

News & Views

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Partnering Works in the Heartland

The Economic Development Council (EDC) for the Peoria Area is a major catalyst for development in the Peoria Tri-County region. As a business development and marketing partnership, EDC has forged linkages with key players in both the public and private sectors to create a successful one-stop-shop for local business expansions, minority start-ups, small business assistance, new business recruitment, and community development.

EDC's team is led by the directors of economic development for Woodford, Tazewell and Peoria Counties (combined population 350,000), who work side-by-side to capture and share the benefits of a regional approach to business development.

As with most economic development organizations, Peoria's operation is focused mainly on new job creation and diversification of the local economic base. EDC is also focusing on helping existing companies and communities acquire the resources necessary for their continued health and well-being.

According to William Browning, President of EDC, "EDC is successful because of the cooperation and support of the region's premier banks and other area development organizations. By endorsing EDC's work, the area banks and lending institutions, without question, have contributed enormously to Peoria's economic diversity and market strength."

EDC has built relationships with many of the area's key lenders serving as co-participants in community and business projects. The Council's diverse financing programs complement local bank efforts by strengthening their ability to fund projects. In fact, the majority of the Council's gap financing projects originated from leads brought to the staff by Peoria area banks. "This is testimony to the faith these lending institutions have in EDC's public sector participation as a stimulus for their private sector loans and investments," Browning says.

The Peoria area banking community continues to demonstrate its commitment by partnering for community growth. Banks are involved in several facets of community and economic development in the Tri-County region. Over the years, EDC

continued on page 2

Volume 1 Number 3
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Inside this Issue:

Women in Business

TaskForce

Finance

Microenterprise Development

Loan Guarantees

Business Assistance

PASS

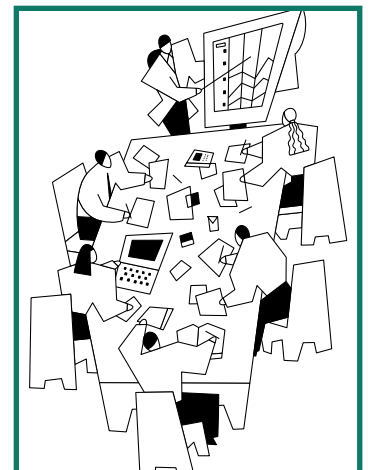
Off the Press and More

From Research

Heartland

Around the District

Calendar



Heartland *continued from page 1*

has participated with almost all of the region's banks and lending institutions, financing projects ranging from machinery and equipment acquisitions to larger industrial expansions.

The Economic Development Council provides various financing options designed to help lending institutions increase their investments, services, and lending activities in the area.

One-Stop-Shop

Truly a one-stop-shop for economic development, EDC helps both a would-be entrepreneur acquire the skills necessary to launch a small business or to help a large corporation arrange financial packages to support expansion. In conjunction with a firm's lead lender, EDC regularly taps state, federal and local resources for long-term low-interest capital that is needed by local firms to complete their expansion, modernization and other workplace improvements.

The following EDC programs are offered in conjunction with area banks:

Heartland Community Development Corporation

Local investors including area banks, private firms, venture capital groups, foundations and community revolving loan programs cooperate on a shared risk basis in financing local economic development projects through the Heartland CDC. EDC has commitments of \$542,500 towards the Heartland CDC projects. These private and public investment commitments can be leveraged with state and federal matching dollars to generate up to \$3 million for local projects.

A creative investment by the CDC included investing in the local Class A professional baseball franchise. More conventional investments include a shopping center in a redevelopment area and a new waterfront entertainment complex. Funds may also be used by the CDC to promote community welfare, such as financing the construction of affordable housing, housing and commercial development in rural areas, and credit enhancements for minority and targeted business loans.

Revolving Loan Funds

Revolving Loan Fund financing can close a lending gap that might exist on a project. Generally, lending gaps exist when the equity funds combined with the funds that an institution is willing to lend are not sufficient to fund a project. EDC's county directors administer a local loan fund to help stimulate job-creating business expansions of up to \$100,000 for land, building, and machinery purchases, or working capital.

State Direct Loans

EDC can package economic development components of "Build Illinois" and "Community Development Assistance Program" loans that are funds specifically targeted to meet the capital needs of businesses. These programs, in partnership with lead bank participation loans, can assist Peoria area firms with working capital; machinery and equipment purchases; facility modernization; and land and building acquisitions.

Self-Employment Training Revolving Loan Fund

Minority and low-income entrepreneurs who have graduated from EDC's Self-Employment Training Program can obtain up to \$15,000 in start-up capital to enter into business. These funds are available to them in the form of guarantees, direct loans, and bonding inducements.

SBA Microloans

Through a partnership between the U.S. Small Business Administration and EDC, loans from \$500 to \$25,000 are available to help finance new business start-ups or to help small businesses make capital improvements. A pool of competitive interest rate SBA funds is managed by EDC and available to local small businesses for a variety of uses. Participants in this program also receive free technical assistance in accounting, marketing, and expansion planning.

