Economic Development

News & Views

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FEDERAL RESERVE BANK
OF CHICAGO

$15 Billion in New Markets Tax Credits Available

The United States Treasury has announced a $15 billion New Markets Tax Credit (NMTC) program. The NMTC program is an important new community and economic development tool designed to stimulate the economies of low-income communities through tax credits. The tax credits will be allocated to certified Community Development Entities (CDEs) that will provide capital or loans to businesses that operate in these communities.

The Community Development Financial Institutions Fund (the Fund) announced that applications are now available for certification as a CDE under the NMTC program.

What is a certified CDE?
A certified CDE is any domestic corporation or partnership that:

(a) Has a primary mission of serving or providing investment capital for low-income communities or low-income persons

(b) Maintains accountability to residents of low-income communities through their representation on any governing board of the entity or any advisory board to the entity

(c) Has been certified as a CDE by the Fund.

The NMTC program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in CDEs that have received tax credit allocations under the NMTC program. The credit provided to the taxpayer totals 39 percent of the cost of the investment and is claimed over a seven-year credit allowance period (5 percent for the first three years; 6 percent for the next four years). Substantially all of the qualified equity investments must, in turn, be used by the CDE in support of business activities in low-income communities.

A goal of the NMTC program is to encourage the flow of patient capital into low-income communities to help stimulate new industries and entrepreneurs, develop commercial facilities, diversify the local economy and generate new jobs.

NMTCs will be allocated annually by the Fund to CDEs under a competitive application process. Throughout the life of the NMTC program, the Fund is authorized to allocate to CDEs the authority

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New Markets Tax Credits *continued from page 1*

to issue their investors up to the aggregate amount of $15 billion in NMTCs. The Fund published its first NMTC Notice of Allocation Availability in the Federal Register on June 11, 2002. This NOAA invited CDEs to compete for tax credit allocations, which will authorize CDEs to issue up to $2.5 billion in equity.

More About Becoming A CDE

Organizations that have been certified by the Fund as Community Development Financial Institutions (CDFIs), and organizations that have been designated as Specialized Small Business Investment Companies by the Small Business Administration automatically qualify as CDEs. These organizations simply need to register with the Fund to receive their CDE designation. This registration may be completed entirely online at www.cdfifund.gov. All other organizations must complete and submit to the Fund a CDE Certification Application, a copy of which may be downloaded at www.cdfifund.gov. The criteria for meeting the CDE Certification requirements are described more fully in the CDE Certification Application.

A CDE's designation will last for the life of the organization, provided the CDE continues to comply with the NMTC program certification requirements. All CDEs will be required, on an annual basis, to certify to the Fund that they continue to meet CDE certification requirements. CDEs that are awarded allocations of tax credits, and CDEs that receive investments from other CDEs that were awarded tax credit allocations, will be required to provide additional reports demonstrating that:

(a) At least 60 percent of their activities (e.g., loans and investments) are directed to low-income communities or low-income persons; and

(b) The CDE is accountable to the low-income communities in which it has made investments.

Benefits of Becoming a CDE

A CDE may participate in the NMTC Program in two different ways:

(a) It may apply to the Fund for an allocation of tax credits, which may in turn be offered by the CDE to its investors in exchange for equity investments into the CDE; *or*

(b) It may receive loans or investments from (and sell qualifying business loans to) other CDEs that have received an allocation of tax credits from the Fund.

The NMTC program is an unprecedented opportunity to channel much-needed investments into low-income communities. Organizations that are successful at becoming CDEs and receiving NMTCs will be the premier vehicles for effectively directing the investments that flow from the tax credits into distressed communities. ■

To find out more about the New Markets Tax Credit Program, visit the CDFI Fund's Web site, www.cdfifund.gov, or contact the Federal Reserve Bank of Chicago's Division of Consumer and Community Affairs, at 312/322-8232.

Learn How You Can Use New Markets Tax Credits to Support Growth in Your Community!

On July 19, 2002, the Federal Reserve Bank of Chicago is hosting a workshop on the New Markets Tax Credit (NMTC) program. Representatives of the U.S. Department of the Treasury's Community Development Financial Institutions (CDFIs) Fund will provide overviews of the process to be certified as a Community Development Entity (CDE), the tax guidance and Notice of Allocation Availability that governs the NMTC program and the application materials. The staff will also demonstrate the Fund's internet-based Help Desk and provide time for questions and answers.

Who Should Attend?

Potential Investors–financial institutions, corporations, individuals, etc.

Potential CDEs – Practitioners from CDCs, CDFIs, SSBICs, nonprofits, development districts, etc.

State, local community or economic development officials.

To attend the NMTC workshop at the Federal Reserve Bank of Chicago or elsewhere in the Nation, visit the Fund's Web site at www.cdfifund.gov. For additional information, contact the Consumer and Community Affairs division of the Federal Reserve Bank of Chicago at 312/322-8232.

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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:

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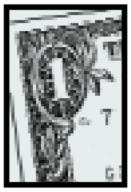
Finance

Business and Small Farm Lending Key to Development and Reinvestment



Mortgage and home-improvement lending is only one component of successful community building. Business lending — whether for commercial construction or for the development of small businesses and small farms — is an equally valuable component of maintaining viable neighborhoods and communities.

Financial institutions have discovered avenues beyond housing finance to provide credit to economically disadvantaged communities. More institutions are purchasing community- and economic-development loans from other lenders, thus creating more capital for additional lending. Financial institutions are also providing technical assistance and loan-packaging help to nonprofit groups and participating in a variety of federal, state and local government financing programs. In addition, several financial institutions have established lending departments that focus specifically on financing community- and economic-development projects.

Equity Investments

The Federal Reserve System has long authorized bank holding companies and, more recently, state member banks, to make many types of equity investments geared toward community development.

With some limitations, state member banks and bank holding companies can:

- Create de novo, wholly-owned Community Development Corporation (CDC) subsidiaries, which invest in low- and moderate-income housing, commercial and industrial projects, and community service facilities.

