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COMMUNITY REUSE ORGANIZATION FINAL REPORT TECHNICAL ASSISTANCE FERNALD

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REPORT

PUBLIC/CRO

Final Report
Technical Assistance
Fernald
Community Reuse Organization

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Technical Assistance to the Department of Energy
Community Reuse Organization at
The Fernald Environmental Management Project

6-709.19

February 4, 1997

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Fernald Report

Executive Summary

A. Background

- The Fernald site is located 18 miles northwest of Cincinnati in a rural area with some nearby industry. The site straddles two counties: Hamilton on the south and Butler to the north. There are three unincorporated townships surrounding the site: Ross, Morgan and Crosby.

- The Fernald Community Reuse Organization (CRO) was established to help the local community mitigate the adverse economic effects of the downsizing of the Fernald Environmental Management Project, formally a nuclear materials production facility.

- The National Council for Urban Economic Development (CUED) is providing advisory services to the Fernald CRO. The CRO was recently established; therefore, it needs advice on planning and organizational development. In October 1996, CUED staff and consultant representatives visited Fernald and met with local stakeholders. This reports summarizes CUED's findings and recommendations.

B. Findings

- The 1,050-acre Fernald site offers little or no development potential over the next ten years. After that there may be an opportunity to develop portions of the site. However, DOE has tentative plans to commit portions of the site to resolve its liability for natural resource injury. Shorter term, there may be opportunities to use on-site facilities such as the sewer plant or resources such as the fire department.

- As of August 1996 there were about 2,800 contract employees, subcontractors, and DOE 33at the Fernald site. Most of these jobs are expected to be phased-out over the next ten years as cleanup is completed. The Fernald facility employees are mostly skilled labor, technicians and professionals. Their pay scales are higher than those typically found in comparable jobs in the local economy.

- According to local economic development professionals, the Cincinnati metropolitan area economy is strong. There is a low, 2.8% unemployment rate and businesses are experiencing difficulty finding qualified employees.

- The Fernald area serves as a bedroom community to Cincinnati. The local area is not experiencing the high level of growth that is taking place in some of the other Cincinnati bedroom communities because it has limited water and sewer utilities and lacks direct interstate access.

- The Cincinnati region has a talented pool of economic development professionals and organizations. They can provide economic development expertise to the Fernald CRO. The region has many of the strengths that stimulate economic development including: vocational and other training schools, business assistance and lending programs, incubator facilities, and programs for technology transfer. The DOE and its prime contractor, Fluor Daniel Fernald provide education programs on the Fernald site.

C. Recommendations

1. Define the stakeholder region for the CRO. The CRO should define the local community that it wishes to serve. Typically, this definition is based on the location of facility employee residences since their communities will likely experience the greatest economic loss when employees are laid off or relocated. For example, the Savannah River CRO defines the stakeholder region as jurisdictions in which a minimum of 5% of the DOE facility employees reside.

2. Determine composition and operating procedures of the board. The board should represent stakeholders interested in the economic vitality of the community and the goals of the strategic plan. There should be a process to remove inactive board members.

   A system of subcommittees should help the board govern effectively. There should be a personnel committee comprised of CRO board members only. There should be a planning committee to oversee the strategic planning process. Once the strategic plan is complete, subcommittees are needed to evaluate economic development issues (retention/expansion, workforce transition, infrastructure, and site reuse). They should include more than CRO board members; however, there should be at least one CRO board member per subcommittee.

3. Determine composition and operating procedures of the staff. The CRO should choose a temporary staff person to open and operate an office. After the strategic planning process is complete, the CRO should consider hiring permanent staff, matching staff skills with the goals and objectives of the strategic plan. The CRO office should be located outside of the DOE Fernald site. The CRO and its staff should establish, with the DOE, one DOE representative that will serve as the key contact for the CRO. This person should have direct responsibility to the manager of the Fernald site.

4. Select a legal status and prepare Articles of Incorporation and bylaws. Most CRO's register as a 501(c)(3), a nonprofit corporation.

5. Prepare a strategic plan. The strategic plan defines the goals and objectives of the CRO. To provide a context for the strategic plan, there should be an analysis of local area strengths, weaknesses, opportunities, and threats (SWOT analysis). From the SWOT analysis, develop

a mission statement and list of goals and objectives and then prioritize those objectives.

Prior to the SWOT analysis, determine data needs and refinement. Consultants, local planning groups or universities are often retained to compile and refine data, conduct the SWOT analysis and assist in the planning process.

Key issues to consider in the strategic planning process:

1. Level of CRO involvement in site reuse planning
2. Extent to which CRO wishes to be involved in growth management issues
3. Short- and long-term economic development strategies
4. Relationships with other economic development agencies and business service providers
5. Workforce transition focus, given existing DOE efforts
6. Identification of sources of DOE, state and other financing
7. CRO roles in economic development programs
8. Performance criteria to evaluate programs

D. Potential CRO Program Areas

CRO programs should reflect the goals and objectives of the strategic plan and complement existing regional programs. The CRO can initiate programs itself or contract with other economic organizations to implement them. Two widely used potential program areas include:

1. Business Start Up Assistance
2. Business Retention and Expansion Assistance

Tools to implement the programs above include equity or debt funding, mentoring or technical advice, and specific programs for small business. Although the above program areas are conducted in the Cincinnati region, resources are thin. There appears to be a need for greater efforts in the Fernald area. Other possible CRO initiatives include:

3. Infrastructure Development -- There are needs for water and sewer utilities. However, the provision of utilities often involve complicated engineering, cost, and ownership issues which may be better left to the local governments or special purpose authorities.