The Illinois Development Finance Authority (IDFA)

An Illinois Development Finance Authority office within EDC's facility provides additional financing options for local

projects. IDFA's representative works closely with EDC to assist area firms fund improvements to public and private sector facilities. IDFA financing can be used for land and building acquisition; building construction and renovation; new businesses seed capital; and grants for feasibility studies.

SBA Programs

A partner of the EDC, Small and Minority Business Services, works with SBA programs to facilitate small business expansions and other community growth projects.

By working closely with the region's banks, private sector developers, and community officials, EDC is building a strong public/private coalition with a unified goal of fostering economic diversity and job opportunities for all citizens of the metro area. ■

For additional information on the Economic Development Council of the Peoria Area and its services, contact Tucker Kennedy, Vice President — Marketing at 800/383-7575.

Lenders Investing in the Economic Development Council for the Peoria Area

| | |
|---------------------------------|------------------------|
| First of America Bank-Illinois | Commerce Bank |
| First Financial Bank | Bank One, Peoria |
| Magna Bank of Illinois | Citizens Equity FCU |
| Herget National Bank of Pekin | Minonk State Bank |
| South Side Trust & Savings Bank | Chillicothe State Bank |
| First National Bank in Tremont | |

Women in Business

Women's Business Development Center continues to empower



Hedy Ratner and Carol Dougal established the Women's Business Development Center (WBDC)

in 1986 with the vision of enhancing economic power for Chicago-area women. Since its inception, WBDC has replicated its programs in 14 other cities and is active in national advocacy and policy development affecting women business owners.

Last year, WBDC counseled and trained over 2,000 women and helped women business owners obtain over \$6.5 million in loans. Over 65% of the loans were under \$100,000.

As part of WBDC's Participating Bank Program, a number of Chicago banks, specifically: Harris Trust & Savings Bank, First National Bank of Chicago, Northern Trust Company, Cole Taylor Bank, American National Bank and Trust Company of Chicago, LaSalle National Bank, Old Kent Bank, Bank of America Illinois, Bank One, Chicago, Madison Bank & Trust Company, Comerica Bank-Illinois, Columbia National Bank of Chicago, Albany Bank & Trust Company, Cosmopolitan Bank & Trust, Seaway National Bank of Chicago, and First Midwest Bank/Illinois in Joliet, support WBDC programs through contributions and by providing input on services and programs that fill financing gaps in the marketplace.

WBDC offers a variety of programs and services that provide



Diane McArdle, owner of Original Face Handmade Children's Clothing, needed help to meet the increased demand for her products and to expand her business. She found the help at the Women's Business Development Center (WBDC).

First, she attended a workshop at the WBDC where she learned how to conduct her own market analysis, develop projections of future sales and costs, determine the amount of financing needed for her business

a comprehensive approach to start and expand women-owned businesses:

One-on-one counselling — WBDC offers counselling in marketing, finance, procurement, certification, and general business management. Through WBDC, clients have access to a wide variety of experts in other fields.

expansion, and write an effective business plan.

Then the WBDC helped her obtain a \$15,000 microloan for additional inventory, equipment, and working capital from the Evanston Business Development Center.

The Microloan Program is designed by the Small Business Administration to fill gaps for businesses that need funds up to \$25,000. Over one hundred (100) intermediary lenders participate in the program.

Entrepreneurial training programs — Currently, WBDC and several banks are co-sponsoring training programs in low- and moderate-income areas. The Center offers 4-week and 13-week workshops, as well as on-going training programs in several locations.

Mentor/protege program — Young businesses are matched with established businesses on a one-to-one basis for one year.

Diane McArdle (second from left), owner of Original Face Handmade Children's Clothing, discusses expanding her business with Richard Holbrook, Director of the Evanston Small Business Development Center; Sara Shiffrin (at left), Director of Entrepreneurial Training Services, Women's Business Development Center, and Jaribu Kitwana (far right), Microloan Counselor, Women's Business Development Center.

Financial assistance — Services include helping clients understand the financial aspects of their businesses, such as the preparation of pro-formas, business plan development, and loan packaging. WBDC also has a collateral pool which can be accessed to help secure small bank loans and lines of credit.

Certification and Procurement Assistance — WBDC provides a "Women's Business Enterprise" certification, which is accepted by corporations and most levels of government. The certification, coupled with procurement training and data base searches, can lead to expanded market opportunities. ■

For further information on the Women's Business Development Center and its programs, contact Linda Darragh, Manager, Financial Programs, at 312/853-3477 ext. 22.

TaskForce

On Minority Women's Entrepreneurial Activity

The TaskForce on Minority Women's Entrepreneurial Activity (TaskForce) is a new initiative that helps minority business women enter Illinois' mainstream economy through business ownership.

Styled in thinktank, roundtable form, the TaskForce was launched by the Office of Women's Business Development (OWBD), Illinois Department of Commerce and Community Affairs (IL DCCA).

The TaskForce consists of minority women with expertise in women and minority business development. Each TaskForce member brings unique talents

and a strong commitment to promoting the interests, strengths, and economic health of minority women.

