COMMUNITIES & BANKING

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CDBG FUNDS

A RESOURCE FOR BUSINESS DEVELOPMENT

RICK PATOSKI, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

At one time or another, many banks have participated in public/private collaborations to assist business development in their communities. In most cases, city funds have been used to fill a financing gap between what a bank can reasonably provide under its normal underwriting standards and the amount needed by the business client. One government resource for business assistance is often overlooked by lenders, however - the Community Development Block Grant.

Community Development Block Grants (CDBG) are federal entitlement funds distributed annually to city and state community development departments by the U.S. Department of Housing and Urban Development (HUD) for use in locally designed programs. In 1991, New England's larger cities received approximately $150 million directly; smaller cities are served by state programs funded annually with approximately $62 million in CDBG funds. Each community has a great deal of flexibility in deciding how the funds will be distributed. Historically, CDBG funds have been used for general community revitalization projects such as sidewalk repair, storefront renovations, and sewer line installation, although many other applications are possible.

Throughout the last decade, much CDBG money was used to mitigate the affordable housing crunch, an outgrowth in part of the tremendous economic expansion in the region. Now, as businesses find private credit harder to obtain, community development agencies are using CDBG funds to assist local businesses caught in the "credit crunch". This assistance can take many forms: grants, loans, loan guarantees, interest rate buydowns, loan payments on behalf of the business during a start-up phase, employee wage payments during an on-the-job training period (working capital grants), or whatever is needed to make a project financially viable.

Following public benefit requirements set out by the federal government, the community seeks to assist businesses that either create or retain jobs for persons from low- and moderate-income households, businesses that provide a service to low- and moderate-income residential areas, or businesses that invest in a blighted area. A city's financial consideration centers on ensuring that the financial assistance is not excessive, taking into account the funds available to the business in the private market and the extent of public benefits expected. A financial return is not the investment objective here.

While most communities require at least repayment of principal at some future date, many forms of assistance are structured to ensure that all initial cash flow is available for bank debt service. Any CDBG-funded mortgage or equipment loan is almost always subordinated to private market lenders. Repayments of CDBG funds are retained by the city for continued use, and many communities now operate well-capitalized revolving loan funds for business assistance.

It is important to remember that city governments rely on local banks to inform them of the types of community assistance needed to ensure that loans to local businesses are bankable. If lenders are not aware of, or do not actively consider, CDBG

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money as an additional source of financing when reviewing loan applications, the leveraging potential of these funds remains untapped. The most active programs today are those that resulted from the direct involvement of local banks.

A great deal of flexibility exists in the type of assistance that can be provided. Information on what a specific community is currently offering, or is willing to consider offering, is best obtained by contacting your local Community Development Department for larger cities, or your state Community Development Office for smaller communities. The name of an appropriate contact person can be obtained by calling HUD at (617) 565-5386.CB

Free subscriptions and additional copies are available upon request to the Community Affairs Department, Federal Reserve Bank of Boston, P.O. Box 2076, Boston, MA 02106-2076, or call Sheryl Snowden at (617) 973-3097.

Financial institutions, community-based organizations and other organizations involved in community development that have interesting projects, programs or ideas that they would like to have mentioned in the next issue of *Communities & Banking* should contact:

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Jobs for Fall River

Rick Patoski, U.S. Department of Housing and Urban Development
Beth McMurtrie, Federal Reserve Bank of Boston

Fall River, Massachusetts is an example of a city once economically dependent on a single industry that has managed to develop a diverse business community. Once the hub of the nation's textile industry, Fall River has skillfully combined public funds and private initiative to attract new businesses into the city, help local businesses grow, and provide jobs for its lower-income residents. The Fall River Office of Economic Development, otherwise known as Jobs for Fall River Inc., has played an integral part in the city's development.

Jobs for Fall River, a private, non-profit agency established in 1978, provides a variety of financial and technical services, including employee recruitment and business planning assistance, to businesses wishing to relocate or expand in Fall River. Using U.S. Economic Development Administration funds, Community Development Block Grants, and paybacks from the now defunct Urban Development Action Grant program, Jobs for Fall River provides below-market financial assistance in a variety of forms, including working capital and bridge loans.