4. Workforce Skills Assessment and Development -- The DOE has workforce training programs but there may be additional needs. At a minimum, the CRO could conduct a workforce skills assessment. A workforce skills assessment requires three steps: 1) profile industries, 2) estimate skill needs, and 3) identify existing gaps and training needs.

5. Business Recruitment -- It is likely that other economic development organizations, rather than the CRO, are better able to conduct activities to recruit new businesses.

6. Site reuse -- The CRO may wish to participate in the reuse of site assets and resources. We suggest that the site reuse efforts be a secondary role for the CRO. There appears to be limited short- and medium-term opportunities to reuse the site; therefore, CRO efforts are likely to be more productive in development and supporting programs. For efforts regarding the site reuse, we suggest the following:

A. Have the DOE provide an inventory of site assets
B. Identify potential equipment or resources
C. Evaluate transfer options (privatization or community use)
  a. Feasibility and capacity as is
  b. Feasibility and capacity of upgrade
D. Possible site resources before 2007
  1) Fire station
  2) Water plant
  3) Laundry services
  4) Sewage plant
  5) Excess personal property and equipment
E. Timelines on availability for disposition to CRO for reuse

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I. Introduction

The Department of Energy (DOE) has had to adjust 22 nuclear weapons facilities to conform to the post cold war world, as well as to accommodate cuts in the federal budget. Similar to recent military base closures, the downsizing and closure of DOE nuclear weapons facilities is having a resounding impact on the local communities that house, support and benefit from them. The economies of many of these communities are strongly tied to the DOE facilities, the majority depending on DOE as a major employer for over two generations.

The adjustment of the DOE nuclear weapons facilities has raised numerous concerns over how to reemploy the workers dislocated in the process and diversify the regional economies. The needs of the workers affected by the DOE downsizing are similar to the needs of workers impacted by other major dislocations. While a significant share of the workers are skilled, these workers still face reemployment barriers due to changing skill demands and limited employment opportunities in the local economy.

Under Section 3161 of the National Defense Authorization Act of Fiscal Year 1993, DOE has made financial assistance available to help offset the impacts to workers and the communities affected by DOE downsizing. Grant dollars are to be used for generating and implementing strategic plans to create jobs for the workers displaced in the process and assist to diversify and adjust the local economy.

To receive DOE financial assistance for economic development, a community must establish a Community Reuse Organization (CRO) and develop a strategic plan for the community's transition activities. CROs are voluntary organizations established to identify, sponsor and participate in the management of actions that the community will take to adjust to DOE related impacts. They are also liaisons between the community and DOE for economic development issues. Members of the CRO typically include representatives from local government, business, financial and educational institutions, economic development organizations, community-based organizations and unions, as well as site workers and individual residents.

The National Council for Urban Economic Development (CUED) has been retained by the U.S. Department of Energy to provide technical assistance to communities that have been or may be adversely affected by the downsizing or closure of DOE facilities. Working with the Office of Worker and Community Transition and the U.S. Economic Development Administration, CUED is providing assistance to CROs in designing and implementing effective economic development strategies and preparing for new economic opportunities.

CUED recognizes that strategic economic development policies, programs and initiatives as well as retention and placement of displaced workers are critical to avoid further erosion of the economic base of these communities. CUED is working with local communities to identify many of the issues created by DOE downsizing, to examine the current environment within each of the communities and to assess the potential for economic development. CUED technical assistance teams are also working to help the CROs develop strategic economic development policies, programs and initiatives that address the specific issues in each community.

CUED is the premier economic development practitioner's organization in the country. Established in 1967, CUED is 1,800 members strong. CUED's membership is comprised of elected officials and staff in city, county and state development agencies; chambers of commerce; neighborhood groups; and professionals in private sector development. CUED's primary objectives include developing policies for local economic development, sharing proven techniques for stimulating economic growth, and serving as a resource for our members. CUED's Technical Advisory Service achieves these objectives by connecting communities in need with expert practitioners from around the country. CUED has significant experience in assisting communities with developing strategic plans, working with federal and state programs and a host of other economic development issues.

On October 21 and 22, a CUED team of four economic development professionals met with representatives of the Fernald Community Reuse Organization (CRO) as well as representatives of local economic development organizations, government agencies, finance organizations, businesses and business service providers to discuss the adjustment to the potential layoffs at the Fernald Environmental Management Project.

The CRO requested CUED's assistance in getting started and developing a strategic plan. Through analysis of background information and discussions with local representatives during the on-site visit, the CUED team was able to make a series of recommendations concerning the next steps of the CRO.

This report summarizes the technical assistance provided to the Fernald CRO. Chapter II provides background information on the communities affected by the downsizing of the Fernald facility and an overview of the CRO's planned actions. Chapter III describes CUED's technical assistance approach. Chapter IV details the findings and Chapter V provides recommendations made by the CUED technical assistance team. Chapter VI discusses key program areas which are further discussed in the Appendices. Also in the Appendices are sections on 1) economic development representatives in the Cincinnati area, 2) how to select a consultant, 3) how to do a SWOT analysis, 4) business retention and attraction, and 5) employment assessment and training.

