

News & Views

Published by the Federal Reserve Bank of Chicago Consumer and Community Affairs Division

Networking in the Inner-City Working

Volume 3 Number 3
October 1997

Inside this Issue:

For-Profit CDC Working

*Microlending Working
Worldwide*

Rural Development

Bridal Plant Celebrates

*Rural Business Enterprise
Grant Award*

Riverboat Gaming a Winner

*Downtown Revitalization:
The Community Impact*

Disaster Loans Available

*From Our Research
Department*

*Brownfields: Incentives
Encourage Development*

Calendar



Reversing a thirty-year trend, businesses capable of providing goods, services and jobs are returning to Chicago's south side community of North Kenwood-Oakland. A new community-owned shopping center anchored by a supermarket is under construction.

The 78,000 square foot shopping center at 47th Street and Lake Park Avenue will serve a community that has ranked as one of the nation's poorest. When completed, the \$9.1 million development, known as Lake Park Pointe, will house a Citibank branch, Walgreens pharmacy, Dock's restaurant, dry cleaners, copy shop, interior design company, insurance agency, and other services. Lake Park Pointe is being developed by a partnership that includes: The Fund for Community Redevelopment and Revitalization (The Fund), a local community development corporation; Trkla, Pettigrew, Allen & Payne, a private planning and development firm; Local Initiatives Support Corporation (LISC), and The Retail Initiative, Inc. (TRI).

In speaking about the decades long struggle that led to the recent ground breaking, Dr. Arthur M. Brazier, The Fund's chairman, noted, "North Kenwood-Oakland shared the fate of hundreds of other African-American communities in the 70s and early 80s -- flight of building owners, banks, stores, jobs -- you name it, it was gone," said Brazier. "A decade ago, ground was broken for the first new housing built here in fifty years. Since that time, more than one thousand new homes and apartments have been built, mostly by nonprofits, both for the poor and middle class, all with the help of city government and corporate partners."

Networking continued from page 1

"This ground breaking is a celebration of those years of work, and a commitment to ensure that North Kenwood-Oakland continues to thrive, not only as a market for, but as supplier of the goods and services this community needs and deserves," Dr. Brazier said.

Chicago's Mayor Richard M. Daley commented on the redevelopment efforts in North Kenwood-Oakland. "I can assure you that nothing is more important to the City of Chicago than promoting neighborhood development. But our efforts are only effective if the community is committed and the residents and community organizations are involved. And that's what is happening here in North Kenwood-Oakland."

Daley stressed that the revival of North Kenwood-Oakland was an example of "the best of a new kind of federal government providing cities with flexible funds, corporations with incentives for investments and community groups with the financial and technical support they need to realize locally created and owned visions for their communities."

"With corporate and governmental support, nonprofit community development corporations (CDCs) have revitalized some of our nation's toughest neighborhoods - from the South Bronx and Harlem to Hough in Cleveland, and from Miami's Liberty City to Chicago's south and west sides," said LISC President Paul S. Grogan. "With the same determination these CDCs are working to create the commercial services and jobs that every community needs."

Peter L. Borges, president of TRI, elaborated, "In response to the

need for equity partners to stimulate housing development, LISC created the National Equity Fund, which over ten years invested nearly \$2 billion and helped these groups create more than 38,000 homes. Today, in these revived communities, there is a similar need for equity partners on the commercial side, and we at TRI are that partner."

In each development, TRI will help to create cooperative arrangements between community development corporations and supermarket companies, resulting in successful retail center developments that address identified community needs -- especially the need for easy access to quality affordable food and other basic goods.

LISC created TRI in 1994 with an initial investment of \$24 million from 10 corporations: The Prudential Insurance Company of America, Metropolitan Life Foundation, General Electric Capital Corporation, J.P. Morgan & Company, Inc., Bankers Trust New York Corporation, Bank of America, First Interstate Bank of California, Home Savings of America, City of Philadelphia Board of Pensions and Retirement, and Great Western Affordable Housing Corporation.

TRI's investors were represented at the North Kenwood-Oakland ground breaking event by Bank of America and The Prudential both of which have strong ties to Chicago as well as long partnership histories with LISC and its National Equity Fund affiliate.

Fran Grossman, Bank of America senior vice president, said, "We are proud that Bank of America

has been a partner in the redevelopment that is occurring throughout the North Kenwood-Oakland community. This shopping center exemplifies the comprehensive approach to community development that has brought about a renaissance for neighborhoods in Chicago and around the nation."

Gabriella Coleman, president of The Prudential Foundation said, "We have witnessed the significant success CDCs have had developing new and rehabilitated housing in inner-city neighborhoods once thought beyond repair. This kind of supermarket-anchored shopping center is both a critical next step in rebuilding neighborhoods and proof of what CDCs can accomplish when they have access to resources."

In addition to \$1.5 million in TRI equity, Lake Pointe Place is being financed with help from the City of Chicago, Harris Bank and LISC. The 41,000 sq. ft. supermarket that will anchor Lake Park Pointe will be operated by the Hyde Park Cooperative Society (Co-op), a member-owned grocery that has served the Hyde Park community for 65 years.

"Lake Park Pointe and other community-owned initiatives are excellent investment opportunities for Harris Bank," said Harris Vice President Richard Spurr. "We look to support community developers who have a vision for community revitalization and a record of accomplishments, such as CDCs."