TaskForce members are Mary Morten, Women's Self Employment Project; Deborah Dillon, Dillon Telecommunications; Dolores Lopez, Dolores Lopez Design; Gwen Carr, American Indian Economic Development Association; Colette Holt, Colette Holt and Associates; Zully Alvarado, Producers Alley; and Susan Nicol, Office of Women's Business Development, IL DCCA.

The TaskForce has begun to identify obstacles to business growth faced by minority women as its first step in developing outreach strategies and

policy recommendations that will assist minority women in their entrepreneurial endeavors.

"Historically, minority women have not participated in public sector contracting at rates comparable to other groups," states Susan Nicol, TaskForce founder and chairperson. "It is suspected that the same is true in the private sector. Somewhere along the line, minority women have fallen through the cracks in terms of accessing resources and information. The reasons are many, and the TaskForce will seek to address them. This initiative is a significant step towards effective outreach and policy to truly address the needs of this particular business segment."

The Office of Women's Business Development, which is part of the Illinois Small Business Development Center Network, is a statewide office dedicated to supporting the interests of women business owners. As an organizing liaison, OWBD links the women's business community to business resources and strives to enhance the impact of the women's business sector and increase its visibility within the State of Illinois. ■

For more information on the TaskForce, other OWBD initiatives, or meeting the capital or credit needs of women owned businesses contact Susan E. Nicol, Women's Business Liaison, Illinois Department of Commerce and Community Affairs 312/814-8736.

Finance

Microlending



When Michele Simmons prepaid her \$8,000 loan, CANDO — the Chicago Association of Neighbor-

hood Development Organizations — celebrated. This was the first retirement of a microloan from its Self-Employment Loan Fund (SELF).

The SELF program offers small, microloans ranging from \$1,000 to \$10,000 to emerging and growing Chicago businesses that are unable to access bank financing. The proceeds can be used for any reasonable business purpose, such as equipment purchases, working capital, inventory, leasehold improvements, and purchase order financing.

Simmons' firm, M.G. Simmons and Associates, provides environmental consulting services to clients who need to conduct on-site environmental surveys. She used CANDO's loan to cover start-up costs and hire staff.

"The CANDO loan was a blessing," Simmons commented recently. "But that wasn't all CANDO did for my business. By working with CANDO and attending the CANDO Community Showcase at Navy Pier, I met several key contacts who opened the door to new business and additional working capital."

One of those key contacts was Donald Versen, President of Columbia National Bank of Chicago, who provided Simmons with a \$75,000 Small Business Administration "LowDoc" loan.

Alvin Rogers of Squiggly Rags, a clothing manufacturer, is another SELF success story. After working with the SELF program, Rogers was able to obtain financing from Bank One Chicago to fulfill a clothing contract with J.C. Penney.

Impressed with the program, Bank One Chicago has also arranged for a \$40,000 loan to the CANDO SELF program for additional lending capital.

Michelle Simmons concludes, "I thank the staff of CANDO who, like mystical godparents, contribute their time, energy, and talent to supporting new businesses and helping them to take their first steps." ■

For additional information on the Self-Employment Loan Fund and other programs offered by CANDO, contact Paul Ginger or Laverne Hall at 312/939-7171.

Our microloan program has proven to be a window of opportunity for start-up companies to get their businesses off the ground," said CANDO Associate Director Laverne Hall,

who manages the program. "It's very rewarding to see these young entrepreneurs grow their businesses to the next level and become able to secure more conventional financing."

Microenterprise Development

Accion International establishes new microlending program in Chicago

Operating in 14 Latin American countries and five major U.S. cities, ACCION International has been a leader in economic development since the 1970s, improving the lives of hundreds of thousands of families each year.

The ACCION International network has established a microlending program in Chicago. ACCION Chicago is a private, non-profit organization dedicated to increasing income and creating jobs in low-income communities in Chicago.

ACCION Chicago's mission is to provide access to business credit for those entrepreneurs who

cannot obtain business financing through traditional avenues.

ACCION Chicago promotes economic growth through the provision of credit and basic business support to the owners of microenterprises — such as home-based businesses, street vendors and small storefront operations. Generally, these businesses do not have ready access to commercial business credit for many reasons, including language barriers; the small size of their capital requirements; the perceived credit risk; a lack of securable collateral; lack of an established credit history; and unfamiliarity with mainstream financial institutions.

By providing credit, ACCION Chicago seeks to help these microentrepreneurs strengthen their businesses, stabilize their

incomes, create additional employment, and build the local economy.

According to Michael Ruiz, Executive Director, "ACCION Chicago is preparing its clients for eventual incorporation into the financial mainstream, by affording them an opportunity to establish a business credit history as well as familiarizing themselves with common lending processes."

The initial capitalization for the program's microloan fund is \$150,000 with a \$50,000 Program Related Investment from the First Chicago Foundation; a \$50,000 line of credit from Bank of America; and a \$50,000 line of credit from the Northern Trust. The lines of credit were issued in conjunction with the linked-deposit

In 1993 alone, the ACCION International network made over 206,000 microenterprise loans totalling over \$203 million. The average loan was \$503 and the payback rate has been 98%.

program of the Illinois State Treasurer's Office.

