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THE FEDERAL RESERVE  
BANK OF ST. LOUIS

# BRIDGES

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## Community Affairs Staff Focuses on Entrepreneurship

By Glenda Wilson  
*Community Affairs Officer*

It is well-known that small business plays a substantial role in our overall economy. More than 99 percent of all American businesses are small, according to the U.S. Small Business Administration (SBA). They create 75 percent of the net new jobs, and they employ more than half of the nation's nonfarm private employees, according to the *2003 State Small Business Profiles* report from the SBA. The report shows small business dominates several sectors of the economy, such as construction; professional, scientific and technical services; and health care and social assistance. These data demonstrate the importance of supporting small-business development.

Access to capital and credit is one of the most critical elements to the success of these enterprises. Improving the flow of capital to small businesses has been a pri-

ority in public policy and private industry for decades, with market forces and technological advances constantly presenting new opportunities for accomplishing this goal.

Training and technical assistance in business administration are as important as financing to the viability of microenterprises. These

Providers of small-business capital face a challenge—how to obtain accurate, comprehensive information on the financial and managerial capacity of an enterprise. A problem facing small-business lenders or investors is the difficulty in gathering data that is certified or easily verifiable. Because

Given this situation and the economic impact of small businesses in both urban and rural communities, the Community Affairs Office of the Federal Reserve Bank of St. Louis is undertaking a comprehensive approach to help generate knowledge among market players. During 2004 and 2005, we will provide technical assistance, host workshops, sponsor a conference in the spring of 2005 in Memphis, publish newsletter articles and reports, and sponsor research related to entrepreneurship and small-business development. We believe these efforts and others will provide excellent opportunities for information sharing and networking, connecting entrepreneurs with the ideas and the resources that help foster new business growth.

We begin with an article in this issue of *Bridges* on the role of small-business startups in the life science and information technology industries in St. Louis. (See Page 2.)



*The Fabric of Our Community*

companies often need guidance on the principles of operating a business—developing a business plan, implementing accounting and financial reporting systems, and creating marketing strategies.

One constant in this quest is the value of quality information.

little public information on small businesses typically is available, capital providers must collect proprietary data from the business owner. As a result, strong relationships between entrepreneurs and their capital providers are critical.

# Incubators Nurture High-Tech Companies

By Linda Fischer  
Assistant Editor

In a city that hasn't expanded its boundaries since 1876 and where little room exists for new industrial parks, two specialized incubators and the small businesses they house have captured the attention of community leaders.

The Technology Entrepreneur Center (TEC) and the Center for Emerging Technologies (CET) in St. Louis help high-tech information firms and biomedical research companies take root. Mentors, reasonable rents and networking opportunities draw entrepreneurs to the facilities. In addition, the incubators offer specialized services and opportunities that high-tech companies need.

City officials are counting on these incubators to play a role in reinvigorating commerce in St. Louis. The hope is that once the businesses grow and "graduate" from the incubators, they will stay in the city, creating jobs and expanding the tax base.

"So many of the traditional approaches to economic development have limited potential for us," said Pat Bannister of the St. Louis Development Corp., the city's economic development agency. "There's not a 10-acre site available in the city. We're not going to go chasing smokestacks," he said, referring to large factories.

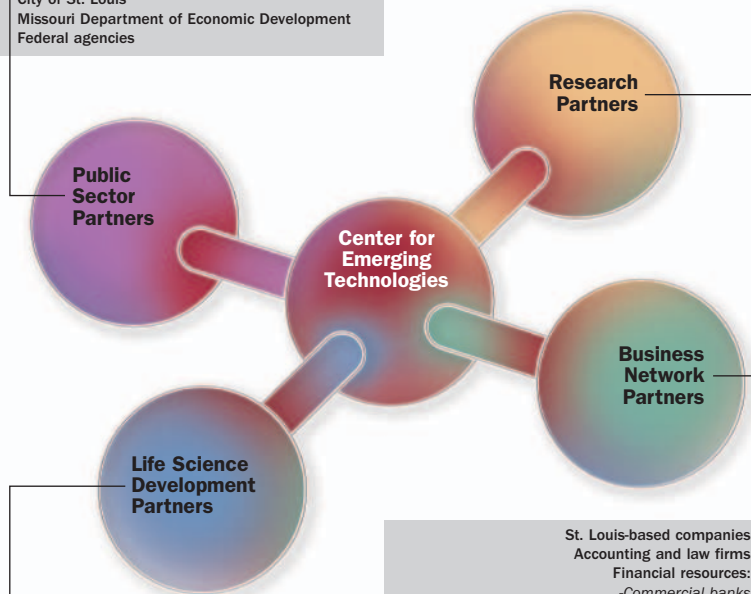
Instead, it is important for the city to invest its economic devel-