Richard Fisk, Co-op general manager, said, "It seems fitting that a member-owned cooperative should be the anchor tenant for North Kenwood-Oakland's first



Paul S. Grogan, President, LISC



Peter L. Borges, President, TRI

community-owned shopping center. I would like to commend the co-developers and financing partners for making this development happen." ■

For additional information regarding the various programs contact:

- *Fund for Community
Redevelopment and Revitalization
773/363-4300*
- *Chicago Local Initiatives Support
Corporation 312/360-0800*
- *Local Initiatives Support
Corporation 212/455-9800*
- *The Retail Initiative, Inc.
212/455-9800*
- *Hyde Park Cooperative Society
773/667-1444 ext. 1212*

Finance

For-Profit CDC Working



The River Valley Community Development Corporation (RVCDC), a tri-county, for-profit community development corporation, is creating jobs and expanding local tax bases.

It was incorporated in July, 1994 by six investors - five banks and an electric utility co-operative. The CDC serves Schuyler, Cass and Brown counties in west central Illinois.

The stockholders of the RVCDC are:

- Brown County State Bank, Mt. Sterling
- Farmers State Bank, Mt. Sterling
- First National Bank of Beardstown,
- First State Bank of Beardstown,
- Rushville State Bank, and
- Soyland Power Co-op of Decatur;

The following organizations are providing technical and administrative assistance:

- Schuyler County Economic Development Corp.,
- City of Beardstown, and
- Brown County Economic Development Corp.

River Valley has played a role in helping the tri-county area economically by creating jobs and expanding the tax base. The efforts of the five banks and electric utility have helped the banks break out of their traditional mold. Each of the CDC funded projects represents slightly more risk than any of the banks would normally undertake. By funding through the CDC, the risk of each project is spread over a broader base. In order to allow the CDC to minimize the risk and increase

the CDC's cash flow, each loan has a short maturity. The increased cash flow allows the CDC to fund additional projects.

The initial capitalization of the RVCDC was \$150,000. The Illinois Department of Commerce and Community Affairs (DCCA) sponsors a grant program that helps CDCs meet funding needs. For every \$3 of cash invested into the CDC, DCCA will provide a \$1 match up to a maximum of \$50,000.

In its first thirteen months, the following projects were funded by River Valley CDC:

Bartlow Bros., Inc.
In March, 1995, Bartlow Bros., Inc., a Rushville meat processor, received a \$60,000, five year loan from the RVCDC. The loan had an interest rate of 1/2 percent below the prime rate.

Rich Lumber Company
In May, 1995, Rich Lumber Company, a Beardstown lumber exporter, received a \$40,000, eight year loan with an interest rate at 1/2 percent below the prime rate. The River Valley CDC loan was coupled with funding from Beardstown's Revolving Loan Fund and a loan from the for-profit Tri-County CDC in Jacksonville, Illinois.

Upon completion of the Rich Lumber and Bartlow Brothers fundings, the River Valley CDC applied for and received a \$50,000 matching reimbursement grant from the State of Illinois retooling and modernization program.

Bollinger-Oaken Industries
In September, 1995, RVCDC's third expansion project was approved. Bollinger-Oaken Industries, a manufacturer of

Rushville State Bank was the first bank in the Federal Reserve Bank of Chicago's five-state district to invest in a CDC using an expedited application process.

According to Ted Bartlett, Rushville State Bank's president and immediate past president of RVCDC, "The

Federal Reserve recognized the important role that CDCs were playing in their communities and chose to make it easier to invest in CDCs. The mountain of paperwork required under the old application process was reduced to only a few pages. Our bank was approved to join in less than 30 days."

semi-trailers, sought to expand into Schuyler County. They wanted to build an assembly plant and add additional workers due to increased business. RVCDC approved a loan of \$25,000 for five years along with a \$200,000 federal loan in order to complete the project. A total of nine workers relocated to Schuyler County and three new jobs were created.



Family Dollar Stores
Also in September, 1995, a Rushville grocery store had vacated a leased property for a new, larger store. The property owner approached River Valley for a loan to renovate and add onto the 5,000 sq. ft. existing space, requesting \$40,000 for a term of three and a half-years. The newly remodeled 7,000 sq. ft. structure was leased to Family Dollar Stores whose store added the equivalent of five full-time jobs.

Places Corp.
In December, 1995, River Valley approved a request in Mt. Sterling to help fund the construction of a 25,000 sq. ft. building for Places Corp., a large, out-of-state retailer. The loan amount was

\$50,000 at 1/2 percent below prime for five years. The new store originally hired 15 full-time employees and cost approximately \$750,000 to build.

In Summary
Noteworthy aspects of the 5 projects funded by River Valley from June, 1995 to July, 1996 are:

- 47 new jobs were created in the area.
- \$215,000 was loaned in RVCDC's first 13 months.
- Each loan was subordinate to other loans in the package.
- The loan terms were short and the interest rates were below most bank loan rates, making the loans very affordable.
- All loans are current and the monthly cash flow from repayment of these loans is generating approximately \$4,500.
- The possibility of funding projects created healthy competition within the RVCDC to see that each county benefited.
- The bankers worked together in order to address the credit needs of the community. ■

For additional information on for-profit community development corporations contact the Consumer and Community Affairs Division of the Federal Reserve Bank of Chicago at 312/322-8232. For additional information on the River Valley Community Development Corporation contact Ted Bartlett, president of Rushville State Bank at 217/322-3323.

