have and relending the money." The RLF tries to make loans that are risky, but it would promote the adjustment strategy as well as loans that ensure a well-performing portfolio by seeking the highest possible participation by the banks. The staff adds, "Also, we discuss loans among the staff, and if a particular loan is too complex (in this regard), we go to the loan board." While the staff does not know the average hourly wage of jobs created or retained by the RLF loans, the staff states that it is about the same or a little higher than that of other jobs available in the community; most of the RLF's loans are made to the manufacturing sector, which generally pays higher wages. The amount available through the loan fund is not enough to significantly increase the diversity of industries in the region's economy, but the portfolio itself is quite diverse. For the same reason, the staff does not believe that the RLF has increased the region's mix and

The RLF loan officer (standing at the far left in the picture) talks with the owner of S. J. Morse. "The RLF loan made the total package come together," the owner states. The loan allowed S. J. Morse to upgrade its equipment and occupy larger quarters.

availability of retail goods and services, although, the staff adds, "We have some service loans." Before the RLF grant became available, most employment was split between simple and fabricative manufacturing; current employment distribution remains about the same. The RLF program has been instrumental, "to the extent that it can be, given its small size" in maintaining employment of this type.

RLF Management

The RLF staff participates in the few networks that exist among business and financial officials, but a staff member states, "We are very rural here. Everyone knows each other, and business is often concluded on a handshake. No network is really needed because we see each other all the time. I drop in on bank lending officers to say 'hi' whenever I'm nearby." The RLF has developed relations with other programs. For example, R8PDC RLF and the Pendleton County RLF (funded by the U. S. Forest Service) refer clients to each other. The RLF also administers a microloan fund supported by the West Virginia Development Office, and it works with a local foundation called "Lifestone Foundation," which manages a microloan fund supported by the SBDC. The program does not subcontract any of its activities, but it does use an attorney to prepare all closing papers; the borrower pays the fee. The staff does not consider the RLF to be financially sustainable "if that includes supporting staff, because the fund is too small." The R8PDC has six full-time employees, none of whom are paid exclusively by the RLF. The loan officer spends approximately one-fourth of his time on the RLF , and a part-time bookkeeper spends about one day a year. There has been no turnover in staff (the present loan officer has been with the agency for nine years). The RLF Loan Administration Board is the executive committee of the Potomac Valley Area Development Corporation. The board has 10 members: two bankers, two industrial-development corporation members; two retail- and service-sector members, one business contractor, one manufacturing-plant manager, and two county commissioners. The staff finds the EDA reporting procedures reasonable, but it adds that "annual reporting should be enough, particularly for small loan funds like ours" (the agency presently reports semiannually).

Planning and Structural Change

This RLF is being undertaken in a relatively poor area of a poor state. The original RLF Plan was prepared a decade before the time of the survey. It has been updated for technical as opposed to mission changes. This area of the country needs employment of a variety of types and is not going to turn away jobs because they are in industries or have wage scales that do not advance economic restructuring. Planning is undertaken here at a moderate level and it is not focused on economic restructuring.

Planning and RLF Performance

The RLF issued 13 loans for $373,000 over a 10-year period. None of these loans have been written off, default rates are average, and capital base growth is strong. A competent staff member is able to run a small loan program in the absence of a major planning (RLF Plan) influence.

Overall Assessment of the RLF

The staff gives the RLF a rating of "9" out of a possible "10" in terms of its economic performance ("it has accomplished what was expected") and a rating of "9" in terms of its qualitative impact on the region. The staff considers the RLF successful because it "has created jobs, leveraged private dollars, and been instrumental in helping small firms stay in business." The staff believes the RLF could have been more successful if the loan pool had been larger, however, the staff also notes that R8PDC has not applied to EDA for a recapitalization of the fund.

<table>
<tr><td colspan="4">TYPE OF GRANT LTED
YEAR OF GRANT 1988
LOAN-TO-GRANT RATIO 1.5:1</td><td colspan="5">SCHEDULE First Distribution from EDA 06/21/90
Years to Distribute 3.0 years
Up and Running Yes
Produced Jobs Yes</td></tr>
<tr><td colspan="9">PROJECT-RELATED GRANT SUPPORT</td></tr>
<tr><td rowspan="2">Grant ($)</td><td colspan="2">EDA</td><td colspan="2">Applicant</td><td colspan="2">Other</td><td colspan="2">Total</td></tr>
<tr><td colspan="2">187,500</td><td colspan="2">62,500</td><td colspan="2">0</td><td colspan="2">250,000</td></tr>
<tr><td rowspan="2">Financial Statistics</td><td># of Loans</td><td>% of Loans Delinquent (# and $)</td><td>% of Loans in Default (# and $)</td><td>% of Loans Written Off (# and $)</td><td>Average % Growth of Capital Base</td><td>Total Amount of Loans ($)</td><td>RLF Capital Base ($)</td><td>Private-Sector Funds ($)</td></tr>
<tr><td>13</td><td>0 / 0</td><td>15 / 8</td><td>0 / 0</td><td>1.6</td><td>372,782</td><td>283,779</td><td>1,876,350</td></tr>
<tr><td colspan="9">PROJECT-RELATED DIRECT ECONOMIC EFFECTS</td></tr>
<tr><td colspan="4">Percentage Distribution of Loans (by Type of Activity)</td><td colspan="5">Percentage Distribution of Loans (by Type of Job)</td></tr>
<tr><td>Start-Up (%)</td><td colspan="2">Expansion (%)</td><td>Retention (%)</td><td colspan="2">Industrial (%)</td><td colspan="2">Commercial (%)</td><td>Service (%)</td></tr>
<tr><td>12</td><td colspan="2">76</td><td>11</td><td colspan="2">68</td><td colspan="2">15</td><td>17</td></tr>
<tr><td>Jobs Created</td><td colspan="2">Jobs Retained</td><td>Total Jobs</td><td colspan="3">Public-Sector Leverage</td><td colspan="2">Private-Sector Leverage</td></tr>
<tr><td>85</td><td colspan="2">9</td><td>94</td><td colspan="3">2.1: 1</td><td colspan="2">5.0: 1</td></tr>
<tr><td colspan="2">% of Jobs to Minority Workers</td><td colspan="2">% of Jobs to Female Workers</td><td colspan="3">% of Loans to Minority-Owned Businesses (%)</td><td colspan="2">% of Loans to Female-Owned Businesses (%)</td></tr>
<tr><td colspan="2">2</td><td colspan="2">73</td><td colspan="3">0</td><td colspan="2">9</td></tr>
<tr><td colspan="2">Cost/Job, EDA ($)</td><td colspan="2">872</td><td colspan="3"><b>Cost/Job, RLF ($)</td><td colspan="2">1,162</td></tr>
</table>

Baltimore County Department of Economic Development

Project No.	01-49-03361
Project Location	Towson, Maryland
Contact	Stanley Jacobs
Phone Number	(410) 887-8033
Year of Grant	1995

Socioeconomic Profile

The EDA RLF is managed by the Baltimore County Department of Economic Development and serves Baltimore County, Maryland. Baltimore County had a population of 754,292 in 2000—a 9.0 percent increase from the 1990 population of 692,134. In 1994, the county's unemployment rate was 5.6 percent—approximately 110 percent of the state unemployment rate (5.1 percent) and 92 percent of the national unemployment rate (6.1 percent). Per capita income in Baltimore County was $25,560 in 1993—approximately 107 percent of the state per capita income ($23,908) and 123 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 6.6 percent, compared with 9.2 percent for Maryland and 13.8 percent for the United States. In 1995, the county's estimated median household income was $42,021, which was almost equivalent to the state's estimated median household income ($42,132), and 123 percent of the national estimated median household income ($34,076).

Background to the EDA Effort

This RLF was originally funded in 1995 with a $650,000 grant from EDA and a $250,000 local match. The county faced problems created by downsizing in defense industries and defense contractors and a dwindling manufacturing industry, particularly in the southeastern part of the county. Bethlehem Steel was, historically, the largest employer in the county. During World War II, the company employed 60,000 workers. In the early 1990s, it employed 12,000 workers; the company now employs 6,500. Lockheed-Martin decreased its workforce from approximately 1,900 employees to 500. AAI Corporation cut its workforce from approximately 1,700 workers to 1,000. Although the strong national economy has helped to create new jobs for former defense workers, other sectors of the economy have suffered losses (e.g., Raytheon, which employed 300 workers, recently left the county). The strategy for economic regeneration of the county is to create jobs that provide a "livable wage." The county's strategy focuses on the manufacturing, technical, and service sectors rather than on the lower-wage retail sector. In addition, the focus is countywide because workers with high-level skills reside primarily in the northern and central parts of the county, not in the southeastern section. The county initially applied for the RLF grant to help some of the defense-related workers start their own businesses and to help fuel the high-technology sector. Banks did not understand the growing high-tech industry and were generally unwilling to lend money to start-up businesses in that field. The program's lower-than-market interest rate is a factor only in business retention, and there is only one such loan in the RLF portfolio.