- Help capitalize multi-investor or consortium CDCs in partnership with other financial institutions and public and private investors.
- Purchase interests in limited partnerships that develop, rehabilitate, own and operate low- and moderate-income housing.
- Invest in local, state or national equity pools or master limited partnerships that provide capital for low- and moderate-income housing.
- Provide venture capital investments for the start-up or expansion of small minority-owned businesses in economically disadvantaged communities.
- Organize and operate entities that provide technical advisory services for housing, community and economic-development organizations and their development projects.

These permissible activities allow financial institutions to expand their role in community- development activities. For example, institutions can now take the initiative and buy, renovate and sell properties as opposed to waiting for others to initiate projects. Such actions could stimulate interest in the community and attract others to invest.

Financial institutions can also make investments through loan participations with nonprofit community-development corporations. Financial institutions generally can fill financial gaps through community-development investments when financing is not readily available.

Furthermore, financial institutions may participate in public-private partnerships aimed at community revitalization and job creation when they invest in community development financial institutions, community development corporations and enterprises or other ventures.

These investments can help leverage other public and private funds, strengthen the ability of community-based organizations to undertake key projects, and provide the capital and expertise to support other, more traditional forms of bank financing. ■

For additional information contact the Consumer & Community Affairs Division of the Federal Reserve Bank of Chicago at 312/322-8232.

Chicago Fed Joins with the FDIC and Department of Labor on Financial Literacy Program

The Federal Reserve Bank of Chicago, with the Federal Deposit Insurance Corporation (FDIC) and the U.S. Department of Labor is participating in the rollout of *Money Smart*, the FDIC's national financial education curriculum.

The joint initiative initially offered basic financial education to people participating in Welfare-to-Work and Workforce Investment Act programs across the country, through a national network of more than 800 One-Stop Centers. The Centers deliver employment and training services to persons seeking new jobs or entering the workforce. However, in the Chicago region, the initiative has grown to encompass a number of other partners and delivery sites, and has developed into a citywide effort.

The *Money Smart* program is designed to encourage families outside the financial mainstream to join the financial mainstream and create positive banking relationships. Its curriculum comprises 10 individual, non-sequential modules, covering basic banking, the mechanics of budgeting, using credit effectively, and preparing for home ownership and the importance of savings. It is written at a sixth-grade level and is currently being translated into Spanish.

According to a recent study from the U.S. Department of the Treasury, more than 10 million American households are unbanked. Access to financial services and credit is a major challenge for many low-income Americans. In neighborhoods of poverty and high unemployment, the lack of capacity for asset building can be an insurmountable obstacle to achieving the "American Dream." The proliferation of predatory mortgage lenders and "fringe" banking services (i.e., payday lending, check-cashing operations, pawn shops) and the sharp rise in the number of personal bankruptcies are issues affecting tens of thousands of people across the country and throughout the Chicago metropolitan area. As more national attention is focused on these problems, financial education is becoming an increasingly significant tool in addressing these concerns.

The *Money Smart* curriculum is being offered at seven Chicago City College campuses and the Pilsen One-Stop Center, located in a vibrant, low- to moderate-income Latino neighborhood on Chicago's Southwest Side. The Pilsen program includes three main components: financial education training; low-cost bank services and products; and an evaluation mechanism to measure the program's outcomes.

Money Smart modules will also be taught through the City Department on Aging, Neighborhood Housing Services, Instituto del Progresso Latinos, Spanish Coalition for Housing, Humboldt Park Economic Development Corporation, and the Chicago Clearing House Association, made up of eight of the largest banks in the city. The Clearing House has launched a similar program with STRIVE, a Chicago-based non-profit training group.

In addition, plans are underway for a Chinese translation, which will be offered in Chicago's Chinatown community in mid-2002. Other financial institution partners include First Bank of the Americas, First American Bank, and Metropolitan Bank, Bank One, Bank of America and Universal Federal Savings.

The Federal Reserve Bank of Chicago is a key partner in this effort. In addition to its ongoing outreach activities with the financial institutions and community organizations, in August 2001 the Chicago Fed hosted three *Money Smart* "Train-the-Trainer" sessions at its downtown offices. The University of Illinois Extension Program provided the training and the sessions produced a nucleus of 36 trained, certified instructors for the Pilsen program.

The Pilsen pilot program, which is targeted to Welfare-to-Work participants, Chicago Housing Authority residents and Spanish-speaking immigrant groups, was so successful that the Chicago City College system adopted *Money Smart* as part of its curriculum. Trainers from the Pilsen program were hired as instructors for the City College classes. To date, more than 323 adults have received classroom instruction.

The Chicago Fed hosted a second round of training sessions in February and March 2002. Representatives from a wide range of community-based/non-profit organizations, financial institutions and government/municipal agencies received training.

On June 25, 2002, FDIC Chairman Donald E. Powell will announce the national release of the Spanish-language version of the *Money Smart* program. He will also announce that an initiative similar to the Pilsen pilot will be rolled out in the Back-of-the-Yards community, a predominantly Latino community on Chicago's South Side.

The success of the *Money Smart* program is a result of a winning public-private partnership. Articles touting the program's merits have appeared in *American Banker, Crain's Chicago Business* and *Exito*, a Chicago publication targeted to the city's Spanish-speaking population. Its impact is a testament to the collaborative efforts of the Chicago Fed, FDIC and the many other partners from the business, nonprofit, government and regulatory sectors. ■

For more information on the Money Smart program, contact Michael Frias, Community Affairs Officer, FDIC Chicago Regional Office, at 312/382-7506, or the Consumer & Community Affairs Division of the Chicago Fed, at 312/322-8232.

HUD Selects Chicago as Renewal Community: Eligible For $17 Billion in Tax Incentives

The Department of Housing and Urban Development (HUD) designated a portion of Chicago as a Renewal Community (RC), eligible to share in an estimated $17 billion in tax incentives to stimulate job growth, promote economic development and create affordable housing. As a result, Chicago will receive regulatory relief and tax breaks to help local businesses provide more jobs and revitalize communities.