Microlending Working Worldwide



The Federal Reserve Bank of Chicago would like to thank William Burrus, senior vice president, U.S. division, ACCION International for his submission of this microlending article. Mr. Burrus leads ACCION's U.S. initiative which now includes programs in six U.S. cities. If you have any questions, he can be reached at 520/742-3500.

Five years ago, to help support her four children, Yasmin Sales of Cartagena, Colombia started a small business—making box lunches in her kitchen. The lunches brought in a little money, but Yasmin knew she could do better. She dreamed of opening a small restaurant in her house where she could work and still keep an eye on her children. But Yasmin had no capital.

Half a hemisphere away, in the heart of the one of the richest countries in the world, Ofelia Chavez faced a similar situation. Ofelia was just barely making a living selling sports cards and comics at the weekend flea markets around Chicago. She needed a place to sell her wares full time, yet she had no way of raising the funds to open a store.

Like all business owners, Yasmin and Ofelia needed working capital to make their enterprises thrive and grow. But who would lend to them? With no assets they had nothing to offer as collateral—except their good word and determination.

Both women found a solution in ACCION International, a Boston-based non-profit organization that specializes in lending to poor and low-income business owners in Latin America and the United States. In Cartagena, Yasmin approached ACCION's local associate, the Fundación Mario Santo Domingo, for a loan of \$400—enough to transform part of her house into a small restaurant. Ofelia found ACCION Chicago which loaned her \$2,000 to rent a storefront in her neighborhood. Both women repaid their first loans—with interest—and have now borrowed again. Their businesses and their incomes are growing.

Called “microlending,” this kind of very small scale business lending was begun over two decades ago in the developing world by pioneers like ACCION International. It quickly proved to be an effective way to create jobs and income for the poor.

As the term implies, microloans are small—as low as \$65 in the ACCION Network—and are issued for periods as short as three to six months. Those who have no collateral can join a “borrowers group” where clients cross-guarantee each other's loans. Although most microlenders are non-profit organizations, the loans are not gifts—they must be paid back, with interest. Contrary to conventional banking wisdom, “microentrepreneurs” have proven to be very good credit risks: historically, ACCION's clients have maintained a repayment rate of 98 percent.

Microlending is growing rapidly—as much as 30 percent annually, according to World Bank estimates—especially in the developing world. In the last ten years, for example, the number of

people served annually by ACCION has grown twenty-fold, from 13,000 in 1987 to 276,000 today. In 1996, ACCION International's 24 affiliate organizations loaned \$394 million to more than 276,000 microentrepreneurs throughout the Americas.

Recently, microlending also has been gaining increasing attention in the United States, where policy makers are seeking new ways to bring recipients of public assistance and no or very low income people back into the economic mainstream.

Microlending is attractive because it offers two things traditional social welfare programs don't: it fosters—self-reliance and initiative, and it can pay for itself. In most charitable efforts, each person helped means less money in the coffer to help others. With microlending, however, the interest paid by each borrower can actually fund the cost of reaching another.

Once dependent on donations, 15 of ACCION's 18 non-profit lending associates in Latin America now cover their own operating costs with interest generated from lending. Nine are financially self-sufficient—able to fund both operations and lending with fees and interest income.

In the last few years, several ACCION associates have made the ultimate leap and become commercial financial institutions—without abandoning their dedication to serving low-income business owners. One, Banco Solidario (BancoSol) of Bolivia has just paid a dividend—proving that microlending can turn a profit even as it helps the poor.

The potential implications are profound. Profitability opens the door to private investment, releasing microlenders from the limitations of charitable funds. It also diverts some of the power of the free market to a population that has historically been excluded. One of BancoSol's greatest accomplishments has been to spark a flurry of other for-profit microlending efforts, both by former non-profits and by established banks.

The social benefit, of course, is the vast increase in the number of people who can be reached—and helped—by microlending. BancoSol, which lends exclusively to low and moderate income business owners, now serves 76,500 people—nearly 50 percent of all borrowers in the Bolivian banking system. Even so, BancoSol and the other Bolivian microlenders are only reaching an estimated

continued on page 5



Yasmin Sales of Cartagena, Colombia

Rural Development

Rural Business Resources
The U.S. Department of Agriculture's Rural Business Cooperative Service (RBCS) sponsors various programs to provide financial and business planning assistance to rural businesses and cooperatives. Some of these programs are detailed below:

Business & Industrial Guaranteed Loans are used to improve, develop, or finance business, industry, and employment, and to improve the economic and environmental climate in rural communities, including pollution abatement and control. Loan guarantees are used to bolster the existing private credit structure in order to provide lasting community benefits. This type of assistance is available to businesses located in most rural areas. (See "Bridal Plant Celebrates" for an example.)

Intermediary Relending Program finances business facilities and community development projects in rural areas and communities with populations of less than 25,000. Loans are made by Rural Development to intermediaries that in turn provide loans to ultimate recipients.