Lenders in Fall River play an integral part in the work that Jobs for Fall River does. Several lending institutions in the city have representatives on JFR's board of directors, working alongside local business and political leaders. The integration of public and private interests is one reason why Jobs for Fall River has been able to effectively distribute over $3 million of CDBG funds in direct lending assistance to 164 Fall River companies since its inception in 1978, leveraging an additional $25 million in private financing. Over 1,800 jobs, primarily for people from lower-income backgrounds, have been created in the process. Factoring in other federal funds, such as Urban Development Action Grants (the predecessor to CDBG) and Economic Development Administration funds, Jobs for Fall River has been able to leverage a total of $100 million in private financing, creating 7,109 new jobs in Fall River.

Explaining his city's success in using federal community development funds, Paul Vigeant, Executive Vice President of Jobs for Fall River, noted, "A lot of people look at federal regulations as being constraining, but there are actually a lot of eligible uses for the funds. We succeeded by not being conventional, not assuming that what this money had been used for in the past was all it *could* be used for." By Vigeant's estimates, JFR's projects now generate $1.1 million *a year* in taxes, 10 percent of Fall River's total industrial and commercial tax revenue. "We go all out. We're not afraid to try things that are creative," he noted. That approach is helping to push Fall River from the nineteenth century into the twenty-first.

Projects Funded

A brief review of several projects and programs funded by the city through Jobs for Fall River, Inc. can provide some practical insights into the types of projects and the manner in which assistance has been provided.

- Bridge Loan The city provided a short-term loan of $400,000 for working capital to a manufacturer of aircraft engine components who is building a major facility in the city. The loan should cover non-construction start-up costs during plant construction and until sales generate

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Springfield Business Development Fund

Beth McMurtrie, Federal Reserve Bank of Boston

Like other entitlement cities, Springfield receives Community Development Block Grant funds directly from the federal government every year. These funds can be used in a variety of ways. Whether a city chooses to focus on housing, commercial, or business development depends on the needs of the particular community. In the 1980s, while many Community Development Departments focused on affordable housing, Springfield developed a plan to assist small businesses in its area as well. The city's Office of Community Development created the Springfield Business Development Fund to provide subordinated financing to small businesses looking to start up, expand, or relocate within the city.

State Stree Plaza, before renovations began...

...and after: Helen's Hairum, owned by George and Helen Johnson.

The Springfield Business Development Fund is structured as a revolving loan fund in order to ensure that a perpetual supply of money will be available to help locally based business ventures. Since the fund is administered by Community Development staff, those seeking a loan from SBDF are also offered additional resources. Many times the potential SBDF applicant is provided with technical assistance such as business plan review, financial analysis, or identification of the necessary permit process. Applicants might also be referred to organizations such as the University of Massachusetts Small Business Development Center to further refine their proposals.

Since its inception in 1984, the Small Business Development Fund has loaned almost one million dollars and created over 500 jobs in Springfield. In addition, over $3.5 million in private investments have been leveraged by the Fund. Businesses assisted by SBDF range from a neighborhood florist to a shopping plaza (see sidebar). In 1990-91, approximately $346,000 was loaned to five businesses, leveraging $1,400,300 of private investment and creating 58 new job opportunities for people with low and moderate incomes.

Dominic R. Sarno, President of SBDF, attributes the success of the fund to the commitment of the City of Springfield. "SBDF provides a needed financing resource to support long-term sustained economic development."

To learn more about the Springfield Business Development Fund, contact Jim Asselin or Jim Krzystofik of the Springfield Office of Community Development at (413) 787-6050.

State Street Plaza

G & H Development Corporation may sound like an anonymous firm, but it represents one couple's efforts to bring life back to an area of their city. G & H are George and Helen Johnson. Together with the city of Springfield and several local banks, they developed a plan to renovate a deteriorated shopping plaza, which had come to look like a junkyard replete with abandoned cars. The property was vacant except for a small restaurant. The Johnsons presented their business plan first to a local loan consortium, the Mason Square Mortgage Pool, and received a commitment of $410,000 in permanent financing. The project could not support any more market-rate debt, so the company applied for a low-interest loan from the Springfield Business Development Fund. They were given a $100,000 below-market loan, the largest amount ever put into a single project by the city. The Johnsons injected $100,000 in equity to cover the remaining project costs.