opment capital in creating small businesses—and that translates into incubators, Bannister said. The city has made strategic investments in TEC and CET. "We view this support for incubators...that nurture and grow budding technology businesses as critical to the economic success of the city of St. Louis," he said.

large firms in the fields of biotechnology, medical electronics, semiconductors and telecommunications have observed that small firms are receiving patents

City of St. Louis  
Missouri Department of Economic Development  
Federal agencies

Washington University/School of Medicine  
Saint Louis University/Health Sciences  
University of Missouri-St. Louis  
Donald Danforth Plant Science Center  
BJC Hospital System  
Missouri Botanical Garden  
Global technology-based companies  
Federal laboratories



The Coalition for Plant and Life Sciences  
St. Louis Regional Chamber and Growth Association  
BioGenerator  
Technology Gateway Alliance  
BioBelt  
CORTEX  
Nidus Center for Scientific Enterprises  
Missouri Biotech Industrial Organization

St. Louis-based companies  
Accounting and law firms  
Financial resources:  
-Commercial banks  
-Venture funds  
-Investment banks  
Real estate developers and related businesses  
Specialized service firms

His statements are supported by a recent report from the U.S. Small Business Administration that found small, highly innovative firms have a big impact on high-tech industries. For instance,

in higher-than-expected numbers, the report said.

Bannister pointed out St. Louis has an abundance of mature, technology-based companies, universities, medical centers and other life science research facilities to support the development of related small businesses. The

incubators provide their clients with links to these resources.

"Incubators can be successful only if they offer the value-added," Bannister said. "If an incubator is nothing more than a real estate venture, without providing the value-added counseling and services, the incubator will not work."

Both TEC and CET offer value-added services: TEC in the form of physical infrastructure, and CET in its connections with universities and medical centers.

## Sharing Connections

TEC is a new incubator in downtown St. Louis that will open this spring on a floor of the Bandwidth Exchange Building. Designed for information technology firms, the incubator has room for 10 to 15 businesses. As it finishes construction on offices, it is seeking tenants and investors.

Although TEC is just getting off the ground, its president is already looking to the future.

"I would love to see several floors of startup companies" in the building, said Jim Brasunas. "When you have companies like that in proximity to one another, there is a synergy, and ideas start bouncing around from one to the other. I want this to be the place people work. It can really create some vibrancy downtown."

Global Velocity, one of the firms that has committed to the incubator, is working in partnership

with Washington University in St. Louis to develop and commercialize an Internet security product.

“We were looking for space downtown. What they (TEC) were planning fit exactly with what we were doing,” said Matthew Kulig, president and CEO.

Planning services, administrative support, room to expand and fund-raising capabilities are important attributes of the incubator, he said. It allows him to showcase Global Velocity to potential investors—universities and influential people in the business community—he otherwise might not have met.

The value-added service that TEC boasts is “unparalleled access” to bandwidth and data resources and the carriers that provide them, Brasunas said.

The incubator is located in one of two sister buildings that are home to 10 high-tech companies, including Internet service providers, large web-hosting companies, data center providers and corporate information technology outsourcing specialists. Several of the companies are sponsors of the incubator.

“The availability of multiple providers and built-in redundancy allows the Bandwidth Exchange Building to offer its tenants incredible cost savings in terms of local loop and other connectivity,” according to information from TEC.

Small firms can access small amounts of bandwidth. As they grow, “incredible” amounts of bandwidth can be made available at a moment’s notice, the information states.