The CEDS and the RLF Plan

The RLF Plan supports the regeneration strategy by focusing loans on high-tech businesses or businesses that use high technology. Former defense workers generally have the high-level skills required for employment in such businesses. The RLF's focus is supported by the state's efforts to promote high-tech businesses in the county. Both the state and the county provide

Atlantic Pharmaceuticals, of Owings Mills, MD, received an RLF start-up loan of $250,000. The firm has created 30 new jobs and is planning an expansion.

funds for training workers who lack the skills needed to obtain employment in high-technology positions. There was already a well-documented business development strategy in the CEDS when the RLF program began, and that strategy has not changed to any great degree. However, the county economic development department has broadened its mission beyond marketing the county and attracting firms to do business there. In accordance with the CEDS strategy, the department promotes redevelopment of residential and commercial areas around the city, and the reduction of high concentrations of residents, by redeveloping these areas as single-family neighborhoods. There is strong networking between the three divisions in the department—Residential Redevelopment (3 staff), Business Development (6 staff), and Commercial Revitalization (3 staff). Staff throughout the department cooperate in the development of the CEDS. They are led in this effort by the executive director of the department, and Business Development is primarily responsible for the RLF Plan. The original RLF Plan, approved in October 1995, focused on high-technology companies. It was later modified in two ways: to allow funding of businesses that use some form of high technology and to allow the use of local matching funds to guarantee loans. In the latter case, for instance, local funds were used to guarantee a bond that Atlantic Pharmaceutical could obtain at a lower-rate than the rate offered by an RLF loan. The loan would enable Atlantic Pharmaceutical to construct its 46,000-square-foot building. The RLF staff contends that the RLF Plan is adjusted to address changes in the economy and in funding. The staff cited the fact that the county amended its RLF Plan to allow funding of businesses that use high-technology processes, a change that reflected the changing economy and the lending needs of the county.

The Role Played by EDA

The RLF staff is confident that most of the projects supported by RLF loans would not have been undertaken without EDA assistance. The gap between the amount that the banks were willing to lend and owner capital was too significant in most cases. The county needed the additional funds offered by the EDA RLF grant because other EDA funding programs (e.g., the public works program), while valuable in other regards, do not support loans to businesses. The county, in fact, has a public works grant that is funding the infrastructure of a technology park called the University of Maryland Baltimore Campus Research Park. The staff indicates that it receives all the support it needs from the EDD, the EDR, and the EDA regional office, but that EDA could help make the county's RLF more successful by providing additional capital for the fund.

Direct RLF-Related Results

The staff reports difficulty in defining or counting the 1,814 jobs created or retained in the county. The staff believes that most of the jobs are new, but, because of the county's tight job market, some businesses have to import workers from out of state. Even though the unemployment rate in the county is approximately the same as the national average, the staff knows that the county does not have enough skilled workers needed by the high-tech companies; therefore, additional workers have to come from somewhere else. The staff reports no difficulty in defining or counting the $75 million in private-sector investment leveraged by the RLF program. The RLF program and the banks use forms that require the borrower to identify the total cost of the project, other sources of funding, and other data. The 1998 RLF capital base was $935,700; it is growing at an annual rate of approximately 1.8 percent. This rate has been higher over the last couple of years because the first several years were devoted to marketing the program and making contacts with banks, businesses, lawyers, and others. An even higher rate of growth could be obtained by increasing the interest rate, the fees, or the base amount of loans, but the staff does not support such actions because they would defeat the purpose of the program. The staff recognizes the tradeoff between making risky loans and maintaining a well-performing portfolio, stating that it would not

The owner of "Innovative Outsourcing," an on-line print-purchasing system, received an RLF start-up loan of $250,000, moved from a home-based operation to a 40,000 square foot building, and, after six months, is moving to a 100,000 square foot building.

make a loan to a project that did not measure up to the program's mission. In addition, if the portfolio is heavy with risky loans, the administrative burden increases significantly (hand-holding, etc.). The average hourly wage of jobs created or retained by the grant is approximately $12 per hour, definitely higher than the average wage for other jobs in the community. This information is included on the RLF application form. The staff indicated that the grant has increased the diversity of industries in the county, citing, for example, that contract drug manufacturers did not exist in the county before an RLF loan helped the first one as a start-up business. The grant has not increased the community's mix of retail goods and services because the focus of the plan is on high-tech businesses. In the past, the major employment source in the county was fabricative manufacturing; it has now shifted toward producer services. Although the RLF grant has supported this movement, it is largely the result of a natural progression of the county's economy.

RLF Management

The RLF staff regularly attends seminars and meetings with bankers, accountants, attorneys, and others in the business community. The county created a business council, and the RLF staff markets the RLF program with the council members. The staff also makes presentations to organizations (e.g., the Rotary Club) and attends Chamber of Commerce meetings. Both the city of Baltimore and the state of Maryland have RLFs. The county has a direct link to the state's RLF; the county has a representative on the state's RLF-loan committee. The county's program also has received $350,000 from another state lending program. The RLF staff "cross-references" prospects with the city and lets city staff know if a city business is interested in locating in the county. The staff also cooperates with, and participates in, the regional economic development effort, and it provides information on prospects to other counties. In addition to the EDA RLF, the staff administers another RLF, which is funded every two years entirely with county funds. This RLF has lent approximately $8 million; an additional $1 million is available. The staff also administers a microloan fund supported by BankAmerica and a Small Business Loan Fund (SBLF) that 16 area banks support with up to $3 million each year. The SBLF provides maximum loans of $250,000, and the banks share in any losses. The county and Franciscan Healthcare have a small loan fund of $150,000. The county economic development department has a staff of 19, none of which are paid out of RLF funds, and none of the activities of the EDA RLF are subcontracted. The RLF is considered financially sustainable as long as staff salaries continue to be paid with county funds. There has been little turnover in staff (the RLF administrator has been with the program since its inception). The RLF Loan Review Board has 11 members: two attorneys, three banking officials, one academician, two developers, one brokerage official, one Chamber of Commerce official, and the RLF program administrator. The administrator does not particularly like the layout of reporting forms required by EDA, but he did like the "much easier" electronic, e-mail version.

Planning and Structural Change

There is concerted effort on the part of those involved in this RLF to move towards higher grade and more technically-challenging employment. This is true of the CEDS which focuses employment recruitment on advanced manufacturing and high-tech industries and the RLF Plan which directs loan activity to those formerly engaged in the defense industries who are initiating small businesses in the high-tech sector. Economic development planning could not be linked more directly to attempts to foster structural change. The reality is, however, that Baltimore County has an employment base of 425,000 and this loan program has created and retained 1,800 jobs almost split evenly between creation and retention. Normal growth in urban retail establishments could overwhelm any concerted effort to move to a higher level of economic production.

Planning and RLF Performance

This RLF is being managed by a staff member of a county department that has participated in the RLF Plan and has bought into what is attempting to be achieved. The fund is well run—defaults and write-offs are nonexistent and capital base growth is strong. This is not the case of an RLF being run by a former employee of the banking industry possessing all the requisite skills. This is a team of professionals directed by a plan that is achieving very positive results.

Overall Assessment of the RLF

The RLF staff rates the economic performance of the RLF as very good, an "8" (out of "10" points). It gives the program's qualitative impact on the community a rating of "8" as well, citing the RLF's funding of high-tech businesses that create jobs that "really sustain" a family. This assessment was confirmed by site visits to two borrowers: Pharmaceutics International, which has created at least 31 jobs and is growing rapidly, and Innovative Outsourcing, which, as recently as seven months before the visit, had been a home business but will soon move into a 100,000-square-foot building. The presidents of both firms state that they would not be where they are today without the RLF loan. Overall, the RLF staff considers the RLF successful because it is having a positive impact on job growth in the high-tech community. The RLF could be even more successful if it were more broadly defined in terms of the businesses eligible for funding, if the fund were bigger, and if the restrictions on loan guarantees were lifted.