II. Background

A. The Fernald Environmental Management Project

The Fernald Environmental Management Project consists of 1,050 acres located about 18 miles northwest of Cincinnati, Ohio. During the site's operation, the facility was known as the Feed Material Production Center. Between 1951 and 1989, the facility produced uranium metal products for the nation's defense programs. After deactivation, DOE renamed the plant the Fernald Environmental Management Project (FEMP).

Uranium production operations were concentrated within a 136-acre industrial area in the center of this property. The on-site property surrounding Fernald's former production area includes several large open pits for waste storage, forested wetlands, and open fields leased for cattle grazing.

Since production operations were discontinued in 1989, the Fernald workforce has been dedicated entirely to environmental restoration. In December 1989, the site was added to the US Environmental Protection Agency's (EPA) National Priorities List of federal facilities in need of remediation. In February 1991, the DOE announced its intention to formally end Fernald's production mission. That closure became effective in June 1991. Under an accelerated remediation plan, the final cleanup effort at Fernald is expected to be completed in approximately 10 years, with aquifer restoration activities extending another five years.

The Fernald Environmental Restoration Management Corporation (FERMCO) is managing all cleanup activities at Fernald under a contract with DOE. FERMCO have renamed themselves Fluor Daniel Fernald and is a wholly-owned subsidiary of Fluor Daniel Inc., of Irvine, California. The Fluor Daniel Fernald team is comprised of Fluor Daniel, Jacobs Engineering Group Inc., Haliburton NUS Environmental Services, and Nuclear Fuel Services. Fluor Daniel Fernald assumed responsibility for the cleanup in December 1992. From January 1986 to November 1992, a subsidiary of Westinghouse Electric Corporation was the managing contractor at Fernald.

B. Community Profile

The Fernald property consists of 1,050 acres in a primarily rural setting approximately eighteen miles northwest of downtown Cincinnati. Surrounding properties consist of agricultural and residential development with some industry.

The Fernald facility is located within Hamilton and Butler counties. Eight hundred and fifty acres of the facility are located within Crosby Township in Hamilton County and 200 acres are located within Ross Township in Butler County. Morgan Township, in Butler County, also borders the site.

Hamilton County, the southern border of the site, includes the cities of Cincinnati and Harrison.

The county supports a population of about 866,228, with approximately 364,000 of the county's population residing in the City of Cincinnati. The median household income is $29,498. Located approximately eight miles from the Fernald facility is the City of Harrison with a population of 7,518. Many people who live in Harrison commute to Cincinnati. The median household income for the City of Harrison is $33,866.

Most of the Fernald facility lies within Crosby Township, which has a population of 2,665. The median household income is $28,706. The three small towns in Crosby Township that surround the Fernald facility include New Baltimore (350); Fernald (20); and New Haven (300).

Butler County borders the northern edge of the Fernald site. Butler County has a population of 291,479 and a median household income of $32,440. The largest concentrated area of population in the county is the City of Hamilton, which has a population of approximately 61,500 and is the county seat. Located eight miles from the Fernald site, Hamilton is also the financial, industrial and cultural center of Butler County.

Butler county is comprised of thirteen townships, including Ross and Morgan townships, which border the Fernald facility. Ross Township has a total population of 6,383, and includes Millville, Ross and Shandon. The median household income is $38,680. Morgan Township has a total population of 4,972, and includes Okeana and part of Shandon. The median household income for Morgan Township is $39,247.

Hamilton and Butler counties are each governed by three-member boards of commissioners. Crosby, Morgan, and Ross township governments derive authority from their parent counties; each is governed by a four-member boards of trustees. Many of the communities surrounding the Fernald site are unincorporated towns generally characterized as rural, agricultural or "bedroom communities" for Greater Cincinnati area commuters.

Franklin County, Indiana is adjacent to Hamilton and Butler counties in Ohio, and has a population of 19,580. Farming, manufacturing, retailing and service industries are the major employers in Franklin County. Brookville is the county seat of Franklin County.

C. Economic Impact

As of August 1996 there were about 2,800 employees associated with the site including the prime contractor, Fluor Daniel Fernald; teaming partners, subcontractors and DOE. In September 1995, the University of Cincinnati completed a study of the economic impact of the Fernald Environmental Management Project on Greater Cincinnati and on communities within seven miles of the Fernald facility. They estimated that an additional 10,000 full-time jobs are created indirectly by businesses that sell goods and services to the Fernald facility and from employee expenditures. In 1994, the Fernald facility spent $358 million, creating an additional $822 million in expenditures for a total economic impact of $1.2 billion. That is, for every dollar spent by the Fernald facility on wages and the purchases of goods and services, $3.20 is generated in the Greater Cincinnati region. This 3.2 multiplier is similar to that experienced nationally in other communities impacted by DOE downsizing.

A review of the University of Cincinnati report by William J. Weida, of the Economists Allied for Arms Reductions, disputes the report findings. The review, prepared for the local community group FRESH, states that errors in the report "caused the model to overstate, by a factor of almost three, the employment impacts of Fernald on the region. Similarly, the economic impact is overstated by a factor of more than three."