The commitment of the Johnsons, local banks, local political leaders, and the city made the project work. Previous attempts to rehab the property had not met with success, and there had been several calls for the demolition of the plaza. Once the renovations were completed, leasing out space presented little difficulty. Tenants in the new State Street Plaza include a clothing store, a record store, and a beauty shop (see photos). The Springfield Business Development Fund was also able to provide technical assistance and CDBG funds for public improvements to the area, including sidewalk repair. What was once a blighted area has now become the center of a publicly supported urban revitalization program. **CB**

Home Mortgage Disclosure Act

Two years ago Congress amended the Home Mortgage Disclosure Act (HMDA) in light of a growing concern that predominantly minority neighborhoods were receiving disproportionately fewer home mortgage loans than nonminority areas. As most home mortgage lenders are required to report their loan activity under HMDA, Congress saw the disclosure law as a potentially powerful tool in combatting discriminatory lending practices. In general, the amendments to HMDA:

- require disclosure of data on loan applications and their disposition. Previously, only loan originations were recorded.

- require disclosure of the race, sex, and income of the applicants.

- permit institutions to report the reasons for loan denials.

- expand coverage to include independent mortgage companies.

1990 HMDA data, which reflect the new disclosure requirements, have been tabulated by the Federal Financial Institutions Examination Council (FFIEC), an interagency council of federal regulators, and are now available to the public in the form of disclosure statements.

- Lenders must make their institution's statement available for inspection by the public. A copy must be kept in its main office and in at least one office in every Metropolitan Statistical Area (MSA) in which it operates. A reasonable fee may be charged for copies of the statement.

- Every MSA also has a HMDA depository, which stores the disclosure statements for every lender op-

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Maine Development Fund

Linda Shapleigh
Maine Department of Economic and Community Development

In 1986, following the death of its owner, Belfast Manufacturing, a sportswear assembler in Belmont, Maine, closed its doors. George Rybarczyk, Belfast's Director of Manufacturing, was encouraged by a long-time business associate to try to reopen the plant and run it himself. Rybarczyk decided to test the waters by leasing the facility from the owner's widow for a two-year period. He succeeded in getting a below-market working capital loan from Key Bank of Maine through the Finance Authority of Maine's Commercial Loan Insurance Program and its Linked Investment Program. The former helps reduce credit risk and the latter invests state funds in a financial institution at below-market interest rates, in return for the financial institution making loans to commercial enterprises.

In 1988, Rybarczyk again approached Key Bank for financing, this time to purchase the building and equipment and to provide money for working capital. His experience in running the business during the previous year and one-half convinced him that he could make it grow. Larry Quinn, Vice President and Manager at Key Bank, felt that Rybarczyk's company needed some low-interest subordinated debt to help facilitate the firm's growth with respect to both the company's cash flow and the bank's collateral position. Quinn contacted the Eastern Maine Development Corporation (EMDC) in Bangor to assist him in finding such financing. EMDC is a private, nonprofit organization that, among other things, assists public sector clients by providing specialized services such as grant writing, packaging, and administration for a number of state and federal programs. Key Bank was already quite familiar with EMDC, having worked with it to provided financial assistance to other businesses in the area.

After having met with the bank and Rybarczyk to discuss the company's financing needs, a business financing specialist from EMDC suggested that Rybarczyk apply for a Development Fund loan through the Maine Department of Economic and Community Development. The Development Fund is part of the Community Development Block Grant Small Cities Program, under which the state distributes federal funds to local governments for programs that are part of a long-range community strategy. As part of the CDBG program, the state sets aside $750,000 yearly for grants to communities to help finance development projects. The primary objectives of the Development Fund are to help stimulate private investment that will result in job creation, job retention, and housing opportunities for low- and moderate-income people, and to promote local economic growth and stability.