ACCION Chicago's primary sources of operating support are: First Chicago, Bank of America, Northern Trust, Harris Bank, Chicago Community Trust, Prince Charitable Trusts, and the Wieboldt Foundation. ■

For additional information on ACCION Chicago or its programs, contact Michael Ruiz, Executive Director, at 312/522-0272.

Loan Guarantees

SBA loan guarantees soaring

U.S. Small Business Administration officials are pleased with the pace of its loan programs. The September 30, 1995 fiscal year numbers are in: 2,277 loans and over \$321 million in capital for small businesses throughout Illinois.

"These loan totals have gone through the roof," said John L. Smith, the SBA's Illinois District Director. "The number of small business loans we are guaranteeing are increasing almost exponentially — more than a quarter billion dollars in guaranteed loans to small businesses in Illinois in only one year.

SBA's loan programs are phenomenally successful at putting capital in the hands of entrepreneurs where it's needed. This shows that SBA is a major player and a significant force in the economy of Illinois," said Smith.

Smith also noted that SBA's programs are crafted to assure that help is available to previously underserved populations in the small business community. "We are very proud of how we have extended needed capital to minorities, women, veterans, and small businesses in rural Illinois."

Smith credited First of America Bank for its statewide efforts and the Harris Bank organization in Chicago for approving

The number of guaranteed loans to minorities in Illinois jumped from 204 to 432, for a total of more than \$50 million. Loans to women more than doubled, from 212 to 493, representing a loan total of more than \$44 million, while loans to veterans more than tripled (88 to 292) totaling over \$31 million.

"in excess of 100 loans each which greatly contributed to our success."

To top off a great year, newly-released SBA statistics show that agency programs in Illinois were

responsible for retaining 12,349 jobs and creating an additional 7,011 jobs. "That's nearly 20,000 jobs positively affected by the SBA in this state," Smith said.

"What's really amazing is that we are accomplishing this in an era of cutbacks and decreased resources," Smith said. "We're truly doing more with less." ■

For additional information on SBA financing programs contact any of the following:

| | |
|-----------|------------------------------|
| Illinois | 312/353-4528 217/492-4416 |
| Indiana | 317/226-7272 |
| Iowa | 319/393-8630 515/284-4422 |
| Michigan | 313/226-6075 |
| Wisconsin | 608/264-5261 |

Business Assistance

New study shows SCORE is effective

Clients counseled by SCORE volunteers generated higher gross revenues and produced more new jobs than average small businesses. These are among the findings of a new economic impact study commissioned by SCORE, the Service Corps of Retired Executives — a resource partner of the U.S. Small Business Administration (SBA).

SCORE has a nationwide network of 13,000 retired business management professionals who volunteer their time and experience to provide business advice to the small business community. SCORE's volunteers offer free one-on-one counseling and low-cost workshops to both present and prospective business owners.

SCORE chapters can be found in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam.

SCORE has over 50 chapters in the Federal Reserve Bank of Chicago's 5-state district.

The study surveyed a random sample of 10,000 SCORE clients from 1992 through 1994. According to the study:

- SCORE volunteers helped more than 100,000 new businesses get started;
- On average, each of these newly-started businesses created several full-time or part-time jobs;
- Many pre-venture clients who did not start a small business on the advice of SCORE volunteer counselors reported that they would have suffered severe financial losses if they had gone ahead and started those businesses; and
- The vast majority of SCORE clients said that they would recommend SCORE to others.



Many SCORE clients expressed their appreciation for the knowledgeable and caring individuals who provided them with assistance in starting and operating their businesses.

SCORE is proving itself cost effective. In fiscal year 1994, SCORE's 388 chapters provided one-on-one counseling to 164,141 people and offered a total of 4,076 workshops to an additional 119,315 people. For fiscal 1995, Congress provided \$3.25 million to SCORE, and volunteers provided 1.1 million hours. The rate is less than \$3 per hour, which is below minimum wage! ■

For assistance, additional information, or the SCORE location nearest you, call 800/634-0245.

Scoring with the Small Business Administration

The Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of the nation.

Through a network of more than 100 field offices, 13,000 volunteer counselors with SCORE, 900 Small Business Development Centers, and more than 500 Small Business Institutes, the Small Business Administration has provided assistance to more than nine million cases nationwide.

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Economic Development News & Views welcomes story ideas, suggestions, and letters from subscribers, lenders, community organizations, and economic development professionals. If you wish to subscribe or to submit comments, call (312) 322-8232 or write to: *Economic Development News & Views*, Federal Reserve Bank of Chicago, Community Affairs Section, 230 S. LaSalle Street, Chicago, Illinois 60604-1413.

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New Business Information Center

Servicing thousands of entrepreneurs this year, the SBA's new Business Information Center (BIC) is a high-tech business resource library located in the agency's Chicago District Office, 500 West Madison Street.