Rural Technology Development Grants establish and operate centers for rural technology or cooperative development to carry out activities and generate information useful to rural industries, cooperatives, businesses and others in the development and commercialization of new products, processes or services.

Rural Business Enterprise Grants can assist public bodies and nonprofit corporations finance and facilitate development of small and emerging private business enterprises located in most rural areas.



Rural Economic Development Loans and Grants make zero interest loans and grants available to rural electric and telephone borrowers to promote rural economic development and job creation projects.

Cooperative Development Technical Assistance is available to help rural residents form new cooperative businesses and improve the operation of existing cooperatives.

RBCS Business Programs help fund projects that create or preserve quality jobs and/or promote a clean rural environment. The financial resources of RBCS are often leveraged with those of oth-

er public and private lenders to meet business and credit needs in under-served areas. Participants in these programs may include individuals, corporations, partnerships, cooperatives, public bodies, non-profit corporations, and private companies. ■

For additional information, contact Jerry Townsend, USDA Director of Community and Business Programs in Illinois, 217/398-5412, ext. 243 or your local USDA Rural Development office:

Indiana 317/290-3109

Iowa 515/284-4152

Michigan 517/337-6635 ext. 1602

Wisconsin 715/345-7610

Microlending *continued from page 4*

10 percent of those in need. Competition for this formerly neglected sector should help close this gap.

It is important to note that profitability does not diminish microlending's social impact. Quality of life—including nutrition, sanitation and educational opportunities—all increase dramatically for repeat borrowers in the developing world, even when borrowers pay "real" interest rates for their loans.

It is too soon to know whether successful for-profit microfinance institutions can be created in a developed economy like that of

the United States. Commercial viability is ACCION's goal for its six independent U.S. programs (Albuquerque, Chicago, El Paso, New York, San Antonio, San Diego), but there are significant obstacles in the United States which don't exist in Latin America including interest rate caps, stringent business regulations and much smaller concentrations of microenterprise.

There is growing evidence, however, that microlending is effective in creating jobs and income in the United States. At ACCION Chicago, the median annual income of clients entering the program is \$24,000 for a family of

three. A recent study of 45 borrowers found an 18 percent increase in clients' business revenue after only two small loans. A smaller group of clients who had received three loans each showed a nearly 45 percent increase in business revenue with a corresponding increase of 36 percent in take home income. That translated into an average of \$714 more in income each month—a big pay hike for households at that income level.

Microlending may not ever have as large-scale an impact in the U.S. as it does in developing countries. It is clear, however, that microlending could play a

significant role in re-integrating those who are currently being left behind in our country. The profile of ACCION's 1,080 U.S. clients reads like a laundry list of the disenfranchised: former welfare recipients, laid-off blue collar workers, immigrants, even victims of corporate downsizing. For many of them, microloans have been the key to staying above the poverty line and even get ahead. In a country where the loss of blue collar jobs has left a growing gap in the economic ladder, microlending may well be a way to help forge a new rung. ■

Bridal Plant Celebrates

The U.S. Department of Agriculture saved 270 jobs at three wedding gown and formal dress facilities in Collinsville, Du Quoin, and Sparta, Illinois.

SASI Corp. Of Collinsville, Illinois, secured a \$2.1 million loan from the Union Bank of Illinois with a guarantee under the USDA's Rural Development Business and Industrial Loan Guarantee Program to keep its three Bridal Originals plants open.

SASI President Daniel P. Shea approached the USDA's Rural Development division for what some call "creative financing."

"Our former bank had been bought out by an East Coast bank and no longer wanted to carry the debt. We had roughly a year to find new financing. If we had not been able to secure this loan, we would have closed our business and all three plants would have shut their doors," said Shea.

With help from Du Quoin and Sparta city administrations, the Perry County Planning Department and the Shawnee Trails Capital Development Corporation, Shea was directed to Sheldon Keyser, Illinois' USDA Rural Development coordinator.

"Not everyone knows about us. Who is better qualified to address concerns of rural America? Without a healthy rural economy, agriculture wouldn't be realistic today," said Keyser.

"This year, Illinois' Rural Development loan programs have \$40 million for rural utility development, \$20 million for guaranteed and direct business loans, and \$30 million for business support and expansion," Keyser said.

At a time when unemployment rates are a low 4.7 percent nationwide and 4.3 percent statewide, Keyser pointed out that Perry

County was experiencing 10.2 percent unemployment, and Randolph County, 7.2 percent.

"The jobs are very critical to Southern Illinois. Here we are as a nation enjoying low unemployment. We don't enjoy that in Southern Illinois... We were happy to work with SASI," Keyser said. ■

For additional information on Rural Development programs contact your local Rural Development office or call Sheldon Keyser at 217/398-5412 ext. 214 or 618/327-8822.

Rural Business Enterprise Grant Award

In Illinois, Cumberland County Development Corporation (CCDC) recently received a federal grant that was sought on behalf of Cumberland Internet, Inc. The grant allows rural residents to pursue economic development and to gain access to the Internet - the information superhighway.

CCDC was awarded a Rural Business Enterprise Grant in the amount of \$40,100 through the Rural Business Cooperative Development Service, a division of the U.S. Department of Agriculture. The grant money has already been used to purchase computer hardware for Cumberland Internet, Inc. The equipment is being leased to the business from CCDC.

