

Transcript: How Communities Can Use CDBG to Create Economic Opportunities (video)

The stories of American businesses are as diverse as the country itself. These examples illustrate how people were able to expand their businesses, assist the economies of their hometowns, and create jobs for low-income people as a result of CDBG economic development programs.

The city of LaCrosse revitalized their downtown by expanding the grocery store as a downtown anchor.

We started out as a very small organized group of maybe two dozen people who had taken a class in natural foods at a free university course back in 1973. Pretty sure there were so many members of the buying club they decided to open a retail store. Soon we realized we had outgrown the space, but we thought it was really important for us to stay in downtown, and we thought we could be an important linchpin for redevelopment. So at that point we decided we are going to invest and double down in downtown, and we decided to do a major expansion project.

In Santa Fe springs, they were struggling with 265 blighted acres from a closed oil refinery brownfield.

There was a refinery operating here until 19 – the end of 1991. And because of the history of the long history of use as an oil refining and storage facility, the property was quite contaminated.

There was a little bit of smell. There was a lot of smokestacks, and then the huge tanks that they stored the petroleum products in. And it was just desolate, you know. It was really desolate.

At the end of the day, we determined that there was a great need in the marketplace for modern Class A industrial facilities, and that's what we decided to do.

Like many communities, we want to encourage small businesses and their expansion.

When I first started this business, I was 24. I was a single mom, bad credit. Really couldn't get anyone to give me a loan for a business. I did have a degree in general social services, and couldn't get a job in that field, so for a long time I couldn't really find good employment to help support my family. So when this opportunity arrived, and it was really like a light bulb.

In these and other communities who have undertaken economic development initiatives, CDBG investments are part of an overall economic development strategy.

In the 1980s and the early parts of the 1990s, there was some real challenges here. Our property values were, you know, basically either stagnant or declining. There were, you know, much higher vacancy rates, and I think there was just really a thought that we need to do something. To the community's credit, they came together, they developed a city vision master plan, which talked about, you know, basically recrafting our downtown into our office park. And one of the things that we have been really, again, focused on is trying to create retail and uses that will help grow residential. The food co-op is just, you know, a perfect anchor for what we're trying to do here.

So our Consolidated Plan has a number of need areas that are addressed, one of which is economic development. And we developed, or identified three top priorities in our needs analysis for economic development, the top being job creation, the second being business finance assistance, and the third being redevelopment. So for this particular plan, community service came back identifying job creation as a top priority, and this particular project met that need because it was a large-scale job creation project.

The city has a great diverse, healthy population and community, and because of that we see people from all walks of life, all economic strata come in and try to start businesses. It doesn't matter whether it's the hot dog vendor who is setting up shop for less than \$10,000, or if it's an engineering firm that over the course of history has now blossomed to several hundred employees. What we are trying to do with the revolving loan fund is create a depth and breadth of opportunity, of economic opportunity for everyone.

Communities can use CDBG funds for projects with economic development impact in many ways.

We'll help educate the small business owner on helping them create a business plan, helping them create forward going cash flow performance statements. Helping them understand what their business is going to look like on a month to month basis for the upcoming three to five years, as expenses and income, ebbs and flows throughout the process.

Belfast, Maine operates an enterprise loan program for small entrepreneurs, looking for just a bit of help. For example, Eat More Cheese was able to buy a new display case, allowing them to expand from 50 cheeses to 100. And the Purple Baboon gift store put in a new floor and insulation to help her stay open to business year-round.

When we started our project, we had a mix of full and part-time employees, about 60 staff members. Currently we employ about 120. And recently we opened another store in another community across the river in Minnesota, and now we employ over 200 people in our organization.

What you see here today is 265 acres of class a business park development, over 5 million square feet of usable space. What we see is many, many jobs, that replaced the good-paying jobs that went away when the oil refinery went defunct, and what you see is a source of pride for the community and transforming sort of the vestiges of the past into the new Santa Fe springs into the future.

These activities, microenterprise assistance, revolving loan funds to support business development, technical assistance to businesses and commercial rehab, are directly classified as economic development. Other activities like job training, housing, and public facilities can also be an integral part of an overall economic development strategy that creates jobs and transforms key segments of communities.

It is very valuable, that hands-on experience. If solar is gaining momentum throughout the country, well folks who need jobs, they should be getting that hands-on experience. And we can be that teaching hospital.

I have been working for six months now. It is a great job. They taught me a lot of things, you know, about solar. For me, out in the field, it is very comfortable.

Economic development projects create and retain jobs, generate funding for communities through new taxes, and often have immeasurable or intangible indirect community impacts.

To work here and live here, to me it's been great. It makes me proud because everybody gets surprised, is surprised it is here. When they start working here and they see how good it is and how successful it is, they get excited about working here. It makes me proud.

Our co-op has focus on regional impact. With an organization such as ours, we find that we draw from a pretty wide range of folks. Not just people who live around our community, but when we look at our supplier base, within 150 miles we have a group of local suppliers who we're able to create really a steady market outlet for them. So we create more of a sustainable food system in the entire region, because consumers are getting great quality products and paying a fair price to our producers to make sure that they can stay in business as well.

When I started out with Roger, it was with carrots and broccoli. It grew even more yet of the co-op. It grew really good once I got down there, and it's grown good ever since.

So the expansion did a lot for us. I wouldn't have been able to -- it's increased our sales. It's just increased the traffic.

One of the key reasons that this has been so successful is this, again, is just one piece of our regional approach to rebuilding our economy. This is just one more component. And we have invested just from the housing sector, we've leveraged, over \$160 million in the city to stabilize our neighborhoods, increase our tax base, and we know that that all creates jobs. So the spin-off of each of that is not only the housing and the economic component, it's that this is -- we are leveraging literally millions of dollars, and what we've seen as evidence of that success is our banking community, in a very short period of time, leveraged that tenfold. And we had 11 participating banks commit to making loans that would leverage that patient capital.

In all economic development projects CDBG is one piece of the overall funding package. Sometimes that piece is relatively small; but serves as an important catalyst to make the project work.

So we invested \$4.5 million, we took out a \$2.3 million mortgage from Wells Fargo. We had half a million dollars from our members, we took out a \$700,000 loan from our regional community loan fund that focuses on food co-ops based in the Twin Cities, and we still had this little gap. And we spent some time working with our friends at City Planning, to figure out were there programs the city had at its disposal to help us close that gap. And the Community Development Block Grant program was the answer.

We had \$20 million in Section 108 loan funds, that was complemented by \$3.75 million in EDI and BEDI. The city of Santa Fe springs contributed \$8 million, the developer brought \$136 million to the project. So a very good ratio of leveraging federal dollars to private dollars.

The purpose of the program is to create jobs and to stimulate economic development activities. Our guidelines are that the minimum amount to borrow through the program is \$10,000; the maximum is \$100,000. For every \$10,000 you need to borrow, you must create or retain a full-time equivalent job. And we look at that job creation over the first two years of the business life. We can't be the only source of financing, we have to partner. So if it's \$100,000 loan, we can look at funding up to half of that, or \$50,000, but we have to look at the job creation that may match that.

I would like to let people who are considering doing this not be overwhelmed by what seems like a big challenge. You have to manage it, you have to have a strategy, but it's doable. To have that team, and to have a sense of completion of the project, it is such a wonderful feeling, don't be overwhelmed by the seeming challenge of it.

As you undertake economic development activities, think about how you can maximize the impact of your CDBG investments through careful program design.

Captioning provided by Caption Associates, LLC www.captionassociates.com