Matthew Kulig, left, and Jim Brasunas look over blueprints for the Technology Entrepreneur Center in downtown St. Louis. Brasunas is president of the business incubator and Kulig’s firm, Global Velocity, is a tenant. (Photo by Dennis Caldwell)

Bannister agreed the building is a critical part of the incubator’s plans. The access to connectivity will help ensure its success.

“It’s efforts like these that are going to grow the next generation of businesses that will be major employers in the city of St. Louis,” he said.

For more information on TEC, visit [www.tec-stl.org](http://www.tec-stl.org).

### Location, Location, Location

Over in midtown, CET has been working since 1996 to help the city realize its potential as a leader in life science research and commercialization.

As St. Louis competes with other cities to become a hub of the industry, CET offers one asset that is invaluable: location. The center is located in an evolving biomedical research and development district called CORTEX (Center of Research, Technology and Entrepreneurial eXpertise). The district includes the Washington University School

of Medicine and its teaching hospitals, Barnes-Jewish and St. Louis Children’s; Saint Louis University’s Frost and Health Sciences campuses; and the Missouri Botanical Garden’s herbarium, all renowned centers of research.

The proximity of these facilities to the incubator/accelerator, which houses startup and expanding small businesses, stimulates the development of the new firms. Most are working on projects in affiliation with Washington University; some are working with Saint Louis University. The center also is connected with the University of Missouri-St. Louis, which, along with the Missouri Department of Economic Development, sponsors it.

The flow of information between the universities and the businesses in CET makes the center viable, said Marcia Mellitz, president.

“The reality is, you need a major research university to do any kind of a research park or technology-

*continued on Page 4*

## Funding Sources

### Center for Emerging Technologies

The Center for Emerging Technologies (CET) was created with an investment of \$16 million. The complicated project used state and federal tax credits, private loans, bank loans, U.S. Department of Housing and Urban Development grants and private investments to rehab two buildings, with one opening in 1998 and the other completed in 2001.

Over seven years, the state of Missouri has invested nearly \$4.6 million in the nonprofit incubator/accelerator. Capital investment from other sources totals \$13.5 million. CET estimates the total leverage from the state’s investment is \$408 million, with \$107 generated, mostly from outside the state, for every \$1 invested by the state.

### Technology Entrepreneur Center

The Technology Entrepreneur Center (TEC) is a nonprofit corporation. The initial investment consisted of \$100,000 in a forgivable loan from the St. Louis Development Corp. and another \$100,000 in Small Business Incubator Tax Credits from the state. The tax credits leveraged \$200,000, which included a \$100,000 donation from Bank Midwest.

The city’s development corporation has promised an additional loan of \$50,000 once phase 1 of construction is complete. In February, the incubator was awarded a second round of \$100,000 in state tax credits to support this year’s fund-raising. Jim Brasunas, president of TEC, said he hopes to raise a total of \$500,000 or more this year.

continued from Page 3

based incubator,” she said. “If you’re doing it in life sciences, it must be a major research medical school. . . . It needs to really be on the doorstep of a medical school.

“We are clearly here (in the district) for a reason, and we wouldn’t have the kinds of companies we have if it weren’t for the proximity to the medical schools.”

The center is home to 13 companies, 10 of which are engaged in the development of biomedical technologies. The other three companies are engineering-based,

doing research in advanced technology. Together, they employ more than 150 people. The businesses share 92,000 square feet of space, spread out over two adjoining buildings.

Tenants also benefit from business guidance and shared equipment and meeting rooms. CET offers specialized research and development spaces, including dry and wet labs, at a reasonable cost.

In 2003, CET was recognized by the U.S. Department of Commerce with its Award for Excellence in Technology-led Economic

Development and by the National Business Incubation Association as one of the top 10 incubators in the country.

Within two years, Mellitz and others involved in developing CORTEX hope to have a multi-tenant building available for companies that are ready to move out of CET. Mellitz’s vision is that as CET’s former tenants prosper in the district, they will draw other private-sector life science businesses to the area.

More information on the center is available at [www.emergingtech.org](http://www.emergingtech.org).