There are economic impacts to the immediate area around Fernald; however, business owners provided mixed conclusions when surveyed about those impacts. Business owners felt that Fernald was important to the local economy, but many did not see Fernald as having a significant impact on their own business. Thirty-seven percent felt that Fernald was important to the local economy, but only twenty-three percent felt Fernald was important to their own business. Fifteen percent of business owners stated their business was affected adversely by Fernald because the plant created fear among potential investors, prohibiting growth due to concerns about radioactivity, water quality, toxic waste, and personal safety. Residents, who were also surveyed, tended to be more pessimistic about economic impacts. They noted that much of the Fernald expenditures are not spent locally because most Fernald employees lived outside of the area.

Several positive influences were recognized, although some argued that many of these programs were concessions made to the community due to local pressure. The DOE has assisted in the following:

- installation of water systems
- furnishing of water for fire wells
- training for the local fire department
- lunch hour business for local restaurants and gas stations
- business for antique shops
- contributions to local schools (scholarships and educational programs)
- weather warning systems
- investment in school libraries

The lunch hour impact diminished when Fluor Daniel Fernald shortened their employee lunch hour to one-half an hour. Workers no longer had time to come to nearby communities to eat. This impact was felt the greatest in Ross Township.

D. Environmental Issues

The great Miami Aquifer underlies the entire 1,050 acre site. Groundwater from the aquifer is a major source of drinking water in the region and one of the largest aquifers in the country, containing almost 10 trillion gallons of water. As much as 5.8 billion gallons of water, or 0.062% of the total aquifer has been contaminated.

As result of leaching through soil and runoff into Paddys Run, a large plume of contamination is present in the Great Miami Aquifer beneath the Fernald site and some distance south, beyond the site boundary. DOE has provided a number of homes with bottled water as a result of Fernald-related contamination and is partially funding a project to provide area residences with a public water supply. Five pumping wells south of the Fernald site boundary were installed in an effort to halt further migration of the contamination plume until full-scale remediation can begin.

Production and disposal activities, wind, and runoff created widespread contamination from uranium and other hazardous and radioactive chemicals on and near the 1,050-acre site. Waste at Fernald falls generally into three categories: low-level radioactive waste, hazardous waste, and mixed (radioactive and hazardous) waste. The waste is stored in six pits, three silos, and thousands of 55-gallon drums and other containers. Based on the remediation levels recommended by a Citizens Advisory Task Force (to be discussed later), over 3 million cubic yards of waste and contaminated material will require disposal. However, complete restoration would require substantially more efforts.

Many of the chemical contaminants are typical of those found at an industrial operation, such as solvents, asbestos, polychlorinated biphenyls (PCBs), and heavy metals. In addition, the Fernald site is heavily contaminated with radioactive compounds including uranium, thorium, radium, and radon. Uranium, by wide margin, is the most prevalent contaminant found in the soil and groundwater. The remediation of uranium will generally capture all other contaminants of concern.

In April 1990, a Consent Agreement between DOE and EPA was signed in accordance with Superfund regulations. The Consent agreement provided a guideline by which environmental remediation activities at Fernald are conducted. It identifies a specific schedule for compliance with the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) requirements for conducting remedial investigations and feasibility studies, and reaching records of decision.

DOE intends to raze all buildings on the site as part of the decontamination effort. Although eventual reuse of the site has not been determined, the Fernald Task Force recommended against either residential or agricultural uses.

E. Chronology of Community Involvement

Fernald site environmental issues became the center of public controversy in late 1984, when it was reported that nearly 300 pounds of enriched uranium oxide had been released from the Plant 9 dust collector system to the atmosphere. During this time, it was also disclosed that, in 1981, three off-property wells south of the Fernald facility were found to be contaminated with uranium. In late 1984 and early 1985, the DOE held four community meetings and confirmed the Fernald facility was responsible for contamination of the wells. Fernald area residents filed a class action lawsuit seeking damages for emotional distress and decreased property values. DOE agreed to pay $73 million for emotional distress, medical monitoring, residential real property diminution and legal and administrative costs.

In 1987, Fernald came under increasingly heavy scrutiny by various federal and state entities as documents discussing environmental and safety problems at the DOE nuclear weapons complex facilities were regularly covered by the news media. As a result of continuing activities in the resident's class action lawsuit, national and international media attention focused in 1988 on the Fernald facility, and 150 reporters came to the facility over a 10-day period.

To encourage dialogue between area residents and Fernald personnel, community roundtables on topics of public interest were initiated in 1989. Also, Fernald representatives began attending local township trustee meetings, providing briefings and answering questions.

In 1991, the DOE agreed to pay its "fair share" ($5.5 million) of the cost of a public water supply for local residents whose well water had been contaminated as a result of past Fernald facility operations. This system was operational in the fall of 1995.

In February 1994, the Fernald Envoy Program was initiated with 42 envoys. Envoys inform groups or opinion leaders about Fernald activities; listen to their group's opinions, suggestions or questions; and return feedback to Fernald decision makers. Envoys have established two way communication with many groups with which Fernald previously had no contact.

Fernald Citizens Task Force

The Fernald Citizens Task Force was convened during the early 1990s to provide citizen input into Fernald's environmental remediation planning process. During its existence it has developed a report to advise the DOE, the U.S. Environmental Protection Agency (EPA), and the Ohio Environmental Protection Agency (OEPA) as to future site use, remediation levels, priorities, and waste disposition. DOE, the EPA, and OEPA hired a former Administrator of the Occupational Safety and Health Administration to identify potential candidates for the board and deliver a slate of nominees to DOE. DOE accepted the complete slate of candidates presented and the board was formally established in August 1993, as the Fernald Citizens Task Force. Eight members live or work in the direct vicinity of the site. The remaining members were selected to reflect a combination of skills, but all live within the greater Cincinnati area.