CCDC's economic development coordinator Kathy Perkins explained, "Having local access to the Internet is a tremendous opportunity for the people of Cumberland County. It is useful

in research for students and adults, a wonderful marketing tool for area businesses, and promotes the county as a whole.

"The Internet will promote tourism in the county and get us recognized as a viable place to live and do business," said Perkins.

Cumberland Internet, Inc. was started in November 1996 by Clair Kaye and Bob Carr. "When we started this business we were hoping we would be awarded the grant," said Kaye. Originally Kaye and Carr projected that about 175 computer users would use the Internet local access service. Today the business has already grown beyond their expectations, with more than 200 customers.

"The Internet is the largest computer network in the world created for the purpose of exchanging information, shopping, playing games and participating in discus-

sion groups. Already, at least eight businesses in the area are offering goods and services to customers via the Internet," said Kaye.

One of the Rural Business Enterprise Grant program objectives involves assisting in the development of diversified, new and growing rural economies by encouraging industries, including high technology, to locate in these areas. Another objective is to ensure that resources are available to rural America, with emphasis on areas that are underserved.

Cumberland Internet, Inc., located at Computer Maniac's in Greenup, Illinois, offers Internet access with a local telephone call from the communities of Greenup, Neoga, Toledo, Jewett, Casey and Westfield. The service provides computer users in these rural communities access to Internet without having to pay the costly long-distance charges.

Before the local service was provided, it cost about \$6 an hour in long-distance telephone charges to connect to the Internet. Currently, one of Cumberland Internet's packages offers 200 hours per month of service for approximately 15 cents an hour.

The Cumberland CDC is a countywide nonprofit CDC consisting of over 90 members representing government, commerce, industry, financial institutions, and individuals from throughout the community. ■

For additional information regarding the U.S. Department of Agriculture's loan and grant programs, contact Jerry Townsend, Director of Community and Business Programs, 217/398-5412.

Riverboat Gaming a Winner

Riverboat gaming can benefit a community and be a significant contributor to community and economic development activities, according to officials in Joliet, Illinois. Riverboat gaming began operating there during the summer of 1992, with gaming licenses awarded to two Joliet casinos, the Empress River Casino, located on the Des Plaines River, and Harrah's Joliet Casino, located in the City Center.

From 1992 to 1997, the City of Joliet received a total of \$112,474,083 as its share of the gaming revenues. Over 76 percent of the funds were used for

economic, neighborhood, and infrastructure development projects throughout the community.

Joliet's riverboat gaming industry compares favorably with the service and hospitality industry. In fact, the industry produces a higher average wage and provides benefits for all its employees. The average wage for Empress and Harrah's employees is \$27,000 per year, plus benefits. Average wage and benefits in the overall service and hospitality industry, such as hotel, motel and restaurant employees is considerably less. ■

Wage Survey of Individual Gaming Positions

Position	Wage
Cleaning and Maintenance	\$725/hr +benefits
Ticketing	\$8/hr +benefits
Cashiers	\$8/hr +benefits
Dealers	\$30,000/yr +benefits
Assistant shift supervisors	\$40,000/yr +benefits
Supervisor	\$45,000/yr +benefits
Shift Manager	\$65,000/yr +benefits
Director of Gaming Operation	\$65-70,000/yr +benefits

For a copy of the report "Summary of the Economic Impact of Riverboat Gaming in Joliet, Illinois 1992 - 1997" contact Don Fisher, Planning Director, City of Joliet, 815/740-2413.

Downtown Revitalization: The Community Impact

The Illinois Rural Affairs Council (IRAC) details how downtown revitalization can impact a community in its brochure entitled "Introductory Offer to Stakeholders."

According to Amy Tenhouse of IRAC, "Businesses outside the downtown area stand to benefit from an organized downtown revitalization effort in a number of ways." Among the benefits are:

- Increased visitor traffic to the community, which results in greater visibility for all businesses.
- More locally-owned businesses, typically found downtown, which keep dollars circulating in the community longer.
- Improved municipal services resulting from a healthier tax base.
- Downtown promotional efforts, which offer opportunities for cross-promotion.
- Downtown renovation and rehabilitation projects, which create jobs and additional business.
- An attractive, vital downtown, which makes it easier to attract business, industry and residents to a community, resulting in more business for all.

"The health of the central business district is not just the responsibility of Main Street business and property owners," says Tenhouse. "The downtown economy is everyone's business." ■

To receive a copy of the brochure "Introductory Offer to Stakeholders," call Amy Tenhouse of the Illinois Rural Affairs Council at 217/524-6868.

Disaster Loans Available

Federal disaster loans are now available from the SBA for Cook County homeowners, renters, and businesses damaged by severe thunderstorms and flooding on Aug. 16-17.

John L. Smith, Illinois District Director for the U.S. Small Business Administration (SBA), announced that the SBA is offering loans up to \$200,000 to repair disaster-damaged homes. Home-

owners and renters are eligible for up to \$40,000 to replace personal property. Loans to businesses and non-profit organizations of up to \$1.5 million are also available to repair damage to real estate, machinery and equipment, inventory, etc., and for leasehold improvements. Economic injury disaster loans also may be made to small businesses unable to pay bills or meet expenses because of this disaster.