An estimated $6 billion in tax incentives are available for RCs across the country. As distressed areas, RCs will also be eligible to share in an additional $11 billion in Low-Income Housing and New Market Tax Credits.

"These tax incentives will help businesses grow in some of our country's most challenging communities," said Joseph P. Galvan, HUD's Midwest regional director. "By creating the incentives that will promote job growth and economic development, we are joining with the private sector to restore economic vitality and restore whole communities in the process."

It is hoped that RCs will use the power of public and private partnerships to build a framework of economic revitalization in areas that experience high unemployment and shortages of affordable housing.

Chicago Renewal Community

Almost 200,000 residents live in the 71 census tracts on the city's South Side that compose the Chicago RC. Thirty-seven percent live in poverty and cannot afford basic necessities for their families. Twenty-five percent are unemployed. By cutting taxes and waiving fees for construction and rehabilitation projects, improving local services and reducing crime, Chicago hopes to attract businesses into the 16 square miles that will make up its RC.

Incentives

These new RCs can take advantage of wage credits, tax deductions, capital gains exclusions and bond financing to stimulate economic development and job growth. Each incentive is tailored to meet the particular needs of a business and offers a significant inducement for companies to locate and hire additional workers.

The City will expand the financial programs of the One-Stop Capital Shop, Inc., to the entire Chicago RC. It will also analyze non-emergency service requests from the RC to identify recurrent problems that should be addressed.

"The new economic development tools will help us create new opportunities for housing, commerce, and employment — the building blocks for strong communities," said Mayor Richard M. Daley.

Tax Credits

Wage credits are especially attractive to businesses looking to grow. These businesses are able to hire and retain RC residents and apply the credits against their federal tax liability. Businesses operating in the new RC are eligible for up to a $1,500 credit for every newly hired or existing employee who lives and works in the RC. Work Opportunity Credits provide businesses in RCs with up to $2,400 against their federal tax liability for each employee hired from groups with traditionally high unemployment rates or other special employment needs, including youth who live in the RC. Welfare to Work Credits offer businesses a credit of up to $3,500 (in the first year of employment) and $5,000 (in the second year) for each newly hired, long-term welfare recipient.

Tax Deductions

Commercial Revitalization Deductions permit a state with one or more RC to deduct $12 million per RC per year, up to $10 million per project for commercial or industrial buildings developed in an RC. A business can deduct up to $5 million for the year the building is placed in service or deduct the full amount of eligible expenditures pro rata over 10 years. Section 179 deductions under the tax code allow a qualified RC business to expense up to $35,000 of additional qualified property, such as equipment and machinery, acquired each year during the period of the RC designation (2002-2009). Environmental cleanup cost deductions allow businesses to deduct qualified cleanup costs in Brownfields.

Capital Gains Exclusions

Zero Percent Capital Gains Rate applies to an interest in, or property of, certain businesses operating in an RC, if the asset is acquired during the period of the RC designation and held for at least five years.

Bond Financing

Qualified Zone Academy Bonds allow state and local governments to match no-interest loans with private funding sources to finance public school renovations and programs.

In addition to the incentives described above, HUD will provide technical assistance to these communities to help make businesses fully aware of the many opportunities available to them. To make certain the RCs are successful in the initial stages of their designations, HUD will host an Implementation Conference in the spring of 2002, where representatives from the newly designated RCs will meet to hear from experts in the fields of business, taxes and economic development.

Other Incentives

Like all distressed communities, RCs will also be able to take advantage of the New Markets Tax Credits that provide investors with a credit against their federal taxes of 5 to 6 percent of the amount invested in a distressed area. Also available to RCs is the Low-Income Housing Tax Credit, providing credit against Federal taxes for owners of newly constructed or renovated rental housing. ■

For additional information, contact Brian Gillen, U.S. Department of Housing and Urban Development, at 312/353-6236, ext. 2626.

Treasury Announces Grants For First Accounts

The Treasury Department has announced its selections for First Accounts grants. Fifteen awards, totaling $8.3 million, will assist 35,445 "unbanked" low- and moderate-income individuals in opening accounts at insured banks, thrifts and credit unions. Grant recipients will be targeting unbanked people in Iowa, Illinois, Michigan, Wisconsin and 21 other states.

The First Accounts Program provides money to develop programs that expand access to financial services for low- and moderate-income individuals who do not have an account with an insured depository institution.

The paramount goal of First Accounts is to move a maximum number of "unbanked" low- and moderate-income individuals to a "banked" status through the development of financial products and services that can serve as replicable models in other communities—without the need for ongoing public subsidies. An additional goal includes the provision of financial education to unbanked low- and moderate-income individuals.

The initial First Accounts grants are going to nonprofit organizations, depository institutions including credit unions, a community development financial institution, a faith-based organization and a foundation. The recipients will carry out projects that provide financial literacy training, develop low- or no-cost products and services, connect individuals to insured accounts, and increase access to financial services through installation of automated teller machines.

The projects are focused on a wide variety of unbanked populations, such as youth, new entrants to the workforce, recent immigrants, residents of low-income communities, residents in rural areas, native Americans living on reservations, people living in public housing, and families using child care facilities.

The winners were selected from among 231 applications from 38 states. Those applicants requested $129,895,034 in awards.

In the Federal Reserve Bank of Chicago's District, organizations in the following four states have received awards:

Iowa

The Institute for Social and Economic Development in Coralville, Iowa, has been selected to receive a First Accounts grant of $301,000. The grant funds will be used to Support the Institute's "Bank on It!" project. Over two years, this project aims to connect 265 unbanked low- and moderate-income individuals in 16 Des Moines-area census tracts to insured accounts at insured depository institutions. "Bank on It!" will provide participants with eight hours of financial literacy training, assistance to identify and resolve obstacles to opening a bank or credit union account, and links to other asset-building programs to help families meet their financial goals. Graduates will receive a certificate they can take to a partnering institution–Bankers Trust, Wells Fargo, Iowa State, Financial Plus Credit Union – or another institution. They also receive assistance for six months to help keep their account in good standing. Representatives from partner institutions will present the final training sessions, which will focus on resolving problems, building a firm financial knowledge, and maintaining bank accounts. Additional funding is coming from the Annie E. Casey Foundation, Milbank Memorial Fund, and American Express Foundation.