The Development Fund's loan review committee received Rybarczyk's application in the spring of 1988. In order to be approved, the application had to meet three primary criteria: the majority of new jobs created or retained must go to people from low- or moderate-income backgrounds, some private financing must be obtained, and the applicant must show that additional financing cannot be obtained from other sources. The application passed on all accounts. Rybarczyk's company, now called J&P Apparel, had the financing it needed to expand.

Any doubts about the potential of J&P Apparel were soon laid to rest. In early 1989, the company joined

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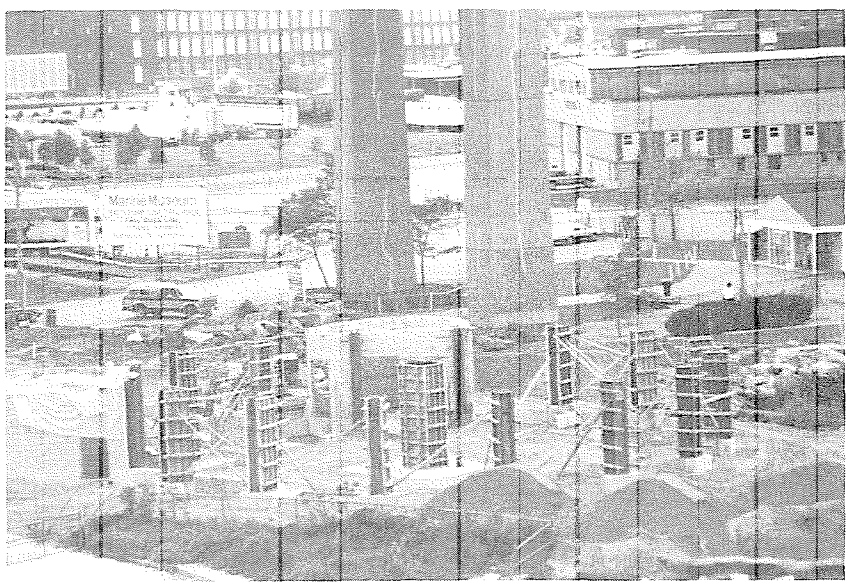
Jobs for Fall River

cash flow. A working capital loan would not be available from a bank until the facility was in production. This was an interim use of available but unspent Community Development Funds that the city of Fall River intends to use later for public services and public works. The manufacturer's bank issued the city an irrevocable letter of credit for the amount of the loan, ensuring that funds would be available so the already approved city project could proceed on schedule. The loan's interest rate was set at 3 percent based on what a city review showed the company could afford. The public benefits were 200 new manufacturing jobs within the city, the majority to be held by people from low- and moderate-income families, and diversification of the city's economic base.


Construction of a carousel pavilion at Fall River's Waterfront Park is supported in part by city community development funds.

• Substitute Working Capital Loan The city provided another short-term loan of $250,000 in working capital to an existing manufacturer who had recently begun to manufacture fiber optic cable from special yarns. Because of market conditions, a local bank had been forced to reduce the company's line of credit. The city's loan enabled the company to maintain existing production and also to continue an expansion program until either the bank is able to restore the company's full line of credit or the company obtains additional funds from other sources. The city set the interest rate at 4 percent, based on what a city review showed the company could afford. The public benefits include local retained jobs plus an estimated 26 new jobs, primarily for people from low- and moderate-income families, and the retention of technology that builds on Fall River's textile industry base.

• Equity Financing Fall River is using its future annual entitlement to CDBG funds as collateral for bonds issued by the city on behalf of a private developer, to be used for site acquisition and some of the soft costs of a 183-bed nursing home facility. This procedure makes the bonds AAA-rated and, with fees and issuance costs, provides funds to the developer at a fixed rate of 90 basis points over the federal funds rate. The bond proceeds serve to complete a 10 percent equity requirement, necessary to leverage a federally insured conventional mortgage for the remaining project costs provided through the banking community. The term of the city loan is six years, during which time the developer will arrange sufficient additional equity to take out the city's loan. The public benefits are 150 jobs created, the majority to be held by people from low- and moderate-income families, and the fact that 70 percent of the beds will be set aside for local Medicaid recipients.