TYPE OF GRANT	Defense Adjustment	**SCHEDULE**	First Distribution from EDA	07/29/96
YEAR OF GRANT	1995		Years to Distribute	Too recent
LOAN-TO-GRANT RATIO	0.7:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	650,000	250,000	0	900,000

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 ($)	Private-Sector Funds ($)
	4	0 / 0	0 / 0	0 / 0	1.8	650,000	935,700	75,000,000

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
38	0	62	0	100	0

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
983	831	1,814	0.0: 1	115.4: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	0	0	0
Cost/Job, EDA ($)	47	**Cost/Job, RLF ($)**	65

Kentucky Department for Local Government

Project No. **04-19-01885.01**
Project Location .... **Frankfort, Kentucky**
Contact .... **Lee Creech**
Phone Number .... **(502) 573-2382**
Year(s) of Grant **1979, 1985**

Socioeconomic Profile

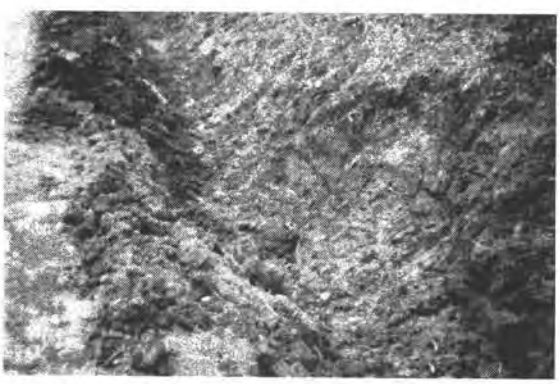
The EDA RLF managed by the Kentucky Department for Local Government serves nearly the entire state of Kentucky. The following 16 counties are *not* served: Boone, Bourbon, Calloway, Campbell, Clark, Davies, Fayette, Franklin, Jefferson, Kenton, McCracken, Oldham, Scott, Shelby, Warren, and Woodford. The area covered by the RLF had a population of 2.4 million in 2000—a 20 percent increase from the 1990 population of 2,059,610. In 1994, the area's unemployment rate was 6.3 percent—approximately 116 percent of the state unemployment rate (5.4 percent) and 103 percent of the national unemployment rate (6.1 percent). Bullitt County had the lowest unemployment rate (2.9 percent); Carter County had the highest rate (13.5 percent). Per capita income for the area was $14,041 in 1993—approximately 83 percent of the state per capita income ($16,889) and 68 percent of the national figure ($20,800). Elliot County had the lowest per capita income ($9,307); Boyd County had the highest ($18,661). In 1995, the area's estimated poverty rate was 21.6 percent, compared with 17.9 percent for Kentucky and 13.8 percent for the United States. In 1995, estimated median household income ranged from $14,393, in Owsley County, to $39,618, in Bullitt County, compared with $28,929 for the state and $34,076 for the nation.

Johnson County Gas Company received a $1.32 million loan in July 1981. The loan is defaulted (174 months). Top, 3" gas main and 6" water main at Route 40 in Meally, KY. Bottom, 3" main tie-ins in Meally, KY.

Background to the EDA Effort

The Kentucky Department for Local Government RLF was funded in 1979 with a grant from EDA in the amount of $2.7 million matched by $500,000 in state funds and $500,000 in funds from the Appalachian Regional Commission (ARC), for a total loan pool of $3.7 million. The RLF was recapitalized in 1985 with an additional $450,000 in EDA funds and $150,000 in state funds for a total of $4.3 million. The funds are used solely to support a national pilot project developed jointly by the Kentucky Department for Local Government and EDA to physically and financially rehabilitate severely deteriorated natural gas distribution systems, particularly in the coal-producing counties of eastern and southeastern Kentucky. Coal production and related industries are the primary sources of employment in the region, and this lack of diversification is the root of cyclical unemployment and other economic weaknesses. These economic problems would be heightened by gas system shutdowns. In a 1979 study of 27 gas systems in the region, six of the systems leaked from 9.4 percent to 43 percent of their gas through deteriorated bare steel pipe ranging from 30 to 50 years old; all

27 systems averaged a 16.4 percent gas leakage. Of the 789 businesses served by the gas companies, 286 were expected to curtail operations in the event of shutdowns; this would affect more than 6,000 employees or approximately 50.7 percent of total employment in the region. As a result of the outmigration of young people from eastern and southwestern Kentucky, elderly people on fixed incomes made up more than 50 percent of the population of some communities. All of the original deteriorated systems have been rehabilitated, and loans now go to help rehabilitate or expand other systems. The plan for economic regeneration of the area is, first, to prevent the shutdown of systems and, second, to increase the availability of natural gas (and the self-sufficiency of the area) in order to attract businesses to the area and stimulate local economies. RLF loans were needed because few banks were willing to risk investing in deteriorated systems; an RLF loan was made only if a commercial loan was not available.



Johnson County Gas Company. Top, 3" gas main tie-ins in Meally, KY. Bottom, clean up at Route 40, on the other side of the road where the gas and water mains where put.

The CEDS and the RLF Plan

Key aspects of the regeneration strategy supported by the EDA plan include keeping the systems operational, supporting small businesses, and maintaining quality of life in the region. The EDA plan addresses these issues by focusing loans on the rehabilitation and expansion of the gas systems. The EDA plan also addresses public safety issues related to these systems (i.e., the dangers resulting from gas leaks). A well-documented business development strategy existed prior to the RLF grant. That strategy was to promote industrial location/relocation to the region. Rehabilitation of the gas systems ensured a basic infrastructure that would help attract industry. The RLF staff reports that day-to-day interaction did not occur between staff who prepared the EDA plan and staff who prepared the CEDS; there was, however, close coordination between state staff and EDA and ARC staff. The EDA strategy was originally approved in 1979. It was amended twice: in 1985, when it was recapitalized, and again in 1998, to expand the geographic scope of the program and to allow for expansion of systems, in addition to rehabilitation. When asked about the feeling at EDA that RLF plans often do not seem to reflect changes in an area's economic adjustment problem and RLF funding over time, the staff stated that, indeed, the 1998 amendment to the EDA plan was for that specific purpose—to reflect changes in the economic adjustment problem and in funding.

The Role Played by EDA

When asked if the projects supported by RLF loans could have been undertaken without EDA support, the staff responds with an emphatic "No!" (also, see EDA's share in Background to the EDA Effort, above). The staff states that no other EDA program could have achieved what the RLF has achieved because the RLF's goal and purpose are very specific: i.e., to rehabilitate inefficient and dangerous gas systems. The RLF staff adds that all staff and offices of EDA have been "very good in working with us. The experience has been very

Johnson County Gas Company. Clean up at Route 40, on the other side of the road where the gas and water mains where put.

positive." The staff does not know how EDA possibly could have helped make the RLF any more successful than it has been; EDA was of "immense help" in resolving one of the defaults for $604,000, and "we have not needed additional assistance."

Direct RLF-Related Results

The RLF staff had no difficulty in defining or counting the 2,310 jobs retained as a result of RLF loans because the numbers are contained in the initial loan papers. The staff adds that no jobs have been created—the EDA plan never anticipated creating jobs. The jobs also were neither relocation nor replacement jobs; they were retained jobs. The RLF staff also states that private-sector investment cannot be documented and that the EDA plan did not include leveraging private-sector investment as an objective. The RLF capital base is $6.3 million. Two defaults have occurred, totaling $691,000. The average annual growth of the fund is approximately 2.6 percent. Growth of the fund could have been enhanced had the defaults not occurred. The staff adds, however, that enhancement of the fund is not needed: "the fund has all the dollars it needs to do the job that was intended." Regarding the trade-off between making risky loans with demonstrable linkage to the economic adjustment problem and maintaining a well-performing loan portfolio, the staff states that it "knew the risks going in." To some extent, the staff adds, overall risks are minimized when loans are made to municipally owned systems, for several reasons: first, such systems generally have a bigger and more secure customer base; second, they have some flexibility in establishing rates; and, third, they have some operational economies in a combined (several types of utilities) utility department. Also, although a municipality could raise taxes to help make loan payments, this is "neither the best nor the most likely way to generate the revenue needed for utility debt service."

RLF Management

The RLF, because of its unique nature (a pilot project to rehabilitate gas systems), has not developed partnerships with other RLFs, and this program is the only RLF administered by the Kentucky Department for Local Government. None of the activities of the RLF are subcontracted. The RLF staff believes that the fund has been financially sustainable "so far," and that there would be sufficient funds to support a staff person's salary and administrative costs; although no such charges are made to the program at the present time. Legal expenses, however, are charged to the fund. Presently, the Kentucky Department for Local Government has 72 employees; 50 percent of one person's time is spent administering the RLF. There has been little turnover of program staff: the present loan administrator is only the second or third person to fill the position since 1979 (program inception). The RLF Account Review Board has seven members. These include one state official, each from the Kentucky Department for Local Government, the Public Service Commission, the Kentucky Gas Association, and the Fire Marshal's Office; representatives of "low income or minority consumers," representatives of "commercial or industrial consumers," and representatives from the "banking and finance industry." The board is quite active in reviewing and monitoring loans. In a recent meeting, for example, the board approved restructuring a loan to lower the interest rate (to keep gas prices to customers as low as possible). The board also approved a loan to restructure the debt of one of the systems and, in another case, to consolidate and link three systems to achieve economy of scale in operations. The staff feels that EDA's reporting procedures are reasonable, adding that the RLF now reports on an annual basis.

Planning and Structural Change

The RLF of the Kentucky Department for Local Government has given 18 loans producing 2,310 jobs. These loans and jobs contribute to a better performing gas utility statewide. It is impossible to estimate the impact of this project or its planning on structural change because even the most basic of industries paying the lowest of wages can benefit from this capital refurbishing effort. On the whole, however, the system is in a better position to deliver more functional utilities to statewide users than it was before the grant. This has been a good project for the state of Kentucky and EDA has been the primary source of support.