The original charge of the Task Force has been fulfilled with a formal report to the EPA, DOE and the OEPA in July 1995. The task force made specific recommendations for soil and ground water remediation in the report. The task force also made recommendations on the future use of the site, maintaining that the site should never support any residential or agricultural uses.

F. Community Reuse Organization (CRO)

The Fernald CRO was recently formed in the summer of 1996. Members were recommended by a University of Cincinnati professor and subsequently approved by DOE. The 18-member (and

DOE ex officio member) organization is Chaired by David McWilliams, Ross Local School District superintendent. Members comprise local residents, including members of the Fernald Citizens Task Force; Township Trustees, business representatives, union representatives, Fluor Daniel Fernald employees, and a representative from the Hamilton County Regional Planning Commission. Since the CRO is new, operating issues and plans have not been developed. The purpose of this CUED visit and report is to help the CRO get started and focus on the economic development issues important to the local community.

III. Summary of Technical Assistance Site Visit

The technical assistance provided to the Fernald CRO revolved around a two-day, on-site visit. During this on-site visit, the CUED technical assistance team met with CRO staff, regional economic developers, small business service providers, local lenders, local elected officials, citizens, and Fernald workers and management. These meetings were used to discuss:

- overall goals and objectives of the CRO,
- economic development climate in the region,
- needs of local businesses,
- available services for local businesses,
- opportunities for technology transfer, and
- needs of displaced Fernald employees.

The technical assistance team used the information obtained through these meetings as well as information obtained through background research to make recommendations to the CRO.

The CRO requested CUED's assistance in initiating operations and developing a strategy. Through analysis of background information and discussions with local representatives during the on-site visit, the CUED team was able to make a series of recommendations concerning the next steps of the CRO.

The two-day on-site visit was conducted on October 21 and 22, 1996. CUED sent a technical assistance team comprised of four economic development professionals to the Fernald area to conduct informal sessions of interviews over these two days. The four members of the CUED team are Lewis Attardo, Dave Slater, Ed Gilliland and Scott Cody.

Lewis Attardo is Executive Director of the Savannah River Regional Diversification Initiative (SRRDI), the CRO for the Savannah River DOE site. He is responsible for the strategic plan and its implementation for a region comprising parts of South Carolina and Georgia. Mr. Attardo has over 25 years of experience in economic development as a practitioner, consultant and teacher. He conducts seminars and consults to economic development organizations, universities, and government agencies on: 1) Strategic planning, 2) Program design, 3) Grant writing, 4) Funding alternatives and resource development, and 5) Structuring public/private partnerships. Prior to his position at SRRDI, he was Vice President and Director of Defense Transition Programs for the Enterprise Corporation(TEC) of Tampa Bay, Florida. TEC also served as the CRO program manager for DOE's Pinellas Plant in the Tampa Bay area. Prior to his Florida work, Mr. Attardo was Director of the Ben Franklin Technology Center in South Central Pennsylvania. Mr. Attardo is a graduate of Bloomsburg University in Pennsylvania where he majored in Economics.

David C. Slater is a Vice President at Hammer, Siler, George Associates, a national consulting firm specializing in real estate and urban economics. He is responsible for a wide range of economic development, development management, housing program, and real estate market studies. Many of his assignments have focused on mitigating the impacts military base closures. He has lectured at the university level on economic development, transportation planning, comprehensive planning, and new community planning. Prior to joining Hammer, Siler, George Associates, Mr. Slater was a metropolitan planner with the Baltimore, Washington, Atlanta and Knoxville areawide planning commissions. He was also Director of Chapter and Technical Development of the American Planning Association. Mr. Slater holds a Master of Regional Planning degree from the University of North Carolina as well as planning and engineering undergraduate degrees.

Ed Gilliland is the Director of Publications and Advisory Services for CUED. He has nine years of economic consulting experience with cities, counties, quasi-public agencies, multi-jurisdictional coalitions, and private clients. He has focused on strategic planning, economic development, downtown revitalization, public/private partnerships, financial analysis, transportation economics, economic impacts, and land use. He recently participated in the Core Management Team for the multi-jurisdictional Wilson Bridge Improvement Study. The proposed Wilson Bridge will replace the existing I-95 structure that spans the Potomac River in Washington, D.C. Other projects include a retail strategy for downtown Annapolis, Maryland; published case studies for redevelopment in blighted areas; and the financial evaluation of proposals for a gaming, convention and entertainment complex in Laclede's Landing in St. Louis, Missouri. He has worked with office, retail, industrial, residential, resort, industrial and audience support land uses. His experience goes beyond the consulting advisory role to include coalition building; project management, implementation and negotiations. Ed holds an M.B.A. from the University of Virginia Darden Graduate School of Business Administration.