Illinois

Chicago's Center for Law & Human Services has been selected to receive a First Accounts grant of $686,566. The grant funds will be used to connect 1,000 unbanked low- and moderate-income individuals in Chicago and Detroit to insured accounts at insured depository institutions over two years. This project is a partnership of The Center for Law & Human Services, the Accounting Aid Society, ShoreBank, the National Consumer Law Center, and the Consumer Federation of America. Interested individuals can have their tax returns prepared free-of-charge, then open savings accounts into which their tax refunds can be deposited. Participants then receive financial education and an opportunity to open a checking account. Year-round financial literacy classes are offered to provide the necessary skills to maintain and manage the new accounts. The project aims to attract participants through the earned-income tax credit and free tax preparation to encourage opening accounts. Each partner is making in-kind contributions to the project.

Michigan

Mission of Peace Housing Counseling Agency in Flint, Michigan, has been selected to receive a First Accounts grant of $592,654. The funds will be used to connect 660 unbanked, low- and moderate-income individuals in Genesee, Oakland, Saginaw, Lapeer, and Shiawasee Counties to insured accounts at insured depository institutions over two years. The project will be implemented by a partnership of Mission, Fifth Third Bank, Genesee County Family Independence Agency and local small businesses. Individuals will receive education, banking access and counseling support during their transition to using banking services. The project will install three ATM machines within the five counties to increase access to financial services. The project is focused on attracting unmarried, under-employed and unemployed persons. Additional funding and in-kind contributions are coming from Fifth Third Bank, Michigan State University Interns, and the Michigan State University
Community and Economic Development Program.

Wisconsin

Legacy Bank in Milwaukee will receive a First Accounts grant of

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Faith-Based Programs Continue to Grow & Serve Community

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CHICAGO

The new Duman Microenterprise Center and Loan Fund promotes economic self-sufficiency via small-business loans and entrepreneurial support services.

Instituted in 2001, the Chicago-based Duman Microenterprise Center and Loan Fund provides targeted capital to start-ups and existing small businesses. The Center also offers loan recipients and potential applicants entrepreneurial training, business assistance and mentoring.

On a quarterly basis, the Center provides opportunities for entrepreneurs to learn from experts and network with other entrepreneurs. These events are free and open to the general public. The next entrepreneneurial event will be held on Wednesday, August 7, 2002, from 5:30-7:30 p.m. at the Federal Reserve Bank of Chicago.

Duman Microenterprise Services include:

Access to Capital
- Interest-free loans (for loans in good standing)
- Low application fee
- Loan amounts of $5,000 to $15,000
- Loan terms of one to three years

Training and Education
- Business plan assessment
- Loan application assistance
- Entrepreneurial seminars
- Monthly e-newsletters

Mentoring
- Pre-loan and post-loan consultations
- Business strategy groups
- Networking opportunities
- Mentor matches
- Referrals to relevant business and community resources

Loan Parameters
- Loans for members of the Jewish Community
- Loans for all residents of the Chicago metropolitan area
- Loans for start-ups
- Loans for business expansions made possible through a gift from Louis Duman to the JVS Endowment Foundation, the Center partners with local banks, business professionals, business schools, organizations and the Jewish Federation of Metropolitan Chicago.

Access to capital is primarily for members of the Jewish community in the Chicago Metropolitan area. A limited amount of capital is available for loans to Chicago-area small businesses in general.

Jewish Vocational Service (JVS) has provided a full range of strategic employment and training services to the Chicago Jewish community for more than a century. JVS helps more than 10,000 people annually match their skills to economic opportunities through a network of more than 5,000 employers. ■

To schedule an appointment, or request additional information or an application, contact Janet Shlaes, Director, Duman Loan Fund at 312/357-4548 or via e-mail at janetshlaes@jvschicago.org.

Indianapolis Welcomes Mexican Consulate

The Republic of Mexico will soon have a consulate in the city of Indianapolis, Indiana. Scheduled to open later this summer, the new consulate will serve a three-state region including Indiana, Ohio and Kentucky.

The new consul for Indianapolis will be Sergio Aguilera Beteta, former Mexican Consul General for Shanghai, located in the People's Republic of China.

"The fact that Indianapolis was chosen for this new consulate shows the true international status and recognition we have achieved," Mayor Bart Peterson said. "This consulate will make it easier for our Mexican neighbors to have access to the services of their homeland, and make it easier for local companies to sell their products and do business with Mexican consumers."

The Mayor's Office of Latino Affairs worked for two years with the Mexican government, the State of Indiana and City-County Councilor Karen Celestino Horseman on this project. To help move the process along, Mayor Peterson offered rent-free space for two years to the new consulate.

The Mayor highlighted two key advantages of having the consulate in Indianapolis:

Trade and Economic Development

Mexico is Indiana's second largest trading partner, and trade with Mexico helps support 44,000 Hoosier jobs. Exports from Indiana to Mexico increased 173 percent from 1999 to 2000 and totaled $2.2 billion in 2000. The consulate will be another direct link between the Mexican government and Indiana companies on trade and economic development.

Increased Travel to and Through Indianapolis.

Indianapolis has one of the fastest growing Latino populations in the nation. Mexican nationals throughout the Midwest travel to Chicago to obtain necessary services, such as passports and visas. Soon, they can travel and bring their business to Indianapolis to obtain those same services. ■

For additional information contact, the Consumer and Community Affairs division of the Federal Reserve Bank of Chicago, 312/322-8232.

The Illinois Facilities Fund Offering Nonprofit Corporations a Helping Hand

A community center, a health clinic, a child care or housing program can make a huge difference in an economically distressed area. These types of programs can bolster economic development, rejuvenate the neighborhood, and at the same time, provide important services to residents.

Generally, when one of these facilities opens, the community sees increased economic activity — more jobs and new building construction.

Unfortunately, many communities cannot afford these building projects. However, in Illinois more and more communities are finding assistance. For the last 10 years, the Illinois Facilities Fund (IFF) has been helping nonprofit organizations (nonprofits) throughout the state meet their facilities, financial management and real estate planning needs.

The IFF, a statewide nonprofit community development financial institution (CDFI), was created in 1988 to provide below-market real-estate loans to nonprofit corporations serving low-income or special needs populations in Illinois. The IFF's loan portfolio has grown from $2.7 million in 1991 to $43 million in 2001. Over 200 agencies have benefited from IFF services.

The IFF provides more than just money. It provides consulting services, free technical assistance, real estate planning, project management training, and management and financial planning. It provides nonprofits with information to help improve their management and operations and plan for change. The IFF also conducts research, and has become a major player in the public policy arena.

Wallace Goode, director of the City of Chicago Empowerment Zone, and Trinita Logue, Executive director IFF.

In 1999, the IFF conducted the first-ever study of the financial status of Illinois nonprofit organizations. The study, co-sponsored by the Donors Forum of Chicago, revealed that human services are facing increased demand, while changes in government funding and new eligibility criteria are limiting revenues. Findings from the report, titled *Illinois Nonprofits: Building Capacity for the Next Century*, led to new IFF initiatives, including bringing the National Center for Social Entrepreneurs to Chicago to establish a local program.

National Center for Social Entrepreneurs

The IFF served as local coordinator for the National Center for Social Entrepreneurs' 15-month consulting course to introduce Chicago nonprofits to social entrepreneurship. The course, titled the *Chicago Project for Social Entrepreneurs*, taught management and board members at nonprofits to think strategically and innovatively about new opportunities for earned income. The first graduates completed the course in January 2001.

Based on the success of the course, the IFF obtained a license from the National Center to deliver the program locally, using local consultants and resources. This is Chicago's center for nonprofit entrepreneurial activities, education, mentoring, and data.

New Visions

To support this project, the IFF created *New Visions*, a loan product to encourage revenue growth and diversification through entrepreneurial ventures. Borrowers use loan funds to finance a business or product development, and capital and non-capital operating expenses.

In addition to providing funds, IFF offers free technical assistance in the closing and construction or renovation process. For example, the IFF is helping Academy Bakery, a job training and retail bakery program, review its business plan. An IFF loan will help finance the build-out of the bakery's new site, to be located in Chicago's Lawndale neighborhood.

Real Estate Programs

Another successful IFF initiative is the Real Estate Services (RES) program, which offers real estate planning, project management, financial planning and free technical assistance. It has two ongoing successful programs focused on improving classroom space. One is the Simple Practical Affordable Child Care Environments program (SPACE), launched in late 2000, to help pre-school and after-school centers improve classroom space on a small budget. The other is the Making the Most Out of School Time (MOST) program, designed to help solve common design, space and cosmetic problems in classrooms by providing $3,000 and volunteer architects and designers.

Over the past four years, the RES Program has completed 49 real estate projects, with an additional 22 in progress and 15 pending. In 2000, the IFF managed the financing and construction of two 21,000-square foot child care centers in Chicago's Little Village and Lawndale communities. These facilities will provide care for more than 500 children.

Another increasingly important service provided by RES is free technical assistance, designed to help solve a specific problem or help launch a major real estate project. This assistance includes project and financial planning, development expertise, and referrals. The number of RES' technical assistance sessions has risen from 17 in 1997 to 88 in 2001.

One of the most successful RES programs has been spun off into the Chicago Children's Capital Fund. This public-private partnership between the City and the IFF was established to increase licensed child care in 20 Chicago neighborhoods.

Center for Early Education Management and Finance

Another initiative of the IFF in the child care industry is the Center for Early Education Management and Finance, a five-year program funded by the

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Illinois Facilities Fund *continued from page 8*

McCormick Tribune Foundation. The Center offers 15-months of customized consulting to help managers and board members at nonprofits increase their operating revenues, raise salaries and reduce staff turnover, a major concern in the child care field.

IFF Expanded Role

The IFF is involved in several other initiatives besides the ones mentioned above. It is dramatically increasing its leadership role in the public policy arena. It undertakes research and holds seminars and conferences to help shape public policy action designed to enable nonprofits to better serve people in need. For example, the IFF is leading a coalition of Illinois CDFIs to increase the number of federally certified CDFIs in Illinois and advocate for a state-based CDFI program.

It publishes a quarterly series, *Capacity Building Digests*, to provide information to help nonprofits improve their management and operations and plan for change. The first two editions focused on board development and the property tax exemption process. The most recent issue covers social entrepreneurship and the Chicago Social Entrepreneurs Project.

In January 2001, the IFF opened an office in Springfield, increasing its presence in central and southern Illinois and making it easier for central Illinois nonprofits to obtain information, meet with a loan officer, and obtain IFF services.

The IFF is diversifying its sources of capital funds and general operating and special project grants. It established a Community Investors Fund to provide opportunities for investors to contribute to the IFF.

Through real estate loans and development expertise, technical assistance, management education, research and advocacy, the IFF is finding new ways to provide nonprofits with the resources to improve their assets and operations. As it enters its second decade, the IFF is looking for new opportunities for donors and investors to become part of the maturing CDFI industry. ■

Gabriella DiFilippo, Illinois Facilities fund and Kim Jackson, Sheila Barber and Stanley Merriwether of Lawndale Christian Development Corporation review the construction of a Jubilee Family Resource Center in Lawndale.

For more information, contact the Illinois Facilities Fund, 300 West Adams Street, Suite 431, Chicago, Illinois 60606, (phone) 312/629-0060; (fax) 312/629-0065 ***or*** *730 East Vine Street, Suite 109, Springfield, Illinois 62703, (phone) 217/525-7701, iffund@iffund.org.*

Illinois 62703, (phone) 217/525-7701, iffund@iffund.org.

Community Development Venture Capital Workshop

September 25, 2002
Allergo Hotel
Chicago, Illinois

The Community Development Venture Capital Alliance (CDVCA), the trade association of the community development venture capital industry, is organizing a daylong introductory workshop on community development venture capital (CDVC). This workshop is being co-hosted by Chicago Community Ventures and is supported in kind by the Federal Reserve Bank of Chicago.

This one-day workshop will provide:

- A comprehensive overview of the rapidly growing CDVC field, and
- An opportunity to hear from some of the most experienced CDVC practitioners.

This workshop is targeted toward community development practitioners, finance professionals, policy makers and others who are interested in using venture capital tools in innovative ways to benefit distressed communities and low-income individuals. In the morning, an overview session on the CDVC field, and a nuts-and-bolts session on the mechanics of CDVC, using "The CDVCA Equity and Near-Equity Investment Primer: A Tool for Community Development Investors," a 115-page textbook funded by Fleet Bank will be featured. Following these two sessions, a Harvard Business School case on Northeast Ventures, a 15-year-old CDVC Fund based in Duluth, Minnesota will be presented.

In the afternoon, a panel of five seasoned practitioners from the industry will share their Best Practices and Lessons Learned with the newcomers to the field. These practitioners understand that the CDVC model is not only viable, but also a highly desirable, win-win economic development model to garner both a financial and social return.

For additional information, contact CDVCA at 212/594-6747 or visit their Web site at www.cdvca.org and click on EVENTS.

LISC Partnership Banks on Family Child Care Program

The Local Initiative Support Corporation/Chicago's (LISC/Chicago) Banking on Family Child Care program (BFCC) will triple in size thanks to a $500,000 grant from the John D. and Catherine T. MacArthur Foundation.

BFCC is a relatively new program designed to connect home-based child care providers to mainstream financial institutions. Through Individual Development Accounts (IDAs), BFCC matches the savings of child care providers up to $2,000 over a two-year period. Participants will have up to $4,000 to spend on new homes, home repairs, post-secondary education for themselves or their children, Individual Retirement Accounts or business-related equipment.

Bank One funded the pilot phase of BFCC, which was designed to serve 50 participants. Support from the MacArthur Foundation will allow the program to enroll an additional 100 child care providers and to conduct research on the effect of Family Day Care Networks on the quality of home-based child care.

The program offers a way to help build wealth in low-income communities and to improve retention in an industry that is critical to the revitalization of Chicago communities. A BFCC slogan, "Getting Rich Slowly," exemplifies its goal to assisting small-business owners to develop strategic business plans and save for the future. "It's not about quick, it's about steady," says LISC's Ricki Granetz Lowitz. "All it takes is $85 per month to meet the $2,000 goal."

Since last April, the first 22 small-business owners in BFCC have deposited more than $13,000, representing what Shorebank's Kevin Davy calls an "exceptional" level of investment for a program of this type. "One thing that makes this group special," he says, "is the participants' business experience. They have great entrepreneurial spirit." Also, the business owners have benefited from networking opportunities, workshops and other BFCC-sponsored activities.

BFCC partners include Shorebank (where the IDA accounts are held), Consumer Credit Counseling Service of Greater Chicago, Women's Business Development Center, El Valor, North Avenue Day Nursery, the YWCA and the CHASI Viva network. ■

For additional information, contact the Local Initiative Support Corporation/Chicago at 312/360-0800.

USDA Promotes Value-Added Businesses

Doug Wilson, Illinois state director for United States Department of Agriculture (USDA) Rural Development, sees the development of value-added businesses as a key to increasing income and creating jobs in rural areas.

Doug Wilson, Illinois State Director, USDA, Rural Development

"Food and energy products derived from raw agriculture commodities will allow producers to realize greater income from what they produce, and create jobs from the processing facilities and new markets," Wilson says.

Mr. Wilson explains that rural communities need to diversify their economies, broaden their tax bases and find ways to keep their young people from moving away. In addition to value-added businesses, rural leaders need to consider developing agricultural tourism opportunities, working to retain existing businesses, promoting entrepreneurship and working to offer essential services and facilities to make their communities attractive for business development.

Wilson's division is giving greater support to value-added businesses in Illinois by:

- Supporting, in some cases with grants, the development of feasibility studies and business plans by prospective entities considering a value-added business.
- Offering guarantees of loans to finance real estate, equipment and working capital.
- Partnering with the Illinois Department of Agriculture, commodity groups, the Federal Reserve Bank of Chicago, the Illinois Department of Commerce and Community Affairs and others, to lend support and assistance.
- Naming a program specialist, Cathy McNeal, to promote and deliver USDA programs related to value-added projects and initiatives.
- Making known the services of Michael Doherty, an experienced cooperative development specialist, who offers free technical assistance to existing and proposed new cooperatives. ■

For additional information on programs offered by the USDA, contact Rural Development at 217/403-6200. The agency's Web site is http://www.rurdev.usda.gov/il.

Partnerships Crucial to Success of First-Ever Money $mart Week

Partnerships were the key to success of Chicago's first-ever Money $mart Week.

Held April 29 through May 4 and organized by the Federal Reserve Bank of Chicago, Money $mart Week brought together financial institutions, government departments, community organizations, schools and libraries to carry out educational activities to help consumers learn how to manage personal finances.

During the week, many of these groups worked together for the first time, offering resources to consumers and creating and carrying out innovative activities. Having more than 40 of these activities in a single week promoted the importance of financial literacy, spotlighted attention on the good work of a lot of different Chicago-area organizations in promoting financial literacy, and helped consumers understand where they can get more information on personal finance topics.

Elizabeth Handlin, coordinator of the Money $mart Week initiative.

"It was personally rewarding to see what we can accomplish when we pull together," said Elizabeth Handlin, the Chicago Fed manager who coordinated the effort. "Money $mart Week was all about bringing people together. We look forward to these types of partnerships continuing."

While the Chicago Fed coordinated the effort, it would have been impossible without the diverse partners of the Money $mart Advisory Council (MAC). The Chicago Fed convened the council last year to encourage financial institutions and other organizations that promote financial literacy to work together more effectively.

MAC members forged partnerships that leveraged resources and expertise. Chicago-area newspapers and radio and TV outlets also covered various Money $mart Week presentations and seminars.

For information on Money $mart Week activities and some of the organizations that took part, go to the Chicago Fed Web site at www.chicagofed.org and click on "Project Money $mart." Then click on "Money $mart Week."

Editor's Note: Economic Development News & Views *would like to thank Daniel P. Wassmann, Federal Reserve Bank of Chicago, for his assistance in preparing this article.*

Treasury Announces Grants *continued from page 6*

$342,467. The grant funds will be used to connect 500 unbanked low- and moderate-income individuals in Milwaukee to insured accounts at insured depository institutions over one year. The bank has established an alliance with the Child Care Directors' Group and the Early Childhood Council of Milwaukee to bank child care providers, providers' employees and the parents served by the providers, and to offer ongoing support and services to ensure the sustainability of the banking relationship. Three automated teller machines will be installed, including one at a childcare facility used by 1,500 adults weekly. The project focuses on the childcare industry and on maintaining established accounts. In addition to conducting seminars about how to use bank products, Legacy Bank will monitor accounts weekly. Problematic customers will be invited for additional education and counseling with Family Services of Milwaukee and the University of Milwaukee-Wisconsin Extension. Additional funding is coming from Legacy Bank. ■

More information on First Accounts and the 15 projects awarded grants can be found at www.treas.gov/firstaccounts, or contact the Consumer & Community Affairs Division of the Federal Reserve Bank of Chicago at 312/322-5877.

City Treasurer's Small Business Expos

A New Day for Small Businesses in Chicago

The Chicago City Treasurer's Small Business Expos are a series of forums designed to provide assistance to small business owners and those that would like to become one. The Expos will bring local government, lending institutions, and technical advisors together to provide information and direction that is vital to the success of a small business. Existing and prospective business owners can attend workshops, network with other business professionals, and obtain useful information from technical advisors and representatives of financial institutions.

Save These Dates:

September 20, 2002
Olive Harvey College

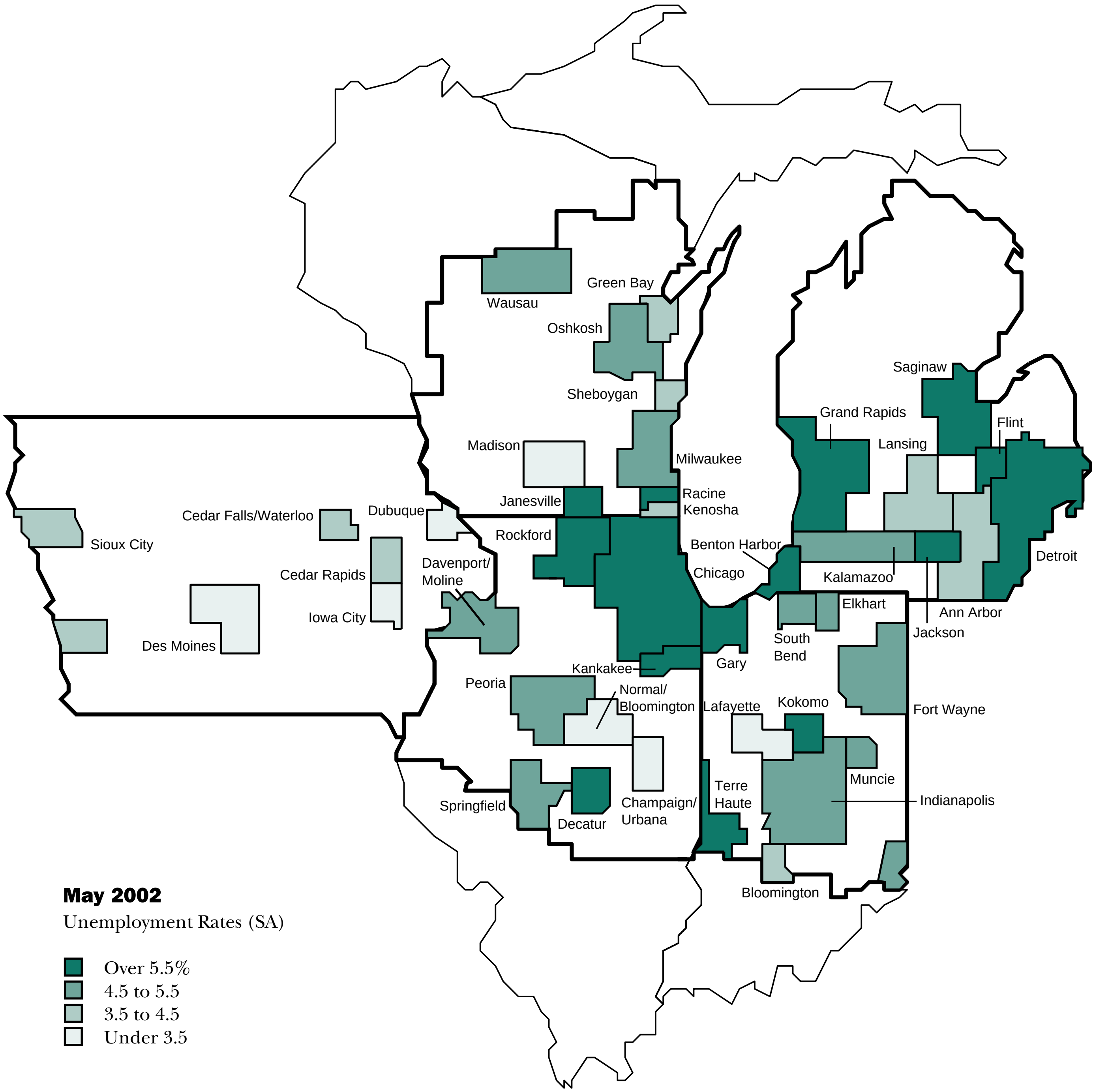
September 27, 2002
Wright College

October 4, 2002
West Side Technical Institute

For additional information, contact the City Treasurer's Office at 312/744-3365

Seventh District Labor Markets

Unemployment conditions for May 2002



May 2002

Unemployment Rates (SA)

- Over 5.5%
- 4.5 to 5.5
- 3.5 to 4.5
- Under 3.5

NOTE: All rates are subject to revision.