Planning and RLF Performance

This is an RLF with a high-level of planning and significant coordination between the CEDS and the RLF Plan. Costs per job are very low and the amount of loan capital written off is also very low. This is a project handled in a state office with significant planning and significant staff capacity. It performs well due to both.

Overall Assessment of the RLF

In evaluating the overall RLF in terms of economic performance, the staff states that although the goal of the RLF is "modest" (to rehabilitate gas systems), "I would give us an '8' (out of '10') on that!" In terms of the RLF's qualitative impact on communities in the region, the staff gives the RLF an "8" because many of those communities would have undergone "significant economic and social impacts" had the gas systems shut down. According to the staff, the primary employer in the region before the RLF grant was mining and timbering operations. While the region has not moved much beyond this type of employment since the grant, the staff states that a major economic-development goal is to promote timber, milling, and fabrication, as well as value-added manufacturing. The staff adds that the RLF grant has been instrumental "in its own small way" in achieving the very slow shift to the next higher category of employment; it has helped by improving one component of the region's infrastructure. Overall, the staff feels that the RLF has been successful because it has, in fact, financed the rehabilitation of the most severely deteriorated gas systems, and it is now financing the rehabilitation of other systems and the expansion of systems to promote future economic development.

TYPE OF GRANT	SSED/Other	**SCHEDULE** First Distribution from EDA	04/28/80
YEAR OF GRANT	1979, 1985	Years to Distribute	5.7 years
LOAN-TO-GRANT RATIO	1.6:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	3,150,000	650,000	500,000	4,300,000

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 ($)	Private-Sector Funds ($)
	18	11 /12	22 /41	6 / 1	2.6	6,677,091	6,323,342	0

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 (%)
44	18	38	0	0	100

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
0	2,310	2,310	0.0: 1	0.0: 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	1
Cost/Job, EDA ($)	313	**Cost/Job, RLF ($)**	428

Berkeley-Charleston-Dorchester Council of Governments

Project No. 04-19-03706
Project Location .... N. Charleston, South Carolina
Contact .... Becky Ford
Phone Number .... (843) 529-0400
Year of Grant 1990

Socioeconomic Profile

The EDA RLF is administered by the Berkeley–Charleston–Dorchester Council of Governments (BCDCOG). BCDCOG serves three counties in southeastern South Carolina: Berkeley, Charleston, and Dorchester. These three counties had a population of 549,033 in 2000—an 8.3 percent increase from the 1990 population of 506,877. In 1994, the area's unemployment rate was 6.1 percent—approximately 97 percent of the state unemployment rate (6.3 percent) and the same as the national unemployment rate (6.1 percent). The three counties had approximately the same rates of unemployment: Berkeley, 6.1 percent; Charleston, 6.2 percent; and Dorchester, 5.8 percent. Per capita income for the area was $16,979 in 1993—greater than the state per capita income ($16,861) and approximately 82 percent of the national figure ($20,800). Berkeley County had the lowest per capita income ($13,477); Charleston County had the highest ($18,918). In 1995, the area's estimated poverty rate was 16.7 percent, compared with 15.7 percent for South Carolina and 13.8 percent for the United States. Charleston had the highest estimated poverty rate (18.9 percent). Berkeley and Dorchester had estimated poverty rates closer to the national figure—14.1 percent and 13.1 percent, respectively. In 1995, estimated median household income ranged from $33,656 in Charleston County, to $37,798 in Dorchester County, compared with $30,060 for the state and $34,076 for the nation.

The Market Street Inn (entrance to the left of Old South Carriage) is located in the upper stories of an historic downtown building and overlooks Market Square, the center of Charleston's tourist district. The Inn was remodeled and furnished with a $35,000 RLF loan that created 3.5 jobs and leveraged $27,500 in owner's equity.

Background to the EDA Effort

In the early 1990s, this region was hit with two major economic disasters. In 1990, Hurricane Hugo directly impacted the Charleston area, destroying many businesses and severely damaging others. Tourism, a major industry in Charleston, suffered severely. In 1994, just as the area was recovering from the effects of the hurricane, it was "hit" again—this time by the closing of the Charleston Naval Base. Public and business officials believed that the closing of the base would have a devastating effect on the region's economy. Banks tightened their lending policies significantly, and it was almost impossible for businesses "without a history" to obtain loans. As events unfolded over the next several years, the base closing proved to be less significant than officials thought it would be. Conversion of the base to private industrial uses has proceeded well; a variety of businesses have located there—a film producer, boatbuilder, palette maker, and others. Underemployment is now a greater problem than unemployment, particularly in "pockets of poverty" such as St. Stephens. The BCDCOG's strategic plan for economic regeneration of the region is fourfold: continue industrial diversification ("a lesson that came from the base closure"); continue the expansion of tourism and medical facilities (historically, the tourism and medical industries have had a strong presence in the region); improve conditions in pockets of poverty; and upgrade the wages of the underemployed to provide a living wage. From 1990 to 1997, when banks were generally unwilling to grant loans to start-up and high-risk businesses, the RLF filled a significant void in the region. The unavailability of commercial loans was of greater concern than high interest rates. According to the RLF staff, "Most borrowers did not even ask about the interest rate." Because the national and local economies have improved over the past few years, banks have been more willing to help businesses that pose the least risk, leaving the RLF to help borrowers who pose the greatest risk.

The CEDS and the RLF Plan

The RLF Plan supports the following key aspects of the regeneration strategy: improving conditions in pockets of poverty; and upgrading the wages of the underemployed to provide a living wage. The RLF staff admits that it is getting more difficult to "fit" the activities of the RLF into the CEDS. The CEDS is putting greater emphasis on the development and rehabilitation of the infrastructure needed to support large industries, particularly in the more urban industrial parks and corridors. In addition, banks are more interested in making commercial loans than they were just a few years ago. As a result, the RLF now focuses on lending to business start-ups and expansions of small businesses, particularly in rural areas where wages are low. According to the RLF staff, "Banks are still hesitant to lend to these types of businesses in rural areas." In urban areas, the program focuses its lending activities in pockets of poverty. The RLF Plan and the CEDS are prepared by the same staff member, so economic regeneration strategies for the region are well coordinated. The RLF staff feels that the 1997 amendment to the RLF Plan reflects most of the changing circumstances in the region. The RLF staff agrees, nonetheless, that "to a certain extent" the economic adjustment problem and RLF lending practices do change over time in ways that the RLF Plan and its amendments may not fully reflect. The staff adds: "The program is flexible and needs to stay that way. Every single loan will not match the plan, but the goal of the plan is to develop economic opportunity and create jobs . . . the plan shouldn't be a straight-jacket!"

The Role Played by EDA

The RLF staff and the executive director of BCDCOG state that EDA has been a crucial partner in the economic regeneration of the region. In 1990, EDA provided a $500,000 grant to the BCDCOG to help businesses (many of the businesses assisted lacked adequate insurance) recover from the impacts of the hurricane. These funds saved a number of businesses that could not get help from FEMA and other sources. In 1994, EDA provided another RLF grant for $1 million to help in the conversion of the Charleston Naval Base. Several EDA public-works grants, particularly those awarded during the period from 1990 to 1999, have provided assistance as well. These grants supported the infrastructure development for as many as six industrial parks and corridors that serve major employers such as Dupont, Western Star Trucking, Nucor Steel, and Santee-Cooper. Another anticipated EDA public-works grant will provide water to Georgia Pacific. When asked if projects supported by the RLF loans could have been undertaken without EDA assistance, the staff responded "We don't think so. The CDBG program (see RLF Management, below, regarding CDBG-funded RLF programs), for instance, has such narrow requirements that it's hard to get the money out. EDA's flexibility makes its RLF successful." The BCDCOG is the EDD, and the staff says that the support it receives from the EDR is "wonderful!" The staff states that the EDA regional office is "very helpful." The BCDCOG receives planning, public-works, defense-adjustment, and RLF funds from EDA. The difference between the RLF and the other programs is that the RLF "puts money directly into the business owner's hands, and the other programs put it into the public's hands." The staff suggests that EDA could make the RLF more successful if it (1) "provided more flexibility to work with larger projects (we are restricted to loans of no more than $150,000)"; and (2) "provided more training, based on a survey of RLF staff-training needs."

The co-owner of SpeeDee Oil Change and Tuneup stands with the RLF loan officer (left) in front of the refurbished auto oil and repair facility in Charleston. The $70,000 RLF loan saved nine jobs and created four new jobs.