• Revolving Loan Funds As part of its ongoing program of supporting expanding businesses, the city of Fall River provided subordinated financing to complete financing for the purchase of used machinery and equipment by a local printer. Because of the age and specialized nature of the equipment, a local bank could not provide more than 60 percent of the funds needed. The term of the city's loan was the same as the bank's loan and the rate was set at 6.75 percent based on what a city review showed the company could afford. The public benefits were an 80 percent increase in jobs at the company, primarily for people from low- and moderate-income families, and expanded printing services to the underserved local market.

• Private Financing of a Public Economic Development Project Seven local banks are participating in a $1.75 million loan to a local nonprofit corporation to complete construction of a carousel pavilion at Fall River's waterfront park, as part of the city's effort to increase tourist traffic at the Battleship Cove and Heritage State Park. This will build on efforts already supported by $700,000 in private contributions but stalled by lack of appropriated state funds, now frozen because of the state's fiscal crisis. Since the banks would not rely on 'frozen' state funds for collateral, the city put up as collateral the payment stream from three prior major development loans in order to ensure time loan can be taken out with the approved state grant.

To find out more about Jobs for Fall River Inc., contact Steve Parr, Director of Finance, at (508) 675-1497. CB

PUBLICATIONS

Affordable Housing

* ***Constructing Local Solutions: Affordable Housing,*** National Conference of State Legislatures (1991). Discusses the need to link federal, state, and local programs, and the importance of community participation in affordable housing projects. Also focuses on the importance of working with nonprofit community development organizations. Call the National Conference of State Legislatures, Book Orders Department at (303) 830-2200. $15.00.

* ***Affordable Housing Evaluation Toolbox,*** Rainbow Research, Inc. (1990). A two-part kit designed to help affordable housing operators develop, document, and assess effectiveness of (1) residents' self-sufficiency and quality of life, and (2) board capacity. Write to Publications, Rainbow Research, Inc., 1406 W. Lake Street, Minneapolis, MN 55408. Or call (612) 824-0724. Each Toolbox costs $17.50, $30.00 for both.

* ***Tax Credits for Low Income Housing: New Opportunities for Developers, Nonprofits, and Communities Under the 1986, 1988, 1989 and 1990 Tax Acts***, Joseph Guggenheim (1991). An updated version of the 1990 guidebook. Covers statutory amendments and IRS and HUD rulings of the last 14 months. Call Simon Publications at (301) 320-5771. $53.95 soft cover, $145 for loose leaf binder with three quarterly supplements.

Community Development

* ***Proposal Writing: A Basic Primer***, Illinois Department of Commerce and Community Affairs (1991). A guide for nonprofits on writing a successful grant proposal. Write to IDCCA, 620 E. Adams St., Springfield, IL 62701. Or call (217) 785-6193. Free.

* ***Reclaiming Capital: Democratic Initiatives and Community Development***, Christopher Gunn and Hazel Dayton Gunn (1991). Focuses on the difficulty of retaining capital in lower-income communities and explores alternative institutions that attract and retain resources, such as credit unions and nonprofit corporations. Write to Cornell University Press, 124 Roberts Place, P.O. Box 250, Ithaca, N.Y. 14851-0250. $9.95 paperback, $24.95 cloth.

****Growth Factors in the Development of Community Foundations: A Study Guide for Technical Assistance,*** Steven Mayer (1988). This guide is based on the experience of 15 emerging community foundations, and is organized around 5 growth areas: self-understanding, board commitment, organizational capacity, asset development, and community role. Write to Publications, Rainbow Research, Inc., 1406 W. Lake Street, Minneapolis, MN 55408. Or call (612) 824-0724. $15.00.

* ***Banking in the Public's Interest: Promoting Community Development with the Public Deposits of Cities and States***, Woodstock Institute, National League of Cities, and National Association of State Auditors, Comptrollers, and Treasurers (1991). Describes a number of city and state programs that use public deposits to increase private financial institution investment in community development. Identifies successful techniques and common problems. Includes recommendations for structuring a public deposit program. Call the Woodstock Institute at (312) 427-8070. $20.00 for-profit, $10.00 government/university/non-profit.