"As the word spreads, more and more small business people are taking advantage of the BIC for everything from doing a business plan by computer to researching census data. It's an incredibly valuable resource," said John L. Smith, the SBA's Illinois District Director.

For information or access to the Business Information Center call 312/353-1825.

PASS

Power play for contracting

Like savvy quarterbacks, the owners of over 200,000 small firms from coast to coast are discovering the value of a well-placed PASS. PASS stands for Procurement Automated Source System, the U.S. Small Business Administration's database of small vendors willing to contract with the federal government.

The federal government routinely acquires everything from paper clips and janitorial services to high-tech studies

and space station components, with many contracts going to small companies.

"PASS is the power play for federal contracting," says SBA Administrator Philip Lader. "It's the key resource used by federal purchasing agents and prime contractors searching for firms to work on federal projects. Over 205,000 small companies nationwide are now in the PASS system and more than 950 buyers from the public and private sectors regularly scan it."

PASS opens up \$200 billion market

A PASS listing, available at no cost, can mean hitting pay dirt in this lucrative arena. Last year, of the \$200 billion spent by federal agencies, \$42 billion went directly to small firms, with an additional \$21 billion in sub-contracts to small businesses by the federal government's prime contractors.

Currently, 37,000 minority-owned firms, 52,000 women-owned concerns, and 54,000 companies owned by veterans are on file. Their businesses include manufacturing, construction, services, and research and development. ■

For more information or for a PASS application, contact the PASS Hotline by calling 800/231-PASS.

Off the Press and More

Chicago Fed and WBDC publish Access to Credit

To enhance communication between women business owners and lenders, and to foster fair access to credit, the Federal Reserve Bank of Chicago and the Women's Business Development Center of Chicago (WBDC) have collaborated to publish *Access to Credit: Women, Lenders and Small Business Loans, A Guide for Lenders and Women Owners of Small Businesses*.

The *Guide* discusses the difficulties that any small business owner, man or woman, has experienced, but focuses on those that present special obstacles for women. Nancy Goodman, senior vice president of Community and Information Services at the Federal Reserve Bank of Chicago said, "We saw this project and our collaboration with the WBDC as an opportunity to be a helpful

intermediary between lenders and this growing market of small business owners. This publication is one avenue through which we seek to fulfill our responsibility for fostering fair access to credit." Orders for copies of the *Guide* can be placed by contacting the Public Information Center, Federal Reserve Bank of Chicago, P.O. Box 834, Chicago, IL 60690-0834, Tel. 312/322-5111.

Chicago Fed expands resource list

The Federal Reserve Bank of Chicago has updated and expanded its list of *Resources For Small Businesses and Entrepreneurs*, which accompanies *The Credit Process: A Guide for Small Business Owners*, produced by the Federal Reserve Bank of New York. The publication and resource list offer guidance to small business owners seeking financing. To order the *Credit Process and Resources*, contact the Consumer & Community Affairs

Section, Federal Reserve Bank of Chicago, 230 S. LaSalle Street, Chicago, IL 60604-1413, Tel. 312/322-6100.

"Partners: A Public Partnership Model for Home Mortgage Lending"