Direct RLF-Related Results

The RLF staff states that it has a bit of a problem defining and counting the 1,147 jobs created or retained: "We only count jobs as 'retained' if we are positive that if we hadn't made the loan they would have shut down or left the area." The loan officer visits loan recipients approximately every three months to "keep in contact" and to verify the number of jobs created or retained. Because of the population growth of the region and because most loans are to start-up businesses, the staff is certain that the jobs are new rather than relocation or replacement jobs. The staff does not grant RLF loans to employers relocating within the region: "We check that out pretty closely, for our own political reasons as well as because EDA doesn't want that." The staff believes that as a direct result of the RLF, they "make the businesses 'bankable,' attractive for future bank loans." The staff has no difficulty defining or counting the $23.3 million in private-sector investment. The RLF's capital base is $1,57 million; from 1996 to 1999, the capital base grew at an average annual rate of 0.7 percent. The staff states that there are two ways to enhance growth of the fund: loan as much as possible and add to (recapitalize) the fund. In dealing with the trade-off between making risky loans and maintaining a well-performing portfolio, the staff "looks for the cream of the crop among risky borrowers, and we try to meet program objectives first." Lending activities conform closely to the RLF Plan, but it is "very hard" to relate lending activities directly to the CEDS because "it is more general." The average hourly wage of jobs created or retained by the RLF is "slightly above minimum wage" and "slightly higher" than other jobs available in the area: "We can usually tell by the borrowers' business plans and reports whether they are using high-wage labor." The staff believes that the RLF has increased the diversity of industries in the region, particularly in tourism and technology-based businesses, but it does not believe the RLF has significantly increased the mix and availability of retail goods and services. Before the EDA RLF grant became available, most of those employed were involved in simple manufacturing. Now, most employment is in fabricative manufacturing: "We used to have good timber stands, but Hugo destroyed them. We have lost some of our food processing also." The staff believes that the program has played a major role in this shift.

RLF Management

The RLF staff participates actively in networks that link the business community and other financial providers. Specific organizations include: the local chambers of commerce; the Regional Development Alliance, a nonprofit organization; the Small Business Resource Center; the Small Business Development Center; and banks. The staff has close contact with other COG RLFs, which usually meet at quarterly statewide COG meetings. There are four RLFs in the region, three at the BCDCOG and one in Charleston; they refer potential clients to each other. The three RLFs administered by BCDCOG include: the EDA RLF, funded at $1.5 million; a Charleston County RLF funded at $150,000 by a CDBG; and another CDBG-funded RLF ($120,000) for the City of North Charleston. None of BCDCOG's RLF activities are subcontracted. The staff is "not sure" that the EDA RLF would be financially sustainable if the annual EDA planning assistance grant disappeared because much of the RLF staff member's time is covered by that grant. BCDCOG has 19 full-time employees and one part-time employee, none of whom are paid for exclusively by the RLF. The RLF has had a high staff turnover: four people over six years. According to the RLF staff, "It is hard for an RLF to compete with private-sector salaries, but we are looking at higher salaries and the possibility of providing the loan officer with additional staff assistance." The BCDCOG Executive Committee serves as the Loan Administration Board, and the BCDRDC Board of Directors (14 members) serves as the Loan Review Committee (LRC). The LRC has representatives from real estate, military, insurance, banking, academia, contracting, and law. The staff finds EDA's reporting procedures "flexible, and the people are great to work with."

Planning and Structural Change

The three counties of Berkeley, Charleston, and Dorchester have a total employment base of 307,000. The EDA RLF has produced 1,147 direct and 815 indirect jobs. This amounts to two-thirds of one percent of total employment in the region. Structural change is not likely to be influenced significantly given the scale of the numbers involved. Clearly, positive impacts could be felt as it relates to diversity. Yet, the very nature of the replacement jobs, 80 percent of which went to Charleston County (the county of highest per capita income), could lower relative wages and retail structural change. The CEDS and RLF Plan are somewhat at odds in terms of what is to be emphasized; the CEDS calls for corridor development, the RLF Plan for pockets of poverty redevelopment. The two documents are not necessarily in accord on development priorities.

Planning and RLF Performance

This is a reasonably well performing RLF that takes its guidance from the RLF Plan. The RLF Plan calls for lending to small, underfinanced businesses in urban and rural pockets of poverty. The write-off rates are slightly higher than average and growth of the capital base is slightly lower than average. Costs per job are average. This performance reflects the goals of the RLF Plan.

Overall Assessment of the RLF

The RLF staff gives its RLF a rating of "8" out of a possible "10," both in terms of its economic performance and its qualitative impact on the region. The staff feels that the RLF has an excellent portfolio; it has met all of its targets, including the loan-to-jobs ration; it has produced long-term jobs; it has increased the number of minority and female businesses; and it has produced $18 of private investment for each RLF dollar lent. "Absolutely," the staff adds, "the RLF has been successful!" It could have been more successful, staff believes, if they had done more marketing in distressed communities (e.g., St. Stephens and St. George).

TYPE OF GRANT	SSED/Other	**SCHEDULE** First Distribution from EDA	09/26/91
YEAR OF GRANT	1990	Years to Distribute	4.5 years
LOAN-TO-GRANT RATIO	1.6:1	Up and Running	Yes
		Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	1,125,000	373,000	0	1,498,000

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 ($)	Private-Sector Funds ($)
	23	0 / 0	0 / 0	13 /12	0.7	2,413,400	1,567,695	23,257,250

PROJECT-RELATED DIRECT ECONOMIC EFFECTS

Percentage Distribution of Loans (by Type of Activity)			Percentage Distribution of Loans (by Type of Job)		
Start-Up (%)	Expansion (%)	Retention (%)	Industrial (%)	Commercial (%)	Service (%)
38	48	14	29	45	26

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
842	305	1,147	6.2: 1	9.6: 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	10	15
Cost/Job, EDA ($)	400	**Cost/Job, RLF ($)**	533

Purchase Area Development District

Project No.	04-39-03279.01
Project Location	Mayfield, Kentucky
Contact	Norma Reed Drouin
Phone Number	(270) 247-717
Year(s) of Grant	1984, 1988

Socioeconomic Profile

The EDA RLF is administered by the Purchase Area Development District (PADD). PADD serves eight counties in southwestern Kentucky: Ballard, Calloway, Carlisle, Fulton, Graves, Hickman, McCracken, and Marshall. These eight counties had a population of 193,495 in 2000—a 6.7 percent increase from the 1990 population of 181,346. The population of Ballard, Carlisle, and McCracken counties remained stable (increases < 5 percent). Three of the counties showed significant population increases (> 10 percent): Calloway, Graves, and Marshall. Of these Marshall experienced the most dramatic increase (10.9 percent). On the other hand, population in Fulton and Hickman counties decreased by 6.3 percent and 5.5 percent, respectively. In 1994, the area's unemployment rate was 5.9 percent—approximately 109 percent of the state unemployment rate (5.4 percent) and 97 percent of the national unemployment rate (6.1 percent). Calloway County had the lowest unemployment rate (4.7 percent); Ballard County had the highest rate (7.7 percent). Per capita income for the area was $17,555 in 1993—approximately 104 percent of the state per capita income ($16,889) and 84 percent of the national figure ($20,800). Hickman County had the lowest per capita income ($15,309) and McCracken County had the highest ($19,647). In 1995, the area's estimated poverty rate was 15.2 percent, compared with 17.9 percent for Kentucky and 13.8 percent for the United States. County poverty rates ranged from 11.9 percent in Marshall County, to 25.9 percent in Fulton County. In 1995, estimated median household income ranged from $21,979 in Fulton County, to $31,492 in McCracken County, compared with $28,929 for the state and $34,076 for the nation.

Image Graphics, Inc. is a printing firm serving an international market. Since receiving an RLF loan, its gross sales has increased from approximately $14,000 per month to $1 million per month. The firm has grown from 20 to 45 employees, a net increase of 25 new jobs.

Background to the EDA Effort

PADD (established in 1969) is an eight-county regional commission located in the far western part of Kentucky, approximately 20 miles south of Paducah. The area has suffered long-term and severe economic deterioration since 1969, and the problem was particularly acute in six of its counties, the original targets of the EDA RLF grant. The principal cause of economic deterioration was the lack of a diversified business/industrial base to take up the slack in employment when national/international economic and technological forces resulted in the loss of jobs in the agricultural and clothing industries. The closing of a clothing manufacturer in one small county alone resulted in the loss of more than 1,500 jobs, and other job-producing enterprises did not and have not filled the void. This original economic adjustment problem still exists and is added to by more recent job losses in other sectors of the economy. Hence, PADD's strategic plan for economic regeneration is much the same today as it was when the EDA RLF grant was awarded. PADD's strategies for regeneration include (1) promoting the highest utilization of available resources to attract new industries, maintain existing industries, and attracting satellite/support industries to existing firms; (2) locating new industries in areas that conform with adopted local and areawide plans; and (3) promoting projects that will make significant contributions to regional economic development. Achieving these strategies is difficult because banks are generally unwilling to grant loans to start-up companies or to companies that do not have a long history. In addition, market interest rates often are too high for the owner to maintain a viable cash flow.