* ***Community Economic Development in Puerto Rican Neighborhoods***, National Puerto Rican Coalition (1991). Describes examples of successful affordable housing and economic development projects produced by Puerto Rican organizations. Outlines ways in which groups can build staff capacity, access funding sources, and develop income-generating activities. Send payment to National Puerto Rican Coalition, Inc., 1700 K Street, N.W., Suite 500, Washington, D.C. 20006. Or call (202) 223-3915. $10.00.

* ***Report of the 1991 Needs Assessment Task Force***, United Way of Mid Coast Maine (1991). Provides results of needs assessment survey done in the Mid Coast area. Covers issues such as housing, health care, and employment training. Offers recommendations and resources for meeting local needs. Write to United Way of Mid Coast Maine, 746 High Street, Bath, ME 04530. Or call (207) 443-9752. Enclose $1.33 postage.

* ***Religious Institutions as Partners in Community Based Development***, Rainbow Research Inc. (1991). An evaluation of 28 church-linked housing and economic development projects from around the country. Write to Publications, Rainbow Research, Inc., 1406 W. Lake Street, Minneapolis, MN 55408. Or call (612) 824-0724. First copy free. Additional copies $8.00.

The National Council for Urban Economic Development offers a variety of publications on topics ranging from minority enterprise development to revolving loan funds to business incubators. For a publications list, call (202) 223-4735.

Fair Housing

* ***Fair Housing Amendments Act of 1988: A Selected Resource Guide***, HUD User (1991). Reviews the FHAA and lists sources that deal with the various issues in the Act. Write to HUD User, P.O. Box 6091, Rockville, MD 20850. Or call (800) 245-2691. $3.00.

Compliance

Compliance Officer's Management Manual, Sheshunoff Information Services (1991). Covers managerial and technical aspects of developing a comprehensive and effective compliance program. Call (800) 456-2340. $265.00.

Rural Development

* ***Rural Community Economic Development***, Norman Walzer, ed. (1991). Examines economic trends affecting rural development, local government responses, and the long-term effects of the reduction in federal support. Offers development strategies for local governments to undertake. Write to Greenwood Publishing Group, Inc., 88 Post Road West, P.O. Box 5007, Westport, CT 06881. Or call (203) 226-3571. $43.00.

* Denotes publications available for review in the Community Affairs Department resource library.

CONFERENCES

November 8-9

"Third Annual Northeast Regional Conference for Community Development Credit Unions," Vermont Development Credit Union. Burlington, VT. For credit unions, banks, and foundations. Session topics include obtaining bank support for community development credit unions, regulatory issues, and rural credit unions. For more information, contact VDCU at (802) 865-3404.

November 12-16

"Neighborhood Reinvestment Training Institute," Neighborhood Reinvestment Corporation. Los Angeles, CA. This program offers over 40 one, two, and three-day courses for community development practitioners in four subject areas: management skills, community development strategies, affordable housing, and computer skills. For more information, call the Neighborhood Reinvestment Training Institute at (202) 376-2642.

November 19

"Financing Affordable Housing in New Hampshire," New Hampshire Bankers Association, New Hampshire Housing Finance Authority, New Hampshire Community Loan Fund, New Hampshire Community Development Finance Authority, Federal Home Loan Bank of Boston, and Federal Reserve Bank of Boston. Manchester, N.H. For lenders, funding and community lending specialists, and representatives of affordable housing agencies. Workshops will focus on finding equity sources and developing lending consortia, with an overview of available resources for affordable housing finance. For more information, contact David Parish of the Federal Home Loan Bank at (617) 330-9892.

November 26

"Connecticut Conference on Affordable Housing," The Banks' Association of Connecticut, Bank Compliance Association of Connecticut, Connecticut Association of Housing Development Corporations, Federal Home Loan Bank of Boston, and Federal Reserve Bank of Boston. For lenders, developers, and representatives of affordable housing agencies. Workshop topics include first-time homebuyer programs, technical assistance options, and equity sources for low-income housing tax credit projects. For more information, contact Tom Mongellow of The Banks' Association of Connecticut at (203) 527-5161.