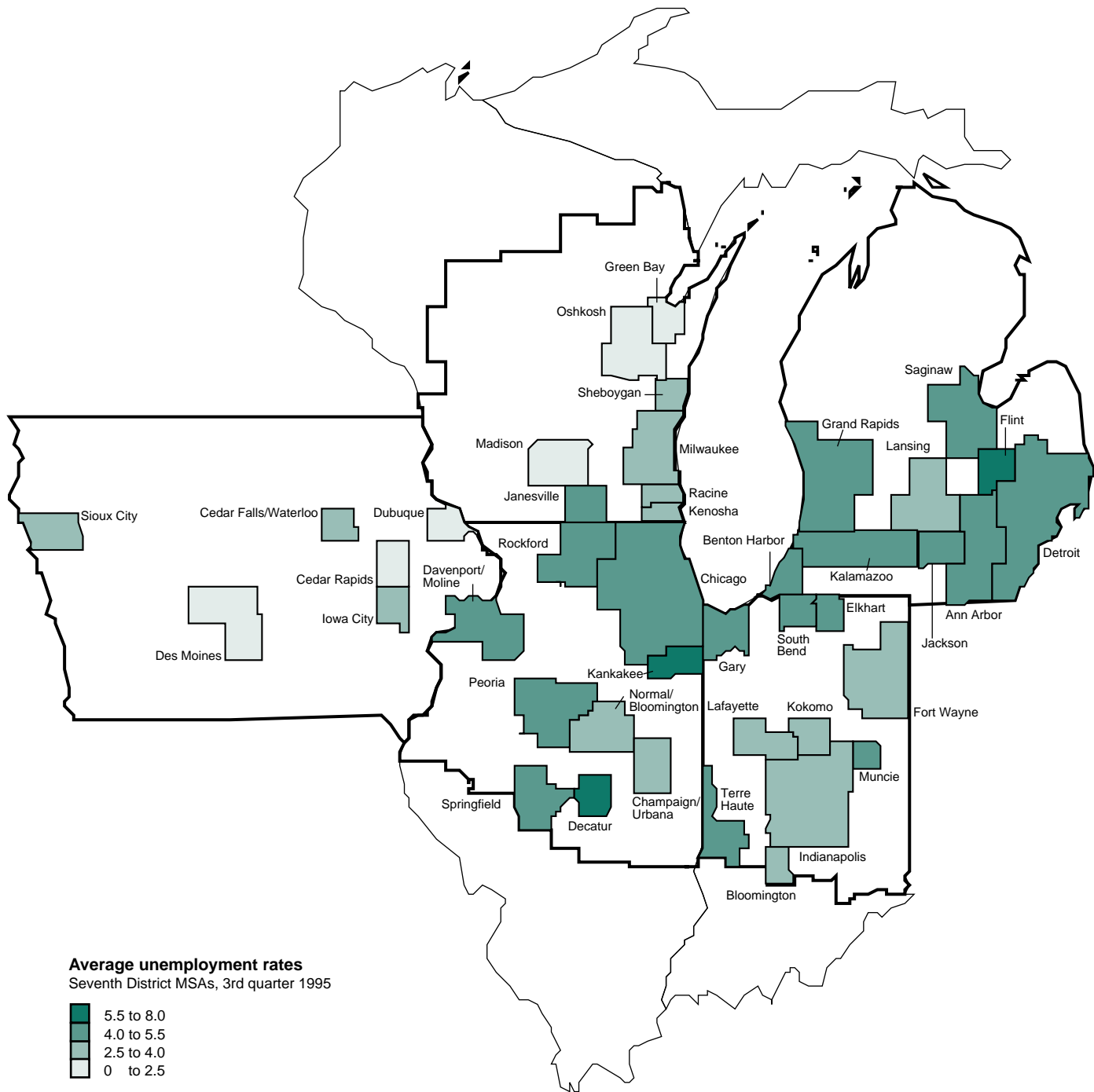
The Federal Reserve System has released *Partners*, a new mortgage loan software package, designed to aid bankers, community groups, and potential mortgage loan applicants. The program determines whether a potential home buyer can qualify for a home purchase loan, given the lender's underwriting criteria and financial information provided by the applicant. It illustrates how per-

sonal financial factors and loan underwriting techniques impact home purchase loan applications. In addition, it offers ways to overcome barriers that prevent low- and moderate-income buyers from receiving conventional home purchase loans. The *Partners* software is available free of charge by calling 312/322-6100, or writing to the Consumer & Community Affairs Section, Federal Reserve Bank of Chicago, 230 S. LaSalle Street, Chicago, IL 60604-1413.



Seventh District Labor Markets

Unemployment conditions for third quarter 1995



NOTE: Unemployment rates for MSAs are not seasonally adjusted. All rates are subject to revision.

From Our Research Department

Labor market conditions in the Seventh District

The twelve regional banks of the Federal Reserve System, and their district boundaries, were established by Congress in 1914. The regional bank in Chicago administers the Seventh District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin.

At the present time, there are 42 Metropolitan Statistical Areas (MSAs) in the Seventh District. The geographic boundaries of MSAs are defined by the U.S. Office of Management and Budget (OMB) as economic areas encompassing communities that are tightly linked by a flow of commuters, migrants, goods and services, and payments.

Unemployment rates are useful indicators of the labor market conditions in local areas. The unemployment rate is defined as the percentage of adults in the work force who are not currently employed but are actively seeking employment. Importantly, the work force, and hence the unemployment rate, does not include workers who are not actively looking for work. This may mean, for example, that workers who have given up looking for work are not counted as unemployed.

Unemployment rates for Seventh District MSAs are provided by the United States Department of Labor (USDOL). Using definitions and guidelines established by the USDOL to ensure consistency across state lines, state agencies calculate MSA unemployment rates on the basis of a monthly payroll survey and unemployment insurance

records. Because of volatility in the monthly unemployment rates, a three-month moving average is reported here to "smooth" the series.

Currently, labor market conditions are very good in most, though not all, areas of the Seventh District. The Seventh District makes up a large part of Middle America, which is experiencing a vigorous economic turnaround in comparison to the early 1980s. In contrast to that period, a more favorable position of the dollar on foreign exchange markets has enhanced the region's exports of agricultural products, consumer goods, machinery, and equipment. The machinery and equipment sectors, along with the important automotive sector, have also gathered momentum due to the generally buoyant national economy. Finally, defense cutbacks and base closings have bypassed most of the region, or the effects are not so severe in comparison to California, New England, and other coastal areas. Similarly, other regions continue to shake off the backlog of overbuilt real estate from the middle 1980s — a market in which many parts of the Seventh District region did not participate as heavily. As a result, many local areas are reporting difficulties in hiring skilled workers as well as unskilled or entry-level workers.

Labor Market Highlights

- The Seventh District's seasonally adjusted unemployment rate decreased to 4.6% in the third quarter, down from 4.9% in the second quarter. At the same time, the national rate also decreased, from 5.7% to 5.6%.