Scott Cody is the Director of Technical Assistance for the National Council for Urban Economic Development. Mr. Cody manages all aspects of the technical assistance projects conducted by CUED. Recent projects include technical assistance to communities that did not receive federal Empowerment Zone/Enterprise Community designation and a fiscal and economic impact assessment of a proposed retail development. Mr. Cody has served on teams to provide communities with technical assistance on entrepreneurial development, small business assistance, job training, revolving loan funds, section 108 financing, certified development corporations, brownfield redevelopment and downtown redevelopment. Mr. Cody also directed a study of the economic development activities of electric, gas and telecommunications utilities in the United States and authored a technical report on the use of small issue industrial development bonds for economic development. Prior to joining CUED, Mr. Cody conducted research on assisted housing programs for the Johns Hopkins University and worked on economic, demographic and welfare caseload forecasting models at the University of Baltimore. Mr. Cody has a Masters degree in public policy studies.

IV. Findings

A. The Site and Economic Development Potential

The 1050 acre Fernald site offers little or no development potential over the next ten years. After that there may be an opportunity to develop portions of the site. However, DOE has tentative plans to commit portions of the site to resolve its liability for natural resource injury. This process is directed by the Fernald site Natural Resource Trustees: The U.S. Secretary of Energy, U.S. Secretary of Interior and Director of the Ohio Environmental Protection agency. The Trustees are, on behalf of the public, reviewing information to determine if there is a sufficient basis for a Natural Resource Damage decision on assessment and restoration. Such a decision would result in restoration activities in addition to the ongoing remediation. About 150 acres of the site will remain indefinitely as a permanent waste storage facility. The site has amenities such as rail access and utilities which could support industrial users.

Shorter term, there may be opportunities to use on-site facilities such as the sewer plant or resources such as the fire department. The site has a sewer plant with a capacity for 5,000 employees (capacity would be lower for population which, on average, use more water in their households than employees do at work). Since there are needs for sewer capacity in the local area, there may be an opportunity to use some of the site's capacity. However, it may be necessary to expand the sewer for it to effectively service the local community. Additional information is available from the Quest study, a study of Hamilton County sewer needs and costs.

Other utilities and resources could possibility complement local area needs. The on-site fire department has full-time personnel and good quality equipment. By comparison, local community fire departments are volunteer with tight budgets and limited equipment. There is no on-site power except steam generation but there is gas which is unique for the area. The site has a good machine shop and laundry. The Fernald facility has already donated computers and other office equipment to local area schools. Other such donations may be forthcoming. DOE has not provided the community a comprehensive inventory of site assets.

B. Workforce Characteristics

As of August 1996 there were 2,791 contract employees, subcontractors, and DOE personal at the Fernald site. Of these, 1,949 are employees of Fluor Daniel Fernald, the prime contractor for environmental cleanup. There are 788 subcontractors and 54 DOE site personnel. Most of these jobs are expected to be phased out over the next ten years as cleanup is completed. Over the last year there was a 400 person voluntary decrease in the workforce, mostly through retirement. The Fernald facility had a maximum of 3,000 employees during the period it processed nuclear materials. Ten years ago employment had declined to a low of 500 as the nuclear processing operations were winding down.

Employees live throughout the Cincinnati region, but most live in Hamilton and Butler

Counties. For the employees of Fluor Daniel Fernald, about 39% live in Hamilton County, including the City of Cincinnati, and 36% live in Butler County. Another 7% live in other parts of Ohio, 16% live in Indiana and about 3% live in Kentucky. Of the residents that live in Hamilton County about two-thirds live in Cincinnati. These figures are based on inconsistently dated sources and exclude subcontractors. A more concise and comprehensive breakdown of employment by residence is needed from DOE and Fluor Daniel Fernald. The Ohio State Bureau of Employment Services, Rapid Response Team is an important resource for tracking employee location.

The Fernald facility employees are mostly skilled labor, technicians and professionals. The skilled labor are union members with pay scales set at the local union rates. The professional pay scales are higher than those typically found in comparable jobs in the local economy. This compensation disparity will likely make it difficult for facility employees to assimilate into the local workforce. This difficulty is especially tough for the older, higher paid employees who have very specialized skills.

The jobs to which these workers transition ideally should pay approximately equivalent wages if these economies are to be sustained and grow. But many employees have been working in specialized positions for which there is virtually no market in the private sector. The DOE facilities are facing many of the same challenges faced by Department of Defense facility downsizings. The U.S. Bureau of Labor Statistics has estimated that over 50 percent of the nation's civilian jobs expected to be lost because of defense cuts will be high skilled white and blue collar positions.

C. Workforce Training

Most of the affected DOE facilities have developed or are in the process of developing workforce transition and restructuring plans. These plans generally have the following objectives: the retention of essential personnel; the transfer of some employees to other positions within the DOE system and/or to other facilities; the minimization of layoffs by offering early retirement packages; retraining for current employees for DOE internal and external employment; educational and retraining assistance for laid off employees; relocation and outplacement assistance; and the provision of health benefits to laid off workers who no longer have access to such benefits. These components vary among the sites.

At Fernald, the DOE has focused its training on educational programs at the Fernald site. In 1993 Fluor Daniel Fernald begin to encourage continuing education through a 100% tuition reimbursement program. Eighty-six employees took advantage of the opportunity to attend classes at any area institution. Now courses are offered on-site in the 4:00 to 6:30 time frame, making them very convenient for employees. About 400 employees are taking courses in environmental management, business and crafts. Except for the crafts, most of the courses are graduate level, leading to MBA's and Masters of Environmental Management. The on-site courses are also available to individuals not employed or affiliated with the site.