The CEDS and the RLF Plan

The original RLF Plan was approved in 1984 for six of the eight PADD counties. A second plan, approved in 1988, allowed the remaining two counties to participate as well. The RLF Plan supports the following key aspects of the regeneration strategy: (1) encouraging growth that diversifies and strengthens the tax base and increases employment opportunities; (2) encouraging the location of commercial and industrial activities in or near present and anticipated population centers; (3) and promoting tourism and recreational facilities. The plan addresses these issues by (1) encouraging program clients to locate in industrial parks with adequate areas set aside for expansion; (2) encouraging retail and service businesses to locate in existing commercial centers; (3) using other federal and state resources to support new and expanding industrial and commercial development; and (4) encouraging tourism and recreational businesses, particularly in ways that also contribute to preservation of open space areas. These foci of the RLF Plan also support the already well-documented strategy in PADD's CEDS to develop the economics, health, education, and general welfare of the people of the PADD region by promoting permanent, gainful employment, adequate transportation networks, standard housing conditions, development of energy resources, solid waste alternatives, adequate water and sewer systems, effective and efficient social services systems, strong local government, and coordinated local and regional planning activities. The staff member who prepared the originally RLF Plan and who furthered the CEDS mission resigned in 1992. The two staff members who worked directly for this person are still on staff and confer as necessary to coordinate the RLF Plan and the CEDS. Because the original economic adjustment problem still exists (and, if anything it is worse), there has been no need to adjust the CEDS and RLF Plan to reflect changes (beyond adjusting eligible jurisdictions).

The Role Played by EDA

The RLF staff indicates that many projects supported by the RLF would not have been undertaken without EDA support. This assessment was confirmed by the owners of two RLF-supported businesses that were visited. The EDA staff has effectively supported the PADD RLF. Unlike other EDA funding, the EDA RLF grant allows a permanent, regenerating fund that assists more than one entity; it also allows local control over the ultimate recipients of funding. The staff believes that the RLF would be more successful if EDA were to do the following: (1) reduce the local match requirements, the present level of which discourages PADD, and perhaps others, from seeking much-needed additional RLF funding; (2) relax rules regarding the use of interest to cover program administration; and (3) make demonstration funds available that would allow PADD, for instance, to create an innovative Business Plan Center (because "sound business plans are the single most important element in successful start-up businesses and eventual job development") and a strong technical assistance program that would provide counseling, mentorship, training, entrepreneurship, and business-promotion techniques.

Direct RLF-Related Results

The staff reports no difficulty in defining or counting the 260 jobs created or retained by the RLF, and it is confident that the jobs are net new jobs, not replacement jobs. The staff adds that, in accordance with EDA's policies and federal regulations, PADD does not use RLF loans to fund projects that result in the relocation of a business to the area. The staff also has experienced no difficulty in defining or counting the \$36.2 million in private-sector investment leveraged by the loans. The RLF capital base is \$1.7 million; for the last three years, the RLF capital base has been growing by almost 3.2 percent annually. PADD is pleased with this rate of growth. The staff recognizes that there is a trade-off between risky loans with demonstrable linkage to the economic adjustment strategy and a truly well-

Kendor Wood, Inc. manufactures a variety of doors, cabinets, and related wood products for a market area that includes all states east of the Mississippi. Since receiving an RLF loan in 1983, Kendor has grown from 14 to 65 employees, a net increase of 51 new jobs.

performing loan portfolio. However, it is convinced that a well-performing loan portfolio is critical and can be maintained while achieving the economic strategy. PADD resolves the trade-off by holding high standards for RLF applicants (particularly in terms of each borrower's credit history and character) and by ensuring development of sound business plans. Local banks focus almost solely on the applicants' collateral and credit and they are unwilling to help develop business plans. Originally, PADD staff looked to the banks to obtain clients, but recently (particularly with large national banks taking over local banks) the staff has moved to the front and targets specific small businesses. The staff adds that technical assistance and training for potential applicants would greatly reduce risk. RLF lending activities have supported the RLF Plan by funding industrial and commercial businesses that help diversify the economy of the region, strengthen local tax bases, and support existing population centers. Lending activities support the CEDS by focusing on the expansion of existing businesses and the creation of jobs in new industrial sectors. The estimated average annual wage for employees of RLF-recipient businesses is between $15,000 and $24,000, particularly for semiskilled labor (PADD requires all RLF recipients to complete an employee survey that categorizes wages by job-skill areas). These jobs pay about the same as other jobs that are available in the communities. Published annual statistics for median and per capita income in the region support these estimates. Historically, the grant has helped to increase the diversity of industries in the region, but, recently, small industrial firms with fewer jobs are accounting for much of the RLF-loan activity. In the past, the dominant type of employment in the PADD region was fabricative manufacturing, but the region is presently straddling the simple-manufacturing and producer-services stages. The RLF has been instrumental in stemming the decline of fabricative manufacturing and in promoting producer services. The RLF grant has not contributed greatly to the mix and availability of retail goods because PADD, for the reasons discussed above, has not focused on this sector. The grant has contributed, however, to some increase in the mix and availability of services.

RLF Management

Over the years, PADD has become a catalyst for partnerships between businesses, private-lending institutions, and governments in the region. It also provides the following technical assistance to local governments, chambers of commerce, and local economic development groups: assistance to packaging project loans; development of creative financing solutions for expansions and start-up businesses; preparation of loan applications for the SBA and RD loan guaranty programs; and assistance provided to local governments in obtaining financing for infrastructure and community development projects. PADD is a member of NADO and actively participates in EDFS, which brings together RLF practitioners across the nation. PADD administers the RD-IRP with total funding of $2,000,000; the RD-RBEG-RLF with total funding of $277,000; the SBA Microloan with total funding of $727,212; and the SBA CDC 504 Loan Program. No EDA RLF activities are subcontracted. The PADD staff includes 58 economic development professionals supported by one office manager and 10 secretarial/clerical staff members. Five staff members are part-time. Six economic development professionals are partially paid by the RLF, but no staff members are paid exclusively by the RLF. Given staffing requirements and the small size of the RLF, the RLF cannot be considered a financially sustainable entity. PADD has not had a problem with staff turnover. At least 51 percent of the members on PADD's Board of Directors are elected officials; the remaining are citizen members. The Loan Review Committee is a subcommittee of the board and is comprised of professionals such as attorneys, bankers, accountants, and businesspeople.

Planning and Structural Change

The PADD region encompasses eight counties with a total employment base of 116,000. The EDA RLF, over a 15-year period, created 260 direct jobs and close to 200 indirect jobs in the region. This is less than one-half of one percent of the job base of the region. By any method of measurement, it is not enough to cause structural change. Further, it appears that the CEDS and the RLF Plan are both fairly general and would not turn away a business even if its product and wage rates were not advancing structural change. Thus, this does not appear to be a case where EDA planning in the form of the CEDS and RLF Plan is advancing structural change.

Planning and RLF Performance

This is an RLF that from all indications is performing well. Forty loans have been issued amounting to nearly $4 million. Two hundred sixty jobs have been produced and the capital base evidences a strong growth rate (3.2 percent annually). Oversight is strong here, but planning does not appear to be a dominant part of the mission of this agency. The loan review committee contains bankers and accountants, which may contribute to client selection that allows the portfolio to perform at a high level.

Overall Assessment of the RLF

PADD considers its EDA RLF to be one of the most successful RLFs in the southeastern region of the United States. It gives the RLF a rating of "8" in terms of economic performance, PADD would score the RLF higher but it asserts that more financial support and technical assistance are needed, particularly for small borrowers. In terms of the qualitative impact of the RLF in the region, the staff gives the RLF a rating of "10." Most of the recipients of RLF loans have never received assistance from a conventional lender; PADD, however, provides the loan and helps owners leverage additional capital, improve cashflow, etc. The RLF could have been more successful if EDA had allowed the program to increase its federal loan maximum amount from $200,000 to $500,000 or 40 percent of the project costs.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	08/23/85
YEAR OF GRANT	1984, 1988		Years to Distribute	N/A
LOAN-TO-GRANT RATIO	3.3:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	912,930	287,403	0	1,200,333

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 ($)	Private-Sector Funds ($)
	40	0 / 0	0 / 0	0 / 0	3.2	3,910,424	1,708,313	36,195,856

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 (%)
N/A	N/A	N/A	N/A	N/A	N/A

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
258	2	260	0.0: 1	9.3: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
0	0	0	0
Cost/Job, EDA ($)	1,255	**Cost/Job, RLF ($)**	1,650

City of Columbia Department of Community Development

Project No. **04-39-03312.02**
Project Location .... **Columbia, South Carolina**
Contacts.......................... **Win Robinson; Kim Newsome**
Phone Number .... **(803) 733-845**
Year of Grant **1985, 1987, 1995**

Socioeconomic Profile

The EDA RLF managed by the City of Columbia Department of Community Development (CCDCD) serves two counties in central South Carolina: Lexington and Richland. The area had a population of 536,691 in 2000—an 18.2 percent increase from the 1990 population of 453,932. Lexington County experienced a high rate of population increase (22.5 percent); Richland County had a moderate rate of population increase (7.2 percent). In 1994, the area's unemployment rate was 4.4 percent—approximately 70 percent of the state unemployment rate (6.3 percent) and 72 percent of the national unemployment rate (6.1 percent). The two counties had nearly identical rates of unemployment. Per capita income for the area was $18,975 in 1993—approximately 113 percent of the state per capita income ($16,861) and 91 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 13.1 percent—compared with 15.7 percent for South Carolina and 13.8 percent for the United States. Estimated median household income was $34,387 in Richland County and $41,290 in Lexington County in 1995, compared with $30,060 for the state and $34,076 for the nation.