## Is Biotech Right for Your Community?

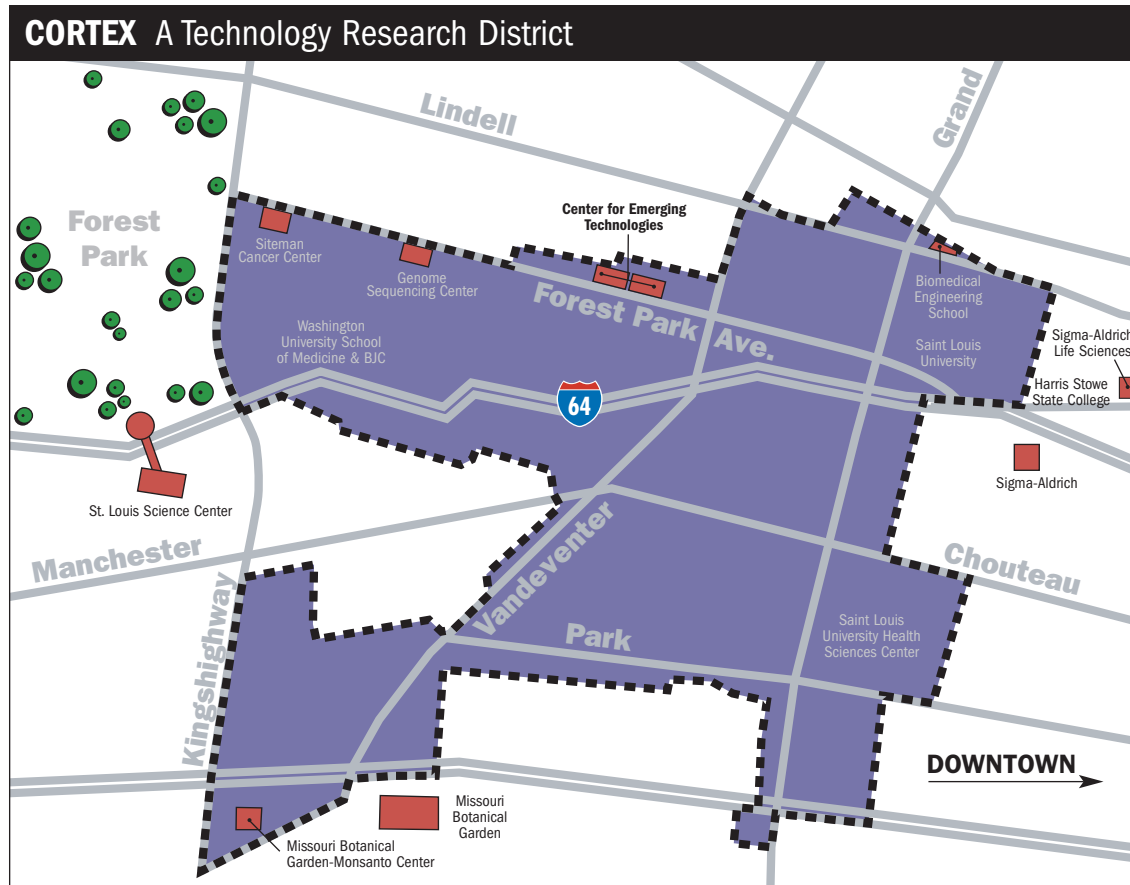
The biotech industry is an important and fast-growing sector of the American economy, according to a 2002 report by the Brookings Institution. Cities and states across the country are scrambling to develop biotechnology centers in the hopes of creating jobs and fostering economic development. Despite this interest, there are many cities that probably should be looking at other ways to improve their economy. Biotech is not for everyone.

The Brookings report found the regions where biotech industries flourish have two key ingredients necessary for growth: strong research facilities and the ability to convert the research into commercial activity.

In 2001, there were 41 states with economic policies that included biotech initiatives, a Battelle memorial Institute study reported. That number has since grown, prompting a recent headline in a Florida newspaper to ask, “Is Biotech Getting Spread Too Thin?”

Experts say communities considering biotech as an economic development tool should decide if they have the assets necessary for commercial success:

- strong research universities and medical centers;
- connectivity to high-tech infrastructures;
- availability of venture capital funds;
- commitments from federal, state and local governments;
- commitments from foundations and other organizations; and
- incubators that can provide years of support for small businesses.



The proximity of renowned universities, hospitals and other research centers in CORTEX (area within dotted line) gives businesses in the Center for Emerging Technologies easier access to resources.