To match course offerings with employment demand, Fluor Daniel Fernald surveyed local universities and, in 1996, retained Miami University to conduct a skills mix study to support further workforce program efforts. As expected, the report identified many employee skills, such as computer systems analyst and machinists which are easily transferable and in demand. Other skills are less in demand and less transferable. Most of these jobs would transfer off-site at lower wage scales.

The trade employees have participated less in continuing education because of lack of interest and convenience. However, many of the trade employees work in the building trades and other skilled labor jobs with transferable skills. Furthermore, the union wages are the same at the Fernald facility as in other parts of the Cincinnati region. Other trade jobs such as security guards, would not receive comparable pay in other parts of the region. The unions have apprenticeship programs funded through federal grants although DOE does not fund the application fees for the apprenticeship programs.

D. Regional Economic Development Environment

Local economic development professionals report that the Cincinnati metropolitan area economy is strong. Unemployment is a low, 2.8% and businesses are experiencing difficulty finding qualified employees. The region's strengths include low cost of living, high quality of life and good schools. There is a healthy urban core and lots of available land for development. The strong economy is not guaranteed long-term. Since the focus of this study is long term, we can not assume a healthy economy. More likely, there will be a national recession, making the needs for economic development much greater.

The Fernald area economy is growing slowly, but unemployment remains low because many of its residents work in other, more rapidly growing parts of the Cincinnati metropolitan area. The Fernald area serves as a bedroom community to Cincinnati. The local area is not experiencing the high level of growth that is taking place in some of the other Cincinnati bedroom communities because it has limited water and sewer utilities and lacks direct interstate access. Sewer lines do not extend west of the Miami River. Most of the highways are two lanes with a fairly heavy amount of truck traffic, making travel dangerous. The trucks service the various industrial operations scattered throughout the mostly rural area around the facility.

The Cincinnati region has a talented pool of economic development professionals and organizations. They can provide economic development expertise to the Fernald CRO. The region has many of the strengths that stimulate economic development including: vocational and other training schools, business assistance and lending programs, incubator facilities, and programs for technology transfer. Private finance sources include banks and three venture capital firms. The venture capital firms have $35 million invested in 40 firms, so they concentrate on the larger investments. Most loans in the Fernald area are provided by banks to the construction trades.

E. Regional Economic Development Programs

There are many economic development targeted lending and consulting activities within the region. There are Small Business Administration loans, microloan funds, business assistance, incubators and technology loans. There are no revolving loan funds. Many of these organizations have stretched their staff very thin, making it difficult to focus on more isolated rural areas such as Fernald. For example, the downtown Cincinnati SBA office has four lenders that provided 104 loans last year. They conduct seminars downtown and did not promote or lend in Fernald. The SBA technical assistance has one person that covers an eight county area. Only borrowers are eligible for technical assistance. The closest Small Business Development Corporation (SBDC) offers seminars for business startups but the staff is too overloaded to provide much personal attention. The Hamilton County Development Corporation microloan program has only $110,000 left in its loan pool.

Ohio has a strong technology transfer program through its Edison Centers. The centers are located throughout the state with each one having different areas of technology expertise. The closest to Fernald is the Institute of Advanced Manufacturing Sciences located in Cincinnati. They typically work with existing firms, not start-ups, providing loans and technical and business consulting for firms receiving those loans. Their in-house expertise covers machining, productivity assessment, and applied environmental technology. They refer start-up firms to Small Business Development Centers.

The State of Ohio is also involved in technology transfer. The State Development Department has a revolving loan fund and provides technical and financial assistance to help industries integrate pollution control, energy efficiency, and productivity measures. Additional technology transfer resources include: the U.S. EPA laboratory in Cincinnati, the City of Cincinnati regarding its newly initiated brownfields program, Dayton's Wright Patterson Laboratory, and The National Science Foundation's Small Business Investment Research (SBIR) Program.

The potential for technology transfer from Fernald is mixed, according to local economic development officials. The local environmental remediation field is very competitive; however, there may be some unique processes at Fernald that may have commercial applications. For example the advanced wastewater treatment process was mentioned as state-of-the-art.

Besides Fernald, economic development planning is taking place for the entire western part of Hamilton County. The western Hamilton County Collaborative is currently in process. It includes visioning, planning and benchmarking.

V. Recommendations

The purpose of this section is to provide key recommendations for the Fernald CRO. These recommendations focus on five key areas: 1) Stakeholder region, 2) Board roles and composition, 3) staff roles and composition, 4) legal status, 5) key organizing documents, and 6) the strategic plan. A discussion of possible program areas is provided in section VI.

1. Define the stakeholder region for the CRO. The CRO should define the local community that it wishes to serve. Typically, this definition is based on the location of facility employee residences since their communities will likely experience the greatest economic loss when employees are laid off or relocated. For example, the Savannah River CRO defines the stakeholder region as jurisdictions in which a minimum of 5% of the DOE facility employees reside.

As facilities downsize, workers are likely to either leave the area or remain and experience substantial income losses. Local retail and service businesses will loose customers and sales. State and local governments are also impacted. State and local jurisdictions stand to lose revenues from payroll taxes and the income taxes of employees as well as from sales taxes as former DOE employees lose purchasing power. Communities can also experience a decline in residential real estate values if displaced employees place a large number of homes on the market for sale.

2. Determine composition and operating procedures of the board. The board should represent stakeholders interested in the economic vitality of the community and the goals of the strategic plan. There should be a process to remove inactive board members. If a board member that is critical to the process has a major conflict of interest, he or she should participate as an ex oficio member, a member without voting powers.