District Highlights

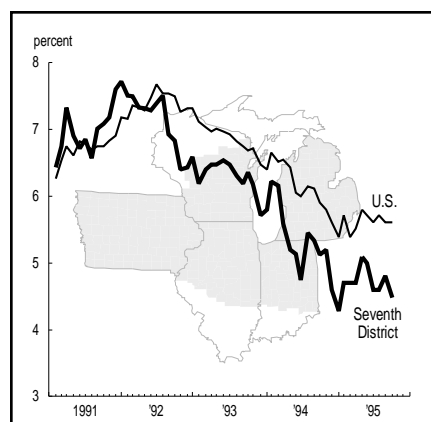
- Labor markets in Iowa's metropolitan areas remained the tightest of the five District states in the third quarter. The Cedar Rapids MSA received good news in the third quarter when Collins Commercial Avionics won its first contract to manufacture satellite-based avionics equipment.
- Wisconsin's labor markets remained tight as well, despite modest growth in its labor force. In the third quarter, the unemployment rate for the Madison MSA was a remarkable 1.6% — among the very lowest in the country.
- Indiana continued to display strength in its labor markets, with employment and the labor force expanding at a healthy rate in year-over-year comparisons. Moreover, Chrysler Corp. recently announced it would invest \$1 billion in a new truck transmission plant in the Kokomo MSA, and Holiday Rambler

announced plans to expand its operations in the Elkhart MSA, creating 545 jobs.

- The unemployment rate in Illinois increased to 5.5% in the third quarter from 5.1% in the second quarter. However, the state's labor market tightened considerably near the end of the quarter. In addition, Caterpillar Inc. recently announced that it won a \$30 million contract to build mining equipment for China. The bulk of this equipment will be manufactured in Caterpillar's Illinois plants.
- Overall, the employment picture in the Seventh District remains quite good despite stagnant labor force growth in some areas. In addition, a pickup in auto sales and continued strength in help-wanted indexes indicate little, if any, softening of the District's labor markets in the near term. ■

Richard E. Kaglic
Associate Economist

Midwest Unemployment Rate



Places in the Heartland

The Davenport-Moline-Rock Island MSA is an economically diverse area encompassing Scott County, Iowa, and Henry and Rock Island counties in Illinois. This area, commonly referred to as the Quad Cities area, is home to over 350,000 people.

The economic history of the Quad Cities area is not unlike that of many metropolitan areas in the Seventh Federal Reserve District over the last 25 years. The engine driving economic expansion in the 1970s was its manufacturing industry. From 1971 to 1981, total employment and manufacturing employment increased at roughly the same rate, and nearly one-third of all workers in the area were employed by manufacturing firms. (This compares with less than one-fifth for the nation.)

The deep national recessions beginning in 1981 hit the Quad Cities area hard. By 1983, over 17,000 area workers had lost their jobs, and the unemployment rate reached an unprecedented 14.8%. Just as manufacturing employment had led the boom of the 1970s, manufacturing employment led the bust of the early 1980s. In this two-year period,

manufacturing firms cut their employment from its historical high of 50,000 to 34,400 — accounting for 91% of the total jobs lost in the area. Especially hard hit were the Quad Cities' non-electrical machinery industries (SIC 35). Employment in these industries declined by 35% in the 1981-83 period, with major employers International Harvester-Farmall (agricultural equipment) and Caterpillar (earth-moving equipment) closing plants here.

The tremendous slowdown in manufacturing activities had a rippling effect on other industries in the Quad Cities area as well. The loss of income resulting from declining manufacturing payrolls dampened wholesale and retail trade activity and virtually halted construction activity in the area. Payrolls in construction dropped 23% from 1981 to 1983.

By 1984, the employment picture in the Davenport-Moline-Rock Island MSA began to show improvement; in fact, total employment in the area has increased every year since then. As the ranks of the employed have continued to grow over the last decade, the sector composition has changed

dramatically. Manufacturing employment continued to slide until 1993, albeit at a much slower pace, and accounted for less than one in five jobs in the area in 1994. Construction employment remained stagnant until 1988 but has boomed since, increasing 66%.

Employment gains in the professional and non-professional services sectors have been especially notable over the last decade. Increases in professional services have been equally split between health services and business services, while non-professional service employment burgeoned with the initiation of riverboat gambling in the late 1980s. Three riverboats are currently operating on both sides of the Mississippi River, directly employing over 2,000 people. In all, service-producing industries now account for 63% of total employment in the area, up from 49% in 1981.

Economic development organizations in the area, including the Quad City Development Group and Bi-State Planning Commission, have focused on maintaining and expanding the region's manufacturing sector as well as building on the area's strategic location and skilled workforce. Targeted industries include wholesale trade, producer services, warehousing, and distribution concerns, as well as indigenous manufacturers.

Firms in the area are surveyed every other year to identify expansion or relocation plans. Using this information, the Quad City Development Group develops plans to help new or expanding firms meet their financial or training needs. The group also works to identify and

solve problems of those firms contemplating leaving the area. In the latter role, for example, the economic development organizations played a key role in the Defense Department's reversal of a decision that would have cost the Rock Island Arsenal 1,200 jobs in 1993.