Interest rates can be as low as four percent with loan terms up to 30 years. Actual loan amounts and terms are set by SBA based on each applicant's financial condition.

Smith reminded disaster victims that to be considered for all forms of disaster assistance, including SBA disaster loans, they must first call the Federal

Emergency Management Agency registration unit at 1-800-462-9029. "This is a very important first step," he said. The application filing deadline for physical damage is Nov. 15, 1997; the deadline for economic injury applications is June 17, 1998. The SBA has opened a disaster field office at 10400 W. Higgins Rd., Suite 100, in Rosemont. ■

From Our Research Department

The Federal Reserve Bank of Chicago serves the Seventh Federal Reserve District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin. At the present time, there are 43 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 means that workers who have given up looking for work are not counted as unemployed.

Unemployment rates for Seventh District MSAs are derived from data 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. The rates used here have been adjusted to account for normal seasonal variations.

Currently, labor market conditions are very good in most although 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 along with growing demand abroad has enhanced the region's exports of agricultural products, consumer goods, machinery, and equipment. The machinery and equipment sectors, along with the regionally important automotive sector, also have gathered momentum due to the generally buoyant national economy. In addition, 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 work down the backlog of over-built real estate from the middle 1980s—a market boom in which many parts of the Seventh District did not participate as heavily. As a result of the District's economic vitality, many local areas are reporting difficulties in hiring workers—especially skilled workers.

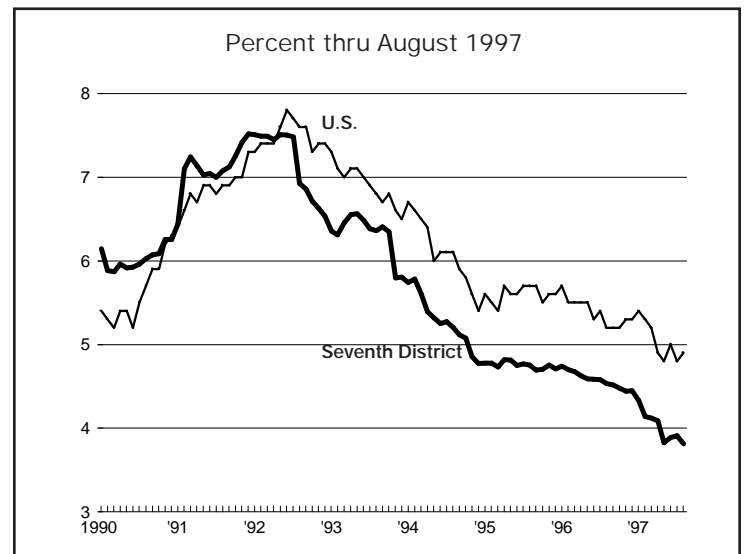
Labor Market Highlights

The Seventh District's labor markets continued to tighten through the summer and were below 4.0 percent for the fourth straight month in August. A year ago, the seasonally adjusted unemployment rate stood at 4.5 percent. Four of the five District states showed improvement in their unemployment rates over the last year. Many of the region's companies believe that the very tight labor markets are restricting their ability to expand. There were reports in some areas that entrepreneurs, who just last year were clamoring to buy fast-food restaurants, are now just as eager to sell because of their inability to find and/or retain productive workers.

1. Illinois had the highest unemployment rate in the District at 4.4 percent, yet was still below last year's level of 5.3 percent. The Chicago area received very welcome news when 3Com Corporation, which purchased modem maker USRobotics in June, announced plans to invest \$256 million in a new engineering and marketing complex in Rolling Meadows. 3Com had initially indicated that it would be moving USRobotics' engineering operations to California. By reversing that decision, 3Com will be creating anywhere from 1,000 to 6,500 jobs in the Chicago area.
2. Information technology workers continue to be in very short supply in Indiana as well as most other states. Has Inc., an information and technology consulting firm, plans on adding 100 employees to its national computer office in Indianapolis by the end of the year.
3. Iowa's labor markets were the tightest of District states with an unemployment rate of 2.7 percent, the lowest it's been in 20 years. Pella Corp., a global leader in the manufacture of windows and doors, is building a new plant in Story City which will employ up to 250 workers.
4. Wisconsin's labor markets developed some slack in August, but the unemployment rate was still below 4.0 percent for the 32nd straight month. The Racine area will soon benefit from a Case Corp. decision to add "several hundred" jobs to its operations here by 1999.
5. Michigan's unemployment rate dropped to 3.7 percent in August. In July unemployment dropped below 4.0 percent for the first time in over 20 years. Calsonic Corp. opened its new headquarters and research and development facility in Farmington Hills, Michigan recently. The facility employs 120 workers in engineering, management, and marketing and sales occupations. ■