## It's FACT: New Federal Law Targets Credit Reports, ID Theft

A new federal law tackles two problems consumers might encounter: fair access to credit and identity theft.

Enacted last December, the Fair and Accurate Credit Transactions Act (FACT) amends the Fair Credit Reporting Act of 1996, which established uniform

standards regarding what type of information credit agencies can include in credit reports. FACT makes those standards permanent; otherwise, they would have expired Jan. 1. The standards are designed to ensure consumers' credit histories are accurate and that consumers have

access to their credit reports.

The new identity theft provisions of the law affect merchants, lenders, credit reporting agencies and federal regulators. The provisions have several goals: prevention, apprehension of criminals and protection of identity theft victims.

The law also gives consumers more control over the types of solicitations they receive, allowing individuals to refuse solicitations from certain businesses for a five-year period. Businesses that have a pre-existing business relationship with customers are not included.

### FACT at a Glance

#### Credit Reports

- Consumers are entitled to a free annual credit report from one of the three major credit-rating agencies.
- Financial institutions must notify consumers if their credit terms are less favorable because of credit scores.
- Agencies must disclose credit scores for a "fair and reasonable fee."

- Medical information may not be used when determining eligibility for credit.

#### Identity Theft

- Store receipts will show only the last five digits of a credit card number.
- Identity theft victims need to make only one phone call to receive advice, set off a nationwide fraud alert and protect their credit standing. This replaces a requirement to call all of their credit

card companies and the three major credit-rating agencies.

- Fraud alerts and military active duty alerts may be placed on credit files, requiring credit-reporting agencies to ensure future requests for information are from the customer and not from a thief.
- Regulators must devise a list of identity theft indicators and, during compliance examinations, evaluate how financial institutions use them. Fines will be imposed when institutions disregard indicators.

- Lenders and credit agencies are required to develop methods to stop identity theft before it causes major damage.

#### Solicitations

- Consumers may refuse to accept solicitations from certain marketing firms.
- Businesses that have a pre-existing relationship with consumers are exempt from requested solicitation bans.

## Fed Designs New Web Sites for Home Buyers, Professionals

Community development professionals, bankers and prospective home buyers can find valuable information on new web sites from the Federal Reserve. Two sites focus on community development investments and best practices. Another site helps individuals navigate the sometimes complex finances of purchasing a home. All three sites were developed by the Fed's Community Affairs function.

The *Community Development Investments* web site explains

Federal Reserve policies that promote investment in community development activities by bank-holding companies and state-member banks. The site features a regulatory overview, information on investment authority and procedures, and links to additional resources. State-member banks will find a link to a form that notifies the Fed of their investments in community development. The address is [www.federalreserve.gov/communityaffairs/cdi/default.htm](http://www.federalreserve.gov/communityaffairs/cdi/default.htm).

The *Lessons Learned: Community and Economic Development Case Studies* site is a database that profiles the methods used in various communities to finance economic development. Each case study identifies a problem, the solution, the results, the lessons learned and contact information for the project. The address is [www.chicagofed.org/cedric/lesle\\_index.cfm](http://www.chicagofed.org/cedric/lesle_index.cfm).

First-time home buyers can use *Partners Online*, a mortgage

loan calculator, to figure projected monthly payments and a maximum loan amount. The software also offers customized information based on FHA guidelines or a bank's underwriting criteria. *Partners Online* will tell users whether they prequalify for a loan. It lists actions that can be taken to qualify for a mortgage. Information is available at [www.frbatlanta.org/comm](http://www.frbatlanta.org/comm).

# SPANNING THE REGION

THE REGION SERVED BY THE FEDERAL RESERVE BANK OF ST. LOUIS ENCOMPASSES ALL OF ARKANSAS AND PARTS OF ILLINOIS, INDIANA, KENTUCKY, MISSISSIPPI, MISSOURI AND TENNESSEE.

## New CDFI in Evansville, Ind., to Support Home Ownership

Our Greater Community Inc. recently was awarded U.S. Treasury Department certification for its forthcoming community development financial institution (CDFI) in Evansville, Ind. Certification allows the organization to apply for financial assistance from the CDFI Fund.