A system of subcommittees should help the board govern effectively. An executive committee should be elected by the full board of directors. This committee should be comprised of a Chairman, Vice Chairman, Secretary, and Treasurer. The Executive Director of the CRO may also be designated as a member of the executive committee. There should be a personnel committee comprised of CRO board members only. There should be a planning committee to oversee the strategic planning process. Once the strategic plan is complete, subcommittees are needed to look at economic development issues (retention/expansion, workforce transition, infrastructure, site reuse, etc.) They should include more than CRO board members; however, there should be at least one CRO board member per subcommittee. Various regional and county economic development representatives should participate in the subcommittees.

CUED recommends that the CRO address these governance issues soon. The governance issues will impact the way that the CRO operates, its effectiveness and its ability to receive additional DOE funding.

3. Determine composition and operating procedures of the staff. The CRO should choose a temporary staff person to open and operate an office. The CRO may wish to request that the

DOE provide such a person. After the strategic planning process is complete, the CRO should hire permanent staff, matching staff skills with the goals and objectives of the strategic plan.

The CRO office should be recognized as the community's organization, separate from the DOE. It should be located outside of the DOE Fernald site so that it is visible and accessible to the community. The CRO should put together an information packet stating its purpose in serving the community. The packet can be distributed to the local community and included in regional marketing literature that is distributed by organizations such as the Chamber of Commerce.

The CRO and its staff should establish, with the DOE, one DOE representative that will a) serve as the key contact for the CRO, and b) take an active interests in the concerns of the CRO and represent those interests to the DOE.

4. **Select a legal status**. Most CRO's register as a 501(c)3, a nonprofit corporation.

501(c)3, non-profits are organized and operated exclusively for religious, charitable, scientific or educational purposes. They are exempt from the federal income tax under Section 501(c)3 of the Federal Tax Code. These organizations are more likely to receive federal grants and contracts than their 501(c)6 counterparts. Generally, contributions to 501(c)3 entities are tax deductible by the donor. A 501(c)3 organization is prohibited from certain political activities and is severely limited with respect to lobbying activities.

Section 501(c)(3) organizations cannot support or oppose political candidates. No partisan political campaign activities, however minimal, are allowed. Section 501(c)(3) groups can distribute nonpartisan "voter education" information, but such information should be carefully reviewed to make sure that it is a fair presentation of information about all candidates and is not "slanted". It cannot be anything that can be construed as an attempt to persuade the public one way or the other. Also, Section 501 (c)(3) organizations are not permitted to allow groups or individuals to use their facilities and equipment to campaign for candidates.

Certain activities are not treated as "lobbying". These include [1] talking to legislators about legislation that might affect an organization's tax exempt status or existence, but this does not include budgetary or funding matters; [2] activities related to non legislative decisions, such as opposing or supporting the issuance of regulations; [3] making available the results of nonpartisan studies; and [4] responding to requests to testify before legislative committees [your organization must be invited in writing by the chairman of the committee].

Section 501(c)(3) organizations can have two kinds of business income: related business income, which is not taxed, and unrelated business income, which is subject to tax at regular corporate rates [gross business income less deductible business expenses]. Generally, having unrelated business income will not affect your organization's tax exempt status unless the business activity is at such a significant level that the IRS can question whether the organization is running a charity.

Business leagues and other 501(c)6 associations, on the other hand, may engage in lobbying and political activities without endangering their tax exempt status. But if the political activity exceeds certain limitations it has other, non-tax consequences. Business leagues, chambers of commerce and boards of trade are 501 (c)6 organizations. These groups promote either general commercial welfare or an entire line of business in a trade or occupation. Examples include the American Bar Association, the National Automobile Dealers Association and the National Football League.

5. Prepare Key Organizing Documents. The CRO should select legal council and prepare the organizations bylaws and Articles of Incorporation. Failure to incorporate could expose the CRO and key individuals to personal liability for the organizations debts. Articles of Incorporation provide a broad outline of the organizations form. Bylaws provide more detailed rules for governing. The CRO must establish tax exempt status with the Internal Revenue Service. Copies of the CRO's Articles of Incorporation and bylaws must be included with the application. Finally, the CRO should develop its operating policies and procedures, including personnel policies.

6. Develop a Strategic Plan. The strategic plan defines the goals and objectives of the CRO. To provide a context for the strategic plan, there should be an analysis of local area strengths, weaknesses, opportunities, and threats (SWOT analysis). From the SWOT analysis, develop a mission statement and list of goals and objectives and then prioritize those objectives. The conclusions of the SWOT analysis should account for several different scenarios. Since the economic future is unknown, the CRO should have an understanding of the implications of various economic outcomes.

The CRO should determine data needs and refinement. Consultants are often retained to compile and refine data, conduct the SWOT analysis and assist in the planning process. See the appendix on how to select a consultant.

The CRO should conduct a targeted industry study to determine which industries can thrive given the specific strengths, weaknesses, opportunities and threats. Business attraction and development efforts should then be targeted at those industries. Many of the consultants who can conduct a SWOT analysis also have the expertise to conduct a targeted industry analysis. CUED recommends that, when selecting a consultant for the SWOT analysis, the CRO select one with the capacity to conduct a targeted industry analysis as well.

The strategic planning process should also involