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Tourism Leads To Economic Boom

Many Illinois communities are using tourism, the world's largest industry, to reap new economic development benefits. Illinois, like many states, recognizes tourism as one part of a balanced economy.

Tourism revenue contributed over $21 billion to Illinois' economy in 1998, directly accounting for more than 297,700 jobs statewide[1]. Consumer spending on travel and tourism in Illinois has increased every year for the last 13 years. Illinois has committed to developing historical and cultural destinations other than Chicago to reach its economic impact goal of $29 billion by the year 2001.

This kind of tourism, also known as cultural heritage tourism, is expected to be the fastest growing segment of the market. Because of aggressive marketing to attract new visitors, heritage tourism is stimulating economies, generating new jobs and creating renewed pride and recognition of the value of Illinois communities.

What is Cultural Heritage Tourism?

Cultural heritage tourism focuses on making history come alive and experiencing life in a community as it used to be. In other words, visitors can learn about the past while exploring the present. In a practical sense, it means maintaining and preserving tangible community assets, such as historic places, buildings and sites, as well as intangible assets like traditions, customs and folklore. Local communities identify and share their stories through museums, theaters, historic sites, fairs, festivals, ethnic diversity, music and the arts.

Cultural heritage tourism seeks to develop natural historic and cultural sites with the strongest potential to increase economic impact. Benefits to a local community may include: an expanded tax base, increased tax revenues, increased production and sale of goods and services, better property values and new jobs. Increased economic activity benefits local banks, which see increasing deposits and loan demand.

The Illinois Approach

One of the toughest challenges to development is getting multiple communities to work together to develop heritage sites. With this in mind, two years ago, the Illinois Heritage Tourism Program was created after research uncovered that nearly a third of all travelers participate in some form of heritage tourism. Illinois started by forming new partnerships between state government agencies and private organizations that traditionally had not worked together, particularly in neglected rural areas of the state.

Many new funding sources have been created for financing nonprofit and for-profit tourism projects, including:

- The Experience Illinois Loan Program, which is administered by the State Treasurer's Office, may be used for historic preservation, tourism development or community development.
- Tourism Attraction Development Grants, Tourism Marketing Partnership Grants, the International Tourism Fund and Tourism Private Sector Grants, which are administered by the Department of

Commerce and Community Affairs.
- The Economic Development Program, which is administered by the Illinois Department of Transportation.
- Several other grant programs, which are administered by the Illinois Department of Natural Resources, Office of Capital Development.

Illinois' approach has met with such success that cultural heritage tourism demonstration areas have been created across the state. Three of these are located in the Federal Reserve's Eighth District. The areas are recognizing the potential for increasing tourism revenues by applying economic development principles to enhance travel in areas near important historic and recreational sites.

Transportation, Petroleum and Agriculture

Through its Crossroads of Illiana project in southeastern Illinois and southwestern Indiana, Main Street Flora is demonstrating how a region may use existing assets to leverage additional development. In fact, the greatest success, thus far, has been the ability of the project to spur other groups and individuals to begin new development approaches.

The project is showcasing the history of the region with a focus on transportation heritage--from waterways and trains to automobiles and aviation. Its design attempts to tie together many of the region's existing transportation resources, festivals and events. For example, rail depots are being restored to create a "Depot Hop" across the region and are being tied into the state's rails and trails project.

Petroleum has a rich past throughout the region, as illustrated by the oil field museum in Oblong, Illinois. Smaller projects include highlighting products made from oil, public art on storage tanks, and works of art using oil field pumps.

Next on the agenda for Crossroads is developing tourism that is associated with agriculture and the family farm. Agricultural tourism is one alternative for improving the incomes and potential economic viability of small rural communities. An agri-tourism market survey has been conducted to identify existing and potential development.

Infrastructure and Site Development

Tourism along the Ohio River Scenic Route was identified as a primary economic development tool for the community of Golconda, Illinois, and the surrounding area. Some of the early activities needed to build an infrastructure for tourism were leadership, hospitality training and the development of accommodations and customer services. Main Street Golconda has assumed the leadership role, and one of its first major accomplishments was the passage of an overnight lodging tax in four counties. This helped address the need for financing additional beds for travelers. Plans are now under way to renovate four historic cottages that face the river, along with the renovation of a former powerhouse on the property into a visitor's center.

The greatest challenge faced by the project leaders is product development because it requires consensus, capital and a thorough understanding of the market (consumer preferences, demand and available opportunities). To meet this challenge, developers have begun working extensively with the economic development organizations in the region to begin a planning process.

Marketing

The Trace of the Ages refers to tourism products along the Great River Road that scenically stretches from Galena, Illinois, to Cairo, Illinois. The project consists primarily of marketing that is designed to attract visitors from around the world to 18 counties that border the Mississippi River. The project sponsor, Western Illinois Tourism Development Office, acts in partnership with nine individual convention and visitors bureaus. Another important partner is the Illinois Department of Transportation, which has installed more than 25 kiosks along the route to inform visitors of the attractions and businesses in area communities.

Like the Crossroads of Illiana project, the Trace partners have learned that international visitors are very interested in agri-tourism, so they market extensively in several foreign countries.

Economic Impact

Because growth and development cannot always be measured by traditional economic indicators, the Tourism Research Laboratory at the University of Illinois has calculated economic impact for each of the cultural heritage tourism demonstration areas (see table). The Laboratory also has developed the Community Self-Assessment Survey. It helps Illinois communities assess outcomes of activities intended to advance economic development. The economic impact is great because of the large number of consumers involved, which increases the demand of community destinations, as well as the capital and operating expenditures. Future research will include a description of the new business created as a result of heritage tourism development.

Conclusion

The development of heritage tourism is an arduous process, taking years to reach its potential. This is largely because development is a joint effort, leveraging public and private resources. However, the benefits can be significant. Illinois' cultural heritage efforts are an important contributor to its standing as the sixth most visited state in the country by international tourists and fifth in domestic travel spending.

Certain information in this article is taken from the Illinois Department of Commerce and Community Affairs web site: www.commerce.state.il.us

Related Resource

"Historic Preservation as Tourism Strategy" in The Economics of Historic Preservation: A Community Leader's Guide by Donovan Rypkema, National Trust for Historic Preservation: www.nationaltrust.org

1998 Assessed Outcomes of Selected Illinois Heritage Tourism Projects

($ in millions)

	Crossroads	Ohio River Route	Trace
Jobs	1,470	1,070	12,780
Expenditures	$138.05	$78.80	$1019.92
Payroll	$28.20	$21.76	$266.94
State Tax Receipts	$7.67	$2.86	$43.37
Local Tax Receipts	$4.09	$2.86	$26.15

Source: Tourism Research Laboratory at the University of Illinois.

Endnotes

1. The Economic Impact of Travel on Illinois Counties 1998, U.S. Travel Data Center, Travel Industry Association of America, June 1999. [back to text]

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Employer Assisted Housing

Judy Armstrong

You've just received job offers from two different companies. The job duties and salaries are comparable. How will you decide which offer to accept? Would Employer Assisted Housing (EAH) make your decision any easier? To attract and retain the best employees, many employers are now adding Employer Assisted Housing to their employee benefits packages. In an EAH plan, an employer offers an employee a grant, loan or forgivable loan to be used toward home ownership. An employer may custom design its plan to provide the greatest benefit to itself, its employees and its community.

Stipulations an employer may use to customize its EAH plan include:

- Standing of employee,
- Location of eligible property,
- Maximum number of times an employee may use the benefit,
- How the employee qualifies for a mortgage through a participating lender,
- Whether an employee must be a first-time homebuyer,
- Whether an employee must use the property as a primary residence,
- Income limit,
- Length of past or future employment,
- Minimum employee contribution,
- Maximum employer contribution,
- Training participation, and
- Use of plan funds.

Fannie Mae, one lender that is working with employers to create customized EAH benefit plans, also used this program to help rectify its own employee retention problems.

In 1991, Fannie Mae's head office in Washington, D.C. was experiencing a 25-percent employee-turnover rate. So, the company instituted its own EAH plan and offered it to its employees who had been with the company for at least two years. Since the EAH program has been in operation, Fannie Mae's turnover rate has been reduced to single digits. As an added benefit, many of Fannie Mae's employees now have practical experience to draw upon when helping other companies set up their own EAH plans.

In the Eighth Federal Reserve District, several companies have started EAH programs. The Fannie Mae Partnership Office in St. Louis has helped several, including BJC Health System, Washington University and Concordia Publishing House.

Although both BJC's and Washington University's EAH programs are managed by the WUMC Redevelopment Corporation, each has its own funding. Washington University employees can use the funds to buy a house in the Skinker-DeBaliviere and Forest Park Southeast neighborhoods, while BJC's program covers employees who choose to live in the Forest Park Southeast neighborhood. BJC started the program to improve the area around Barnes-Jewish Hospital. The neighborhood is a mixed-income area where all employees (from the lowest to the highest paid) can live close to the hospital. The program has been a great success, greatly reducing the available property inventory in the neighborhood.

BJC employees can receive up to $4,000 or 5 percent of the purchase price of the house (whichever is less) for closing costs, points or the down payment. If the employees stay in the house and with the company for a full five years, the loan is forgiven. If they move from the house or leave the company, the loan is forgiven at a rate of 20 percent per year.

Also in St. Louis, the Concordia Publishing House started its program, Operation H.O.M.E. (Home Ownership Made Easy), about a year ago to stabilize and revitalize its surrounding neighborhood. It offers up to $5,000 as a one-time interest-free loan. The loan is forgiven in five years or at a rate of 20 percent per year.

In Mississippi, the state has established an EAH program for those who are willing to teach in areas where instructors are at a shortage. Mississippi Home Corporation (MHC) is administering the Employer-Assisted Housing Teacher Program, which is funded through the Mississippi Department of Education. For qualifying teachers under the Mississippi Critical Teacher Shortage Act of 1998, EAH provides down payment and closing cost assistance to ease the initial financial burden of home ownership.

A promissory note is converted to an interest-free grant if the approved applicant is participating as a licensed teacher. The teacher also must agree to employment with a school district designated by the State Board of Education in a location experiencing a critical shortage of teachers.

Fannie Mae Partnership Offices are more than willing to work with companies that would like information on how to start an EAH program. To find the location of the office closest to you, call Carol Laslo, deputy director of the St. Louis Partnership Office, at (314) 421-6444.

Benefits of an EAH plan

Employer:

- Outstanding recruitment tool
- Improves employee retention and loyalty, thereby reducing hiring and training costs
- Improves employee morale
- Enhances the employer's reputation as family-friendly
- Creates employer goodwill in the community
- Tax deductible benefit

Employee:

- Realization of home-ownership dream
- Enhances lifestyle associated with home ownership
- Increases job satisfaction
- Possibly reduces commute

Community:

- Increases property tax base due to a rise in home ownership
- Stimulates local economy
- Encourages greater community involvement due to increased home ownership
- Helps revitalize and stabilize the community

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Financial Modernization and the Community Reinvestment Act

Tiffany Guynes

On Nov. 12, 1999, President Bill Clinton signed into law S.900, more widely known as the Financial Services Modernization Act (FSMA). The primary goal of the new law is to enhance competition in the financial services arena. To achieve this goal, the law allows for cross-ownership of banks, insurers, securities firms and other financial services providers.

While striving to enhance competition, the FSMA also will affect the 1977 Community Reinvestment Act (CRA). The CRA was adopted by Congress to encourage all federally insured financial institutions to assist in meeting the credit needs of their entire communities, including low- and moderate-income areas, while maintaining safe-and-sound lending practices.

The FSMA opens the door to mergers of banks, insurers, securities firms and other financial services providers. The law, however, mandates that before taking advantage of this new opportunity, banks must first achieve a CRA rating of at least "satisfactory."

FSMA also provides for a change to the CRA examination schedules for financial institutions that have total assets of $250 million or less. Instead of an examination schedule every 18 months, small banks with a CRA rating of "outstanding" will be evaluated only once every five years. Similarly, small banks possessing a "satisfactory" rating will be examined on a four-year schedule. Banks that have a "less than satisfactory" rating or worse will continue to be reviewed on the current 18-month schedule, or more often if deemed necessary by the bank's federal regulator.

A major change to the CRA regulation is what has come to be known as the "sunshine provision." This provision requires that both financial institutions and community groups submit annual reports regarding CRA-related projects in which banks have invested more than $10,000 in grants or more than $50,000 in loans as a result of CRA-related testimony or discussion. Financial institutions must provide information on the amount of funds made available to community- based organizations. Additionally, financial institutions must disclose aggregate data on loans, investments and other services provided to the community for which they will receive CRA credit. Banks must submit the reports on an annual basis to their federal regulator.

Community groups also must file annual disclosure reports. These reports must detail the use of funds they receive from financial institutions, including compensation, administrative expenses, travel, entertainment, consulting and other professional fees that have been paid. Community groups are required to submit their reports to the financial institution with which they have partnered. The bank, in turn, will forward the report to the appropriate financial regulator.

Finally, the FSMA requires two studies. The Federal Reserve Board is required to produce a report that will detail default, delinquency and profitability rates of CRA-focused lending activities. Additionally, the Treasury

Department must conduct a study to determine if the CRA is encouraging financial institutions to produce adequate services to the targeted populations.

The FSMA also includes the Program for Investment in Microentrepreneurs (PRIME) Act. PRIME provides grants to qualified organizations (nonprofit microenterprise development organizations and intermediaries) to foster training and technical assistance to disadvantaged entrepreneurs, training and capacity building for development groups and to promote research and development of best practices for microenterprise development. Through PRIME, $15 million a year has been authorized until 2003. The program will be administered by the U.S. Small Business Administration.

Details on how the changes to the CRA regulation will be implemented will be provided in future issues of *Bridges*.

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Spanning the Region

"Next Step" Loan Finances St. Louis Homeowners' Down Payment

The St. Louis Community Development Administration (CDA) and Missouri Housing Development Commission (MHDC) are partnering to provide increased opportunities for homeownership in several St. Louis neighborhoods through their Next Step down payment assistance program. The CDA received $350,000 from MHDC to fund the program.

The program offers down-payment assistance for up to 20 percent of the sales price at no interest for up to 30 years and is financed through participating lenders. To participate, the homebuyers must invest at least 2 percent of their own funds toward the down payment.

Next Step is open to buyers of new homes or substandard rehabilitated older homes in the neighborhoods of Walnut/Mark Twain, North Central, HiPointe, Ellendale, Greater Garden District, Near Southside and South River District. Borrowers must have household incomes below $67,800, and the purchase price must be less than $149,010 for new construction and $123,210 for rehab and purchase of an existing home.

Next Step mirrors MHDC's regular Down Payment Assistance (DPA) program except that the regular program provides benefits only for first-time homebuyers and has lower income and purchase price restrictions. For more information on the DPA program or to obtain a list of participating lenders in the Next Step program, visit MHDC's web site at www.mhdc.com.

Main Street Manual Now Available

Sharing Solutions: A Guide to Downtown Revitalization is a reference book that covers the basics of downtown revitalization. The publication, produced by Main Street Arkansas and the Federal Reserve Bank of St. Louis, is organized by a four-point Main Street Approach—Design, Organization, Promotion and Economic Restructuring. In each of the four sections, the most-asked-about topics in each category are addressed. Also, each section includes references and resources for both Arkansas and national programs. For copies, call Tiffany Guynes of the Fed's Little Rock Branch at (501) 324-8240.

Delta BusinessLINC

A national initiative that encourages private-sector business-to-business linkages to enhance the capacity of small businesses now has a local flavor. The Delta BusinessLINC is being organized by the Enterprise Corporation of the Delta with three mid-south corporations—Entergy, Federal Express and Mississippi Chemical—as charter members. This local chapter will establish business-to-business relationships between large corporations and smaller Delta firms. These large companies will mentor and establish joint ventures with area small businesses to develop the viability and sustainability of the small companies, as well as to develop new supplier relationships that will benefit those larger corporations.

The national initiative is supported by the Business Roundtable, the U.S. Department of the Treasury and the Small Business Administration and is targeting linkages to help small businesses that are located in economically distressed urban and rural areas. The Delta chapter is the only rural chapter to date.

Enterprise Corporation of the Delta will help match mentors with small business proteges and provide financial and technical assistance to participating companies. For more information, call (601) 944-1100.

Keyes Named to Fed's Consumer Advisory Council

M. Dean Keyes of Mercantile Bancorporation, Inc., in St. Louis, was one of seven new members named to the Federal Reserve Board's Consumer Advisory Council. Keyes is senior vice president and director of Corporate/Community Reinvestment Act Initiatives for Mercantile. She participates on the boards of organizations that promote affordable housing, racial equality, jobs and economic development.

At the suggestion of the Board, the Consumer Advisory Council was established by Congress in 1976 to advise the Board on the exercise of its duties under the Consumer Credit Protection Act and other consumer-related matters. Members of the 30-member council serve three-year terms that are staggered to ensure continuity. They meet three times a year at the Board's offices in Washington, D.C.