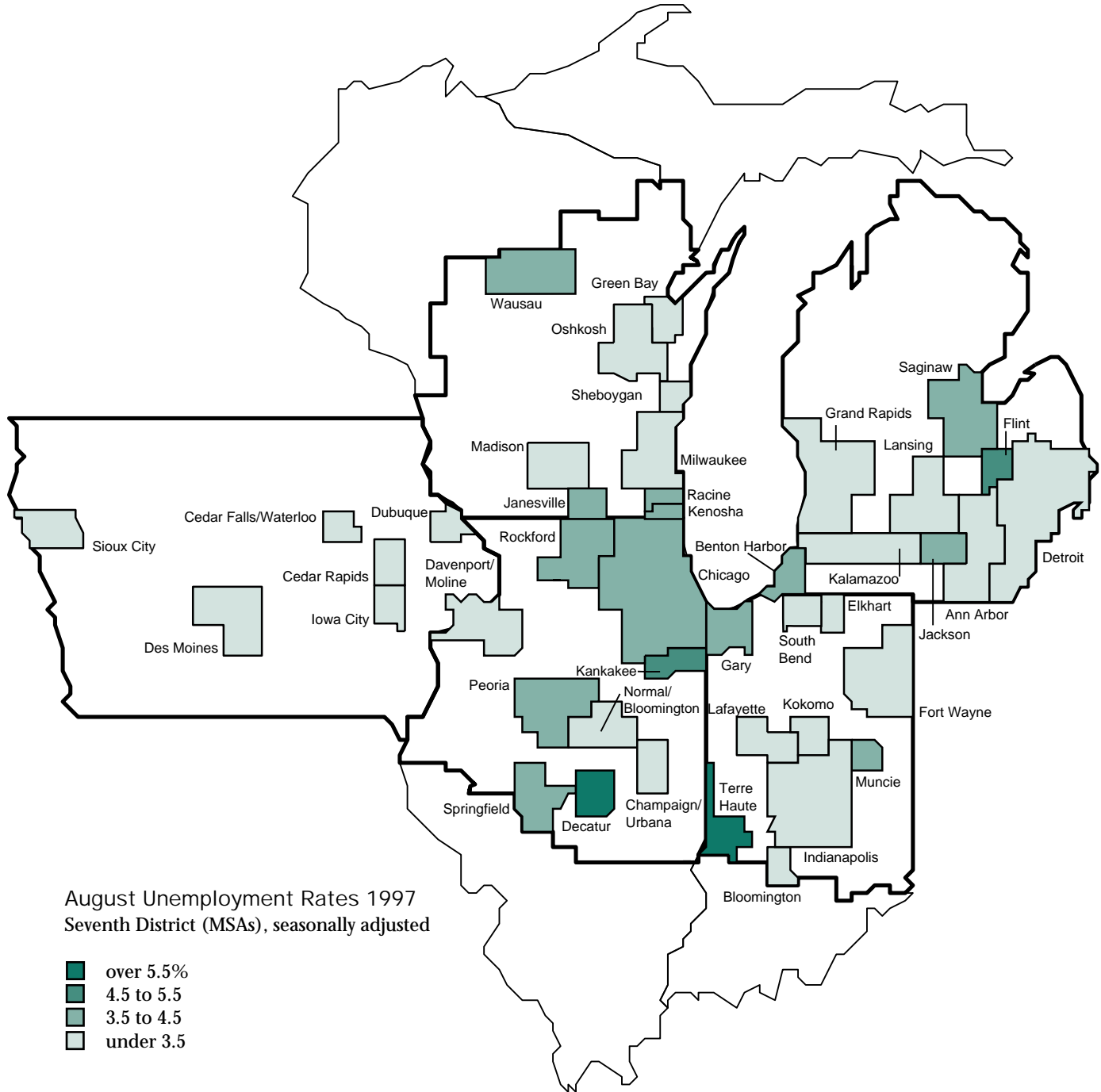
Richard E. Kaglic
Economist

Midwest Unemployment Rate



Seventh District Labor Markets

Unemployment conditions for August 1997



August Unemployment Rates 1997
Seventh District (MSAs), seasonally adjusted

- over 5.5%
- 4.5 to 5.5%
- 3.5 to 4.5%
- under 3.5%

NOTE: All rates are subject to revision.

Brownfields: Incentives Encourage Redevelopment



Illinois took a significant step last July to clean up its "brownfields" when it passed new legislation providing incentives to encourage the cleanup and redevelopment of environmentally contaminated commercial or industrial sites. The legislation creates the Environmental Remediation Tax Credit Program, a two-pronged incentive program for restoring sites to productive use.

The first prong is an income tax credit that applies to clean up costs of up to \$700,000 per site. In most cases, the developer would pay the first \$100,000 of costs, and would be eligible for a 25 percent tax credit on additional costs of up to \$600,000 per site, for a maximum tax credit of \$150,000 per site. If the site is located in a state Enterprise Zone and the area meets low-income guidelines established by state and federal agencies, the initial \$100,000 in costs is also eligible for the 25 percent tax credit.

"Thousands of commercial and industrial sites in Illinois, including many in the East-St. Louis Metro area, are unfit for development and too costly for private developers to clean up on their own because of extensive past contamination," Governor Jim Edgar said. "Many of these commercial and industrial sites are in otherwise prime locations for business. By providing a sensible program of state incentives we can help private developers clean up more of these sites and get them back into productive use."

"As we clean the soil and protect our water resources, we also will be helping Illinois businesses provide goods and services, create jobs, improve property values and turn blighted areas into renewed economic assets for communities across the state. At the same time, we preserve more undeveloped "green" areas by directing commercial and industrial development to sites previously used for those kinds of activities," the governor said.