Situated where Interstate 80 crosses the Mississippi River, the Quad City area provides convenient access to a market of 34 million consumers (15% of the nation's population) within a 300-mile radius. Combined with a well-developed air, river, highway, and rail infrastructure, the area is promoted as an attractive transportation hub. The area also touts the quality of its workforce and access to education. John Gardner, president of the Quad City Development Group, points out that area students traditionally rank first or second nationally in college entrance exams, indicating a workforce that is not only skilled but easily trained. In addition, the area has ready access to a variety of colleges and universities and is home to the Quad City Graduate Study Center, a consortium of eleven institutions in Iowa and Illinois that offer opportunities for advanced degrees in nine areas. ■

Richard E. Kaglic
Associate Economist

For information regarding the Quad City Development Group and its programs contact, John Gardner, President, 309/788-7436.

Davenport-Moline-Rock Island MSA Area Statistics

| | |
|--------------------------------------|----------|
| Population | 350,861 |
| Median Family Income (1994) | \$40,589 |
| Total Employment (3rd Quarter 1995) | 173,284 |
| Unemployment Rate (3rd Quarter 1995) | 4.4% |

Bi-State Revolving Loan Fund Program Continues to Grow

The Bi-State Regional Commission's Revolving Loan Fund Program is working with eight (8) local financial institutions to meet regional financing needs. To date, thirty-five (35) loans have been made to businesses in Scott County, Iowa, and Rock Island County, Illinois. Funds may be used by industrial, commercial, light manufacturing, and service industries to purchase assets, such as land, buildings, machinery, and equipment, and for working capital purposes. The Revolving Loan Fund Program can be used to start, expand or retain businesses.

For additional information on Bi-State Regional Commission services and programs, contact Gary B. Vallem, Executive Director, 309/793-6300.

Around the District

Districtwide

Women's pilot loan program available

The Women's Prequalification Pilot Loan Program allows a woman business owner to qualify for a loan guarantee from the U.S. Small Business Administration (SBA) before going to a bank. The SBA can guarantee from 75% to 80% of a loan. The program streamlines the application process and provides a quick response to loan requests of \$250,000 or less. The Program focuses on the character, credit, experience, and reliability of the applicants. For additional information, contact the Small Business Administration, 312/353-5429, or Linda Darragh, Manager, Financial Programs, the Women's Business Development Center, 312/853-3477 ext. 22.

Illinois

The City of Chicago names new Commissioner

The City of Chicago has named Joseph F. Boyle, Jr. the new Commissioner of the Department of Planning and Development. Boyle said he was looking "forward to working with the Mayor to continue the administration's focus on improving the quality of life in the neighborhoods of Chicago."

Indiana

Innovative bond program to benefit small Indiana manufacturers

The Small Issue Manufacturing Bond Program, a new program from the Indiana Development Finance Authority, makes tax-exempt bond financing easy and affordable for small manufacturers. Under this Program, the Authority will issue tax-exempt bonds on behalf of private companies to finance small industrial development projects. The bond proceeds can be used to buy real estate and equipment,

and to finance new construction. The Authority will provide standard bond documents, reduced fees, and a streamlined process to support each transaction. The new program ensures that small industrial development projects have equal access to tax-exempt bond financing at reasonable costs. The NBD Bank in Indianapolis helped the Authority develop the program, but any bank can participate. For additional information, contact Amy L. Stewart, Executive Director, Indiana Development Finance Authority, 317/233-IDFA.

Michigan

Empowerment Zone lending increases

The First of America Bank-Michigan announced that in the nine months ending September 30, 1995, the Bank has loaned over \$9.7 million to individuals and businesses located in the City of Detroit's Empowerment Zone.

1996 Calendar

January 10 Chicago, Illinois

"SBA LowDoc Training Workshop for Bankers." Cosponsored by the SBA and Illinois Small Business Development Network. Contact: Carson Gallagher at 312/814-6111.

January 18-20 Scottsdale, Arizona

"If You Build It, Will They Come?" Sponsored by the National Council for Urban Economic Development. Contact: 202/223-4735.

March 3-5 Washington, DC

"Urban Economic Development Summit." Sponsored by the National Council for Urban Economic Development. Contact: 202/223-4735.

March 6-9 Washington, DC

"Building Community Wealth: CRA..." Sponsored by the National Community Reinvestment Coalition. Contact: John Taylor at 202/986-7898.

March 6 & 7 Springfield, Illinois

"Rural Community Development: Strengthening the Partnership." Sponsored by Illinois Institute for Rural Affairs. Contact: Norman Walzer at 800/526-9943.

May 16-18 Orlando, Florida

"1996 NADCO Annual Meeting." Sponsored by the National Association of Development Companies. Contact: 703/812-9000

June 24-25 Chicago, Illinois

"The Retail Industry and Economic Development." Sponsored by the National Council for Urban Economic Development. Contact: 202/223-4375

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