The nonprofit initially plans to offer home ownership and home rehabilitation assistance such as gap financing, down payment assistance and financing. The CDFI's investment area is low- to moderate-income census tracts surrounding downtown Evansville.

In addition to hiring a local consultant to develop relationships with stakeholders, Our Greater Community has hired the National Community Capital Association to develop the CDFI's business plan, policies and procedures. The initial capitalization campaign and business

plan should be completed by September. An executive director will be hired by year's end, and operations will begin shortly thereafter. During the CDFI's first year, the nonprofit hopes to raise \$1 million in capital, or one-quarter of its total goal.

## St. Louis Corporate Partnership Provides Job Skills Training

The Financial Career Connections (FCC) corporate partnership program offers low-income individuals job-skills training and St. Louis-area banks immediate access to employees with skills in financial services. FCC candidates earn certificates of completion through the Bank Teller Basic Skills Program or Financial Service Representatives Program.

Corporate partners can:

- invest in FCC through contributions toward student

- tuition scholarships;
- contribute training equipment and supplies;
- volunteer as guest speakers, mentors or members of the FCC board or admissions committee;
- participate in the Bi-Lingual Bank Training and Employment Project by recruiting bilingual and multilingual FCC graduates; and
- recruit graduates of FCC certificate programs with no placement or recruitment fees.

Financial institutions not only might benefit from hiring employees with pre- and post-employment training, but also might meet Community Reinvestment Act obligations through the investment and service opportunities available to FCC corporate partners.

For information, call Karen Watkins at (314) 367-1400 or e-mail her at karen@teltemps.com.

## Arkansas Businesses Can Find Financial Sources on Web Site

A new web-based service, Capital Access Arkansas, helps small and medium-sized businesses in that state find funding. Created by the University of Arkansas at Little Rock's Institute for Economic Advancement, the site provides information on local

banks, lenders and finance programs, as well as venture capital firms operating in Arkansas. Visit [www.capitalaccessarkansas.org](http://www.capitalaccessarkansas.org) for more information.

## Venture Tax Credits to Boost Business Development in Indiana

Indiana's Venture Capital Investment (VCI) Tax Credit program aims to stimulate the development of startup companies and innovative products.

Investors who want to qualify for the credit must invest in independently owned and operated businesses that are certified by the Indiana Department of Commerce. To be certified, businesses must meet a host of criteria, including the development of a new product or process area. The businesses also must have a substantial number of high-skill jobs, with a significant number paying at least 150 percent of Indiana's per-capita personal income.

Investments in certified businesses began Jan. 1. The maximum number of VCI tax credits allowed in a calendar year is \$10 million.

For information, visit the web site [www.indianacommerce.com](http://www.indianacommerce.com) and click on Helping Businesses and then Incentive Programs, or call (317) 232-8827.



International Urban  
Planning & Environment Association

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# BRIDGES

*Bridges* is a publication of the Community Affairs department of the Federal Reserve Bank of St. Louis. It is intended to inform bankers, community development organizations, representatives of state and local government agencies and others in the Eighth District about current issues and initiatives in community and economic development. The Eighth District includes the state of Arkansas and parts of Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee.

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Free subscriptions and additional copies are available on request by calling (314) 444-8761 or by e-mail to [communityaffairs@stls.frb.org](mailto:communityaffairs@stls.frb.org).

## APRIL

### 15, 16

**Capitalizing on Rural America—  
Des Moines, Iowa**

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of Des Moines  
[www.fhlbdm.com](http://www.fhlbdm.com)  
1-800-544-3452, ext. 1101

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**Pulaski County Empowerment Zone Tax Incentive Meeting for Bankers—Little Rock, Ark.**

Sponsor: Federal Reserve Bank of  
St. Louis  
[www.stlouisfed.org/community/conferences.html](http://www.stlouisfed.org/community/conferences.html)  
(501) 324-8240

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**Expanding Banking Opportunities in the  
Hispanic Market—Bowling Green, Ky.**

Sponsors: Federal Reserve Bank of St. Louis  
and the Federal Deposit Insurance Corp.  
[www.stlouisfed.org/community](http://www.stlouisfed.org/community)  
(502) 568-9216