Brownfields Grant Program
The second prong of the legislation creates the Brownfields Redevelopment Grant Program. This program provides \$6 million in grants over the next five years to municipalities for brownfields assessment purposes, including costs of identifying brownfields, site investigation, and planning for cleanup.

The governor signed the legislation at the former Owens-Illinois Co. manufacturing site in Alton, which has been idle since 1993. Owens-Illinois recently reached agreement with Clark Properties of St. Louis, and the City of Alton on potential redevelopment of the 160-acre site for light manufacturing and warehouse uses.

Clark Properties has been successful in other major brownfields redevelopment, including the former General Motors plant site in St. Louis.

At the bill signing ceremony, local officials, who expect the redevelopment of the site to attract more than 1,000 jobs, stated that the incentives in the legislation are crucial to the redevelopment of the Owens-Illinois site.

"Revitalizing older, under-utilized segments of the region's industrial sector is a key element to region-wide economic development," said Richard C.D. Fleming, President and Chief Executive Officer of the St. Louis Regional Commerce and Growth Association.

"This legislation is indicative of our ongoing effort to work in partnership with our private and local stakeholders to clean up contaminated sites faster, cheaper and better while protecting public health and the environment," said Mary Gade, Director of the Illinois Environmental Protection Agency. "The new private tax incentive and local government grant programs provide two more valuable tools in its effort." ■



Mary Gade, Director of the Illinois Environmental Protection Agency

For additional information on Illinois' Brownfield tax credits or grant programs contact Steve Colantino, brownfields coordinator, Illinois EPA 217/782-6761.

For information regarding the Environmental Remediation Tax Credit and State Enterprise Zones contact, Thomas Henderson, Department of Commerce and Community Affairs at 217/785-6145.



1997 Calendar

October 19-24
Springfield, Illinois
"Economic Development through
Enhanced Competitiveness."
Sponsored by Southern Illinois
University at Edwardsville,
Illinois Development Council,
et al. Contact: 847/317-0034.

October 27
Baltimore, Maryland
"Faces of A Community:
Collaborative Approaches to
Neighborhood Economic Revital-
ization." Sponsored by the Federal
Reserve Bank of Richmond.
Contact: 804/697-8463.

October 30-31
Chicago, Illinois
"New Mosaic: New Partners,
New Ventures." Sponsored
by Federal Reserve Bank of
Chicago. Contact: 312/322-8232.

November 10-14
Los Angeles, California
"61 Sources in Community
Building, Economic Develop-
ment, et al ..." Sponsored by
Neighborhood Reinvestment
Training Institute.
Contact: 800/438-5547.

November 12-15
Burlington, Vermont
"Changing Communities-
Changing Needs." Sponsored
by National Association of
Community Development Loan
Funds. Contact: 215/923-4754.

January 28-31, 1998
"The Role of CDFIs in
Community Development."
Sponsored by Coalition of CDFIs.
Contact: 215/923-5363.

<http://www.frbchi.org>



Federal Reserve Bank of Chicago
is on the World Wide Web

Visit our Web site at <http://www.frbchi.org> for:

- consumer and community information
- foreign exchange rates
- selected interest rates
- banking data
- employment and unemployment statistics
- regional economic data
- Chicago Fed publications, including the annual report
and Economic Development News & Views
- speeches by Federal Reserve officials

For further information call the Public Affairs
Department at 312/322-2378.

Chicago Fed Facts

The Federal Reserve Bank of Chicago is one of 12 regional Reserve Banks that, together with the Board of Governors in Washington, D.C., serve as the nation's central bank, the Federal Reserve System.

The role of the Federal Reserve System is to foster a strong economy and a stable financial system.

The Chicago Reserve Bank:

- participates in formulating national monetary policy,
- supervises and regulates banks and bank holding companies, and
- provides financial services to banks and the U.S. government.

Employees: 2,100

Assets: \$49.5 billion (as of 12/31/96)

Depository Institutions in Seventh District: 3,769

Banks and bank holding companies supervised: 1,340

Financial services volumes (1996):

Checks processed — \$1.3 trillion

Automated Clearinghouse transfers — \$2.2 trillion

Wire transfers — \$33.8 trillion

Currency received and counted — \$35.9 billion

Unfit currency destroyed — \$9.6 billion

Communications

Advisor: Alicia Williams

Editor: Harry Pestine

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

Consumer & Community Affairs Division

230 S. LaSalle Street

Chicago, Illinois 60604-1413.

The material in *News & Views* does not necessarily represent the official policy or views of the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of Chicago.

Economic Development News & Views - ISSN: #1083-1657

FEDERAL RESERVE BANK
OF CHICAGO

Economic Development

News & Views

Volume 3 Number 3
October 1997

Economic Development

News & Views is published
three times a year by the
Federal Reserve Bank of
Chicago, Consumer and
Community Affairs Division.

Please address all
correspondence to:

Consumer and Community
Affairs Division
Federal Reserve Bank
of Chicago
230 S. LaSalle Street
Chicago, IL 60604-1413



FIRST-CLASS MAIL
U.S. POSTAGE PAID
CHICAGO, IL
PERMIT NO. 1942

RETURN SERVICE REQUESTED