December 10-12

"...And Miles to Go," Housing Assistance Council. Arlington, VA. For organizations involved in rural housing development. Session topics include affordable housing finance options, technical workshops (programs of FmHA, HUD, and other agencies), and serving special populations. For more information, contact HAC at (202) 842-8600.

EMERGENCY LOAN FUND PROGRAM

Since 1981, The Emergency Loan Fund (ELF), a special program of Associated Grantmakers of Massachusetts, has provided short-term, low-interest loans to stable nonprofit organizations experiencing cash flow difficulties. Its guiding principles have been to allow needed services to continue, to help organizations achieve greater financial stability, and to increase the impact of philanthropic dollars. Its success can be measured by a default rate of just over 1 percent—much lower than that of more traditional lending institutions.

Applicants to the Emergency Loan Fund must be 501(c)(3) nonprofits that are experiencing a cash deficiency of such a magnitude to prevent the organization from continuing normal operations and whose receivables would be acknowledged by a credit-worthy source (often a governmental agency). You must have first approached a bank and been turned down for the financing you are requesting, and your board of directors must have voted and approved submitting a loan application to the Emergency Loan Fund. The Fund makes loans of up to $25,000, and interest on the ELF loans corresponds to the interest earned on the Emergency Loan Fund account (average is 8 percent). The average term of loans made is anywhere from two to three months. For more information, please contact Tucker Ecklin at (617) 426-2606. CB

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HMDA

erating in that MSA as well as disclosure statements that aggregate the HMDA data for all lenders in that MSA. Depositories may charge a reasonable fee for copying services.

• The FFIEC will also provide, for a fee, the edited data contained in the loan application registers submitted by lenders to their regulators. This is useful for researchers who may wish to tabulate the data in a different manner than is provided in the disclosure statements. Other data available from the FFIEC include disclosure statements in hardcopy and on print image tapes. For more information, call Barbara Kenlaw of the FFIEC at ((202) 357-0177.

• The Federal Reserve Bank of Boston has produced summary tables for all of the MSAs in New England. These tables show the disposition of loan applications based on the race and income of the applicant and the location of the property. To receive these tables or to request additional information on HMDA, call the Community Affairs Department at (617) 973-3097 or the Research Library at (617) 973-3397.

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MAINE DEVELOPMENT FUND

with the Passamaquoddy Tribe and formed a partnership known as Creative Apparel Associates. Rybarczyk, with the assistance of the Tribe, EMDC, the U.S Economic Development Administration, the U.S. Small Business Administration, and Key Bank, obtained additional financing to construct a new plant at Indian Township and purchase equipment for its extended operations. Further, with the help of the Maine Procurement Assistance Center staffed by the Eastern Maine Development Corporation, Creative Apparel Associates obtained a major renewable government contract from the Department of Defense.

In 1991, Rybarczyk received the Blue Chip Enterprise Initiative Award, established to identify outstanding examples of small business management's ability to overcome adversity. The award is sponsored by the U.S. Chamber of Commerce and Connecticut Mutual Life Insurance Company, and made to one company in each state.

In the last three years, George Rybarczyk has built the company into a successful, well-respected operation that has achieved a 400 percent increase in sales. Creative Apparel Associates currently employs 46 people in the Belmont facility and an additional 21 in the Passamaquoddy plant.

The Development Fund has helped many businesses like Rybarczyk's. Since 1984, the partnership among the state, municipalities, businesses, and private lenders has helped create and retain over 1,152 jobs in 47 businesses. An investment of $4 million in CDBG funds has leveraged in excess of $34 million of private capital. As Leonard A. Dow, Director of the Office of Community Development, noted, "We are not in competition with lending institutions, but rather provide gap financing to make deals viable. The program is willing and able to take more risks than the typical lending institution is allowed to take."

Anyone interested in finding out more about the Development Fund program can contact Linda Shapleigh, Development Fund Coordinator, at (207) 624-6800.