From Our Research Department

Labor Market Conditions in the Seventh District

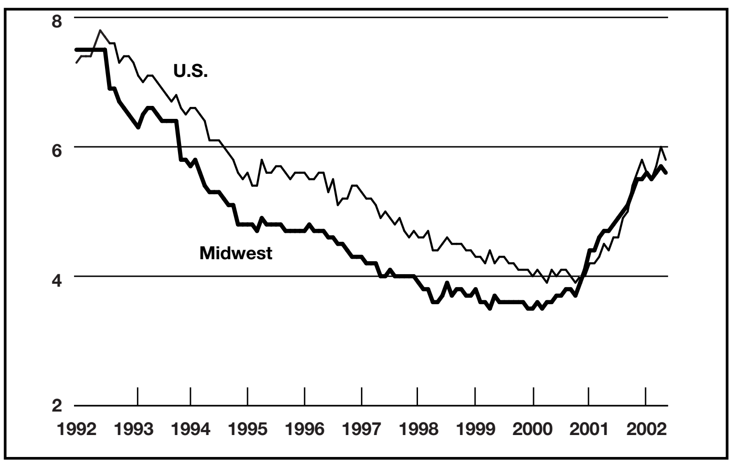
The Federal Reserve Bank of Chicago serves the Seventh Federal Reserve District, which includes the entire state of Iowa along with large portions of Illinois, Indiana, Michigan, and Wisconsin. At the present time, there are 43 Metropolitan Statistical Areas (MSAs) in the Seventh District. The U.S. Office of Management and Budget (OMB) defines the geographic boundaries of MSAs 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 (USDL). Using definitions and guidelines established by the USDL 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.

Through the better part of the last decade, labor markets in the Seventh District were tighter than the nation as a whole. In contrast to the 1980s, the Midwest's unemployment rate had been running below the national average since 1992. While good news for the region's workers, whose wages and salaries grew faster than the national average, the very low levels of unemployment made it difficult for employers to find quality help. Broad-based labor shortages, across both industry and occupational categories, had contributed greatly to the District's slowing employment growth in the latter half of the 1990s. Earlier in that expansion, a strong rebound in our manufacturing industries, as well as robustness in construction and services, led to employment growth in the region that outpaced that of the nation. As labor markets in the region tightened more dramatically in the mid-1990s, the national rate of employment growth caught up to, and had surpassed the region's. With a generally slower economy and relatively unfavorable migration patterns, the trend toward slower job growth should continue in coming years.

Unemployment Rate



Labor Market Highlights

Despite all that it has weathered over the last year or so, the U.S. economy has remained fairly resilient and most signs are suggesting that a nascent economic recovery may be underway. While unemployment rates typically continue to rise for months after a recession has ended, the recovery in the Seventh District's labor markets could soon be underway as well.

Due to the region's heavy reliance on manufacturing industries, which started slowing much sooner than other industries, the rise in joblessness was much sharper here than in the rest of the nation early on in the economic downturn. The average unemployment rate for the District's five states came in at 5.6 percent in May, slightly below the national average of 5.8 percent. While certainly higher than the periodic low of 3.5 percent attained in early 2000, it is still far better than the level reached during the previous economic downturn in the early 1990s.

Iowa's unemployment rate remains low by comparison, 3.5 percent in May, and has shown the least deterioration in year ago comparisons, rising by about 0.2 percentage points. Most other District states saw about a 1.0 percentage point increase in unemployment over the last year.

Still, only about one-quarter of the District's 43 metropolitan areas had an unemployment rate that exceeded the national average in May. Madison, Wisconsin and Bloomington-Normal, Illinois had the lowest rates of metro areas, 2.4 percent and 2.7 percent respectively. As one may expect, the highest rates could be found in some of the region's most heavily industrialized areas, such as Gary, Indiana; Janesville and Racine, Wisconsin; Decatur and Rockford, Illinois; and Flint, Michigan.

The good news is that the rate of deterioration in the District's labor markets has certainly slowed in the last 6 months, with the seasonally adjusted unemployment rate bouncing around in the narrow range between 5.5 percent and 5.7 percent. In addition, layoff announcements are becoming less frequent and hiring plans surveys show that employers in the Midwest are again optimistic about adding to their existing staff. Finally, temporary staffing firms are reporting that demand for manufacturing workers is picking up, certainly good news for an industry that had been contracting for several months. All told, payroll employment in the Seventh District should be growing again by mid-summer. ■

Richard E. Kaglic — Economist

To Our Readers:

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Federal Reserve System

SAVE THE DATE

Sustainable Community Development: What Works, What Doesn't and Why

The Community Affairs Officers of the Federal Reserve System are jointly sponsoring their biennial research conference, *Sustainable Community Development: What Works, What Doesn't and Why*. The conference will bring together a diverse audience from academia, financial institutions, community organizations, foundations and government to learn about research in the community development arena.

March 27-28, 2003 ▪ Capitol Hilton Hotel ▪ Washington, D.C.

AMONG THE PAPERS TO BE PRESENTED, THE FOLLOWING ARE ANTICIPATED TOPICS:

Identification of appropriate and reliable data to be used in evaluation of community economic development programs

▪

Rural/urban imbalances and the impact of migration and demographic trends on community development

▪

Influence of social and private capital on community development

▪

Evaluation of counseling and risk intervention strategies

▪

Tools and techniques for community development program evaluation

▪

Evaluation of the effectiveness of financial literacy programs

For more information about the conference, contact:

ALICIA WILLIAMS *Vice President*
Federal Reserve Bank of Chicago ▪ 230 South LaSalle Street ▪ Chicago, IL 60604

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