Background to the EDA Effort

Established in 1985 with an EDA investment of $400,000, this RLF was recapitalized in 1987 at $150,000 and again in 1995 at $300,000, for a total EDA investment of $850,000. The RLF originally targeted several census tracts in downtown Columbia, where the unemployment rate was above 13 percent (twice the city average) and 43 percent of the residents (3.5 times the national average) had incomes below the poverty level. Banks were extremely conservative in their lending policies and were particularly unwilling to fund start-ups. The job market was poor during the middle and late 1980s. Thirty five percent of city employment was in the government sector (local, county, state, and federal), and the city had a low industrial base. Therefore, the RLF Plan focused on creating service-sector in the high-unemployment census tracks. Although employment in the city has improved overall, it remains a problem in the census tracts originally targeted by the RLF. The regional economic development strategy seeks to attract industrial jobs, but the city is not expected to receive many of those jobs because it has little industrial land available at affordable prices. Hence, the latest version of the city's RLF Plan (developed in 1999) focuses on helping start-up businesses and expanding businesses, particularly those in the service sector. This strategy complements basic CEDS strategies for strengthening the overall attractiveness of the MSA for new industry, expanding technical training and education, and providing infrastructure to serve new industry. One of the important forms of assistance

La Vecchia's Seafood Grille is an upscale restaurant that started with RLF-loan funds. La Vecchia's adds to the drawing power of center city and provides new jobs to residents of nearby high-unemployment areas. The RLF loan contributed also to the restoration of the building and the provision of office space in the upper story.

provided by the RLF is *gap financing*: the difference between the amount a bank is willing to lend and the total cost of a project. The size of the gap depends on the credit risk that the bank is willing to take. By absorbing some of the risk, the RLF eliminates the need for the owner to fill the gap with cash often needed as initial working capital.

The CEDS and the RLF Plan

The RLF Plan focuses on the following key aspects of the regeneration strategy: (1) providing economic opportunities for minorities and (2) supporting economic development in the city's high-unemployment areas. The RLF Plan addresses these issues by making most of its loans to start-up businesses and expanding businesses in the high-unemployment areas. The RLF accomplishes this goal while leveraging as much private capital as possible. Leveraging is difficult in a service economy, however, because many of the businesses are start-ups with no credit history; hence, the banks have little interest in the project or want a high level of RLF participation. The RLF has helped to foster a better business environment in the city, particularly in minority areas, by converting blighted buildings to productive uses. This approach also strengthens the city's tax base. There was already a well-documented business development strategy in the CEDS, and because the city takes a "how can we help?" approach to the business community, a high level of business participation in the development of the strategy is sought. The strategy focuses on renewal of City Center and on the Rebirth of Main Street. Expenditures of city, county, state, and federal monies support this focus, particularly through such programs as the Empowerment Zone, the RLF, and various public works programs. Planners from the city and the Central Midlands Regional Council served on the Business Task Force that prepared the CEDS. Several business leaders from the task force also served on the original RLF board of directors. The staff believes that the changing local economic adjustment problem has been addressed in revisions to the RLF Plan. For example, the original RLF Plan (1985), was modified in 1987 to enlarge the target area for loans from the high-unemployment census tracts to the entire city (loans made outside the original target area often create jobs for the residents of that area). The plan was amended again in 1992 in order to (1) potentially increase the cost-per-job from \$10,000 to \$20,000, maintaining the lower cost (\$10,000) as a goal but acquiring more flexibility, and to (2) allow the leveraging ratio to apply to the entire portfolio rather than to each individual loan. The staff also notes that start-up businesses and expanding businesses will always need capital, notwithstanding changes in the local economic situation.

The Role Played by EDA

The staff believes that the projects supported by RLF loans "probably" could not have been undertaken without EDA support for the following reasons: (1) banks generally have not been willing to make start-up loans, and (2) even if banks had been willing to grant start-up loans, there would have been financing gaps that the borrowers would have had to fill—a condition that usually results in undercapitalized businesses ("the number one reason for small business failure" according to one staff member). The owners of both businesses visited by the researcher confirmed this assessment. The RLF staff believes that the program gets "very good" support from EDA staff, particularly from the EDR, who according to the staff is "great, they should give her a raise," and the state representative, who "is really good but has to cover two states."

The Walker building was restored with RLF funds. It houses Bentley's Jazz restaurant on the ground floor, also an RLF loan recipient, and offers other offices on the upper story.

Direct RLF-Related Results

The RLF staff had no difficulty defining or counting the 404 jobs that have been created or retained as a result of RLF loans and is confident that these are net new jobs: "People don't move to Columbia to be waitresses." Also, the staff has had no problems in defining or counting the $12 million reported as private-sector investment because, aside from the RLF's own loan documentation, it receives copies of the bank's loan-closing papers. There are two problems, however, in calculating the annual growth rate of the fund: (1) some loans written-off are collected in a later year, and (2) recapitalizing the fund skews the calculation. Presently, the RLF capital base is $1.9 million and it is growing by approximately $15,000 to $20,000 each year, not including recapitalized principal. This growth rate could be enhanced by making more loans. The RLF staff agrees that there is a trade-off between risky loans that meet the economic adjustment strategy and a truly well-performing loan portfolio, but it also maintains that to approve a loan on any basis other than risk would lead to defaults: "It doesn't do any good to create a job that is later lost because the loan was too risky to begin with." RLF lending activities support the RLF Plan and the CEDS by funding business start-ups and expansions, which create jobs that, in turn, help to fuel the local economy. For start-up business loans, the average hourly wage is probably a few dollars above minimum wage, perhaps as high as $8 to $12 per hour during the former "hot" economy. These rates are about the same as other jobs available in the city. To support these rates, the RLF maintains the following information for every employee at an RLF-loan site reflecting previous wage, household income, and new wage. While the RLF probably has not helped to diversify industries across sectors, it has helped to diversify within the service sector, particularly in the City Center. Because the city is the state capital, the dominant employer is the service industry. A staff member states that although an RLF alone might be able to move a small rural community from one employment type to another, such a shift "is less likely in a city like Columbia."

RLF Management

The RLF staff participates in a number of long-standing and well-established networks. The most prominent networks are the Chamber of Commerce, the Minority Business Council, and meetings of local commercial bankers. It helps greatly, that the two program staff members are former local bank lending officials with close ties to these networks. The staff has worked hard to gain support from the banks, and, as a result, the banks usually take the lead and approach the RLF staff with lending opportunities. In addition, RLF board members are active in reaching out to potential clients. The program works closely with the Job Economic Development Authority (a statewide organization that makes loans outside the city) and with the Small Business Development Centers (SBDCs), which are located at universities and funded by the Small Business Administration (SBA). The SBDCs provide technical assistance to small businesses (e.g., preparing business plans for potential RLF loan recipients). The staff is working with these groups and the state to create a One-Stop Capital Shop. The staff is also involved in a One Network in One Place concept that helps entrepreneurs meet potential venture capitalists. In addition to the EDA RLF, the city has a Facades program (funded by CDBG and city funds), and a Development Lending program for commercial loans (funded by a bank). None of the RLF's activities are subcontracted. The RLF is judged to be a financially sustainable entity because, according to staff, "there's always a need for capital and the loans are being paid back." There are approximately 20 full- and part-time employees in the CCDCD; one full-time employee and 3 part-time employees are allocated to the RLF. No staff or administrative costs are charged to the RLF, and there has been very little turnover in staff. The seven-member RLF board of directors is comprised of a commercial loan officer, an attorney, a retiree, two self-employed businesspeople, the assistant city manager, and the community development director.

Planning and Structural Change

The employment base of Lexington and Richland counties is currently 370,000. The addition of 349 new jobs and the retention of 55 others is not going to have a large effect on structural change in either Richland County or Lexington County or even in the City of Columbia, where the majority of new jobs have been directed. The CEDS and RLF Plan are both current and focused on generating employment in the minority areas of North Main Street and in the city as a whole. There is such a focus on renewing the Northern Main Street area that if this comes with lower paying retail jobs offering neither employment diversity, nor wage increases, this development will be taken. The goals of the CEDS and RLF Plan are less focused on structural change than they are on targeted economic development.

Planning and RLF Performance

This is a well performing RLF with low costs per job created and low percentages of write-offs and defaults. The RLF is managed by a competent staff that is guided by a purposeful RLF Plan. RLF management is done in-house and is part of a well integrated and experienced city department. Planning is important in the performance of this RLF.