## MAY

### 3-7

**NeighborWorks Training  
Institute—Minneapolis**

Sponsor: Neighborhood Reinvestment Corp.  
[www.nw.org/training](http://www.nw.org/training)  
1-800-438-5547

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**New Neighbors: Creating Homeownership  
Opportunities for the Immigrant  
Community—Louisville, Ky.**

Sponsors: American Bankers Association  
and the Federal Reserve Banks of St. Louis  
and Cleveland  
[www.stlouisfed.org/community](http://www.stlouisfed.org/community)  
(502) 568-9216

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**Community Development Policy  
Summit—Columbus, Ohio**

Sponsor: Federal Reserve Bank of Cleveland  
[www.clevelandfed.org/CommAffairs](http://www.clevelandfed.org/CommAffairs)  
1-800-433-1035

## MAY

### 24-27

**Microenterprise: A Declaration of  
Independence—Philadelphia**

Sponsor: Association for Enterprise Opportunity  
[www.microenterpriseworks.org](http://www.microenterpriseworks.org)  
(703) 841-7760

## JUNE

### 7-12

**Regionalism at a Crossroads: Working  
Together to Transform Local Economies—  
Memphis, Tenn.**

Sponsor: ACCRA  
[www.accra.org](http://www.accra.org)  
(703) 522-4980

### 21-24

**Housing Finance Institute—New York**

Sponsor: Fannie Mae  
[www.efanniemae.com/learning\\_center](http://www.efanniemae.com/learning_center)  
1-800-243-5478

# Fed Issues Call for Papers

Researchers interested in consumer finance are invited to submit academic papers for a Federal Reserve System conference next spring.

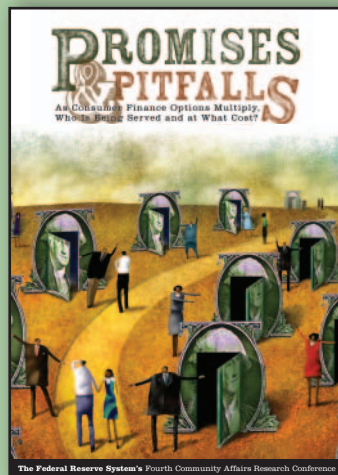
*Promises and Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost?* will take place April 7-8, 2005 in Washington, D.C.

Sponsored by the Federal Reserve's Community Affairs officers, the conference will bring together representatives from academia, financial institutions, community organizations, foundations and government.

Papers that evaluate how consumer financial markets function—from the perspective of pricing, service, profitability or equitable treatment of consumers—are preferred. The program committee also welcomes papers that analyze important trends and innovations in consumer finance.

Suggested topics include, but are not limited to:

- trends and innovations in consumer finance
- household financial products and services
- asset-backed securities and consumer finance
- consumer debt burdens, loan foreclosures, loan servicing, loss mitigation and bankruptcies
- consumer financial service providers and markets
- consumer finance and macro-economic performance
- credit bureaus and credit scoring models
- behavioral economics and consumer financial decision-making
- fair and equal access to credit
- financial literacy
- services for immigrant populations
- sub-prime and predatory lending
- regulation of consumer finance
- consumer finance and the Internet.



Researchers interested in presenting papers must submit a completed paper, detailed abstract or proposal by May 30 to Mark Sniderman, Federal Reserve Bank of Cleveland, P.O. Box 6387, Cleveland, OH 44101.

For details, visit the Federal Reserve Bank of St. Louis' web site at [www.stlouisfed.org](http://www.stlouisfed.org) and click on Community Development or call Ruth Clevenger of the Federal Reserve Bank of Cleveland at (216) 579-2392.

## Have you HEARD

### Fed Announces Increase in HMDA Threshold

The Federal Reserve Board recently increased the asset-size exemption threshold for depository institutions under the Home Mortgage Disclosure Act (HMDA) to \$33 million from \$32 million.

Depository institutions with assets of \$33 million or less as of Dec. 31, 2003, are exempt from data collection in 2004. However, institutions that were required to collect data in 2003 still must report the data in 2004.

The Board also is publishing technical amendments to HMDA and the staff commentary to make them conform to changes in the definition of metropolitan statistical area boundaries.

The exemption adjustment and technical amendments became effective Jan. 1, 2004.



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