Overall Assessment of the RLF

The staff gives the RLF a rating of "10" in terms of its ability to improve people's lives; however, the staff gives the RLF a low rating of "6" in terms of its effect on the overall performance of the economy. The staff believes that the purpose of the RLF is to help people become a part of the economy rather than to turn an economy around: "The RLF helps to fuel the economy, but its real difference is felt in the lives of the owners and employees of funded projects. That's an important criterion for us." The staff adds that it would be unrealistic to think that an RLF alone, particularly a small one in a city the size of Columbia, could substantially affect the performance of a local economy. The same holds true, staff adds, for the qualitative impact on the community. Nothing gleaned by the researcher during the visit, including information during meetings with two loan recipients, contradicts this assessment. The staff believes that the RLF could have been more successful if EDA had allowed the program to loan up to 50 percent of project costs; this might have induced the banks to grant more loans because their risk would have been lowered. Such a change also would make the loans "less complicated" in terms of bank collateral, loan restrictions, etc., resulting in fewer borrowers "throwing up their hands and walking off." The staff also suggested that EDA lift the program's $200,000 loan cap and the required 2:1 portfolio ratio of private to public investment.

TYPE OF GRANT	LTED	**SCHEDULE**	First Distribution from EDA	04/22/86
YEAR OF GRANT	1985, 1987, 1995		Years to Distribute	7.5 years
LOAN-TO-GRANT RATIO	2.5:1		Up and Running	Yes
			Produced Jobs	Yes

PROJECT-RELATED GRANT SUPPORT

Grant ($)	EDA	Applicant	Other	Total
	850,000	515,000	0	1,365,000

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 ($)	Private-Sector Funds ($)
	57	0 / 0	5 / 1	7 / 8	3.3	3,458,893	1,929,444	12,012,678

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 (%)
46	54	6	6	45	55

Jobs Created	Jobs Retained	Total Jobs	Public-Sector Leverage	Private-Sector Leverage
349	55	404	0.0: 1	3.5: 1

% of Jobs to Minority Workers	% of Jobs to Female Workers	% of Loans to Minority-Owned Businesses (%)	% of Loans to Female-Owned Businesses (%)
30	36	23	19
Cost/Job, EDA ($)	787	**Cost/Job, RLF ($)**	1,264

North Delta Planning and Development District, Inc.

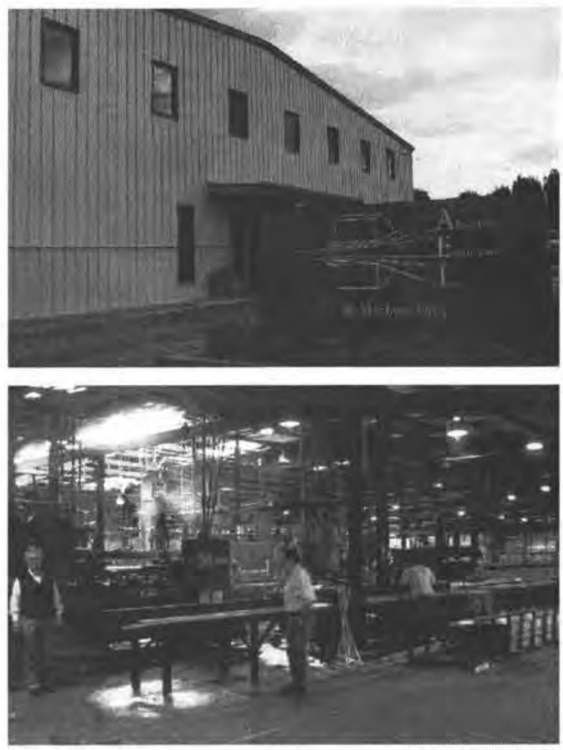
Project No. 04-39-03389
Project Location .... Batesville, Mississippi
Contact .... James Curcio
Phone Number .... (601) 561-4100
Year of Grant 1986

Socioeconomic Profile

The EDA RLF is run by the North Delta Planning and Development District (NDPDD). NDPDD serves seven counties in northwest Mississippi: Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate, and Tunica. The area had a population of 231,716 in 2000—a 25 percent increase from the 1990 population of 184,867. DeSoto County experienced the most dramatic growth (57.9 percent); Quitman and Coahoma counties had the highest rates of population loss (3.6 and 3.3 percent, respectively). In 1994, the area's unemployment rate was 8.1 percent—approximately 123 percent of the state unemployment rate (6.6 percent) and 133 percent of the national unemployment rate (6.1 percent). The area experienced very different unemployment rates, ranging from 4.6 percent in DeSoto County to 14.8 percent in Tallahatchie County. Per capita income for the area was $14,651 in 1993—nearly equal to the state per capita income ($14,745) and 70 percent of the national figure ($20,800). In 1995, the area's estimated poverty rate was 21.4 percent—compared with 21.4 percent for Mississippi and 13.8 percent for the United States. DeSoto County's 1995 estimated median household income was $41,241. The 1995 estimated median household income of the remaining counties ranged from $16,767 in Quitman County, to $28,785 in Tallahatchie County, compared with $26,501 for the state and $34,076 for the nation.

Background to the EDA Effort

The original EDA RLF grant to NDPDD was made in 1986, with EDA funding at $375,000 and local funding at $125,000, for a total of $500,000. The fund has not been recapitalized. Between 1985 and 1988, a lot of farmers in the region went bankrupt because the bottom fell out of the cotton and bean markets. Though the causes differ, most of these problems still exist. Following NAFTA, most of the area's garment industries left the region. In 1997, for example, Fruit of the Loom, which had employed 990 workers, closed. Between 1995 and 1999, 2,000 jobs were lost. These problems still exist throughout most of the region. Tunica and DeSoto counties are exceptions. The casinos in Tunica County have created thousands of jobs. DeSoto County is one of the fastest-growing counties in the state, and some of its growth is spreading into Tate County. Coahoma, Panola, Quitman, and Tallahatchie counties are still experiencing high rates of unemployment, and many of the jobs that do exist there are seasonal. The CEDS is approved each year, and its strategy for economic regeneration of the area is to create new jobs through start-up and expanding businesses. Although job retention is important, it is



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.

recognized that many businesses are closing or leaving the area because of global economic forces over which the public sector has little control. RLF loans were, and still are, needed because banks (particularly the local banks) have had, and still have, very conservative lending policies, making capital for start-up and expansion businesses extremely difficult to obtain. Businesses will borrow money wherever they can find it and at whatever interest rate is available, but banks often require owners of "risky" businesses to sign over their homes as collateral. The interest rate on RLF loans only helps to increase cash flow.

The CEDS and the RLF Plan

The RLF Plan supports two key aspects of the regeneration strategy: helping new businesses to get started and assisting the expansion of businesses (particularly those in the manufacturing sector) that are already in the region. To achieve these objectives, NDPDD provides access to capital and leverages private-sector dollars for start-up and expanding businesses, leaving to the local chambers of commerce the role of attracting new businesses to the region. NDPDD does not appear to have a well-documented business development strategy and relies on the three SBDCs in the region to assist clients in preparing business plans. Between two and three staff members are involved in NDPDD's EDA activities (e.g., public works, RLF), and all participate in the preparation of the CEDS and the RLF Plan as well as in the administration of the RLF. Because the economic adjustment problem in the region has not changed substantially over time, and because the fund is too small to meet demand, the RLF Plan has been modified only once—to allow an increase in the expenditure per job from $5,000 to $10,000. This change was necessitated by the decline in lower-paying agricultural and agribusiness jobs and the upswing in higher-paying manufacturing jobs.

The Role Played by EDA

The NDPDD's RLF staff believes that the projects funded would not have been successful without the injection of EDA loans at the lower interest rates. The owners of the two businesses visited confirmed this assessment. RLF staff members report that they talk to the EDR "all the time." A staff member said that "we always get what we need . . . What I like about EDA is if I have a question, they will always help me." The staff adds that the EDA RLF grant is unique among EDA funding programs in that "it 'revolves,' allowing the program to continue ad infinitum." NDPDD's program would be more successful, according to the staff, if EDA would provide more funding.

The Direct RLF-Related Results

The NDPDD staff reports no difficulty in defining or counting the 525 jobs created or retained. Of these jobs, 23 were retained jobs and 502 were new, or created, jobs. The staff is confident that these jobs are net new jobs because the NDPDD does not fund businesses that are relocating from within the region or from outside the region (see The RLF Plan, above). The staff also reports no difficulty in defining or counting the $5.2 million in private-sector investment; information on private-sector investment is included in the borrower's loan papers. The RLF capital base is $624,223; and it has been growing at an annual rate of 2.3 percent. This growth rate could be increased with the availability of a larger fund. In terms of the trade-off between making risky loans with demonstrable linkage to the economic adjustment strategy and a truly well-performing loan portfolio, the staff states that if the NDPDD did not make "risky" loans, the program would not be able to meet goals (or those of EDA) related to lending to businesses that did not have access to capital. A staff member adds, however, "We go with 'medium risky,' not 'real risky,' loans. We look at 'decent' credit and cash flow. Also, the borrower's managerial and financial-management knowledge is important. Many of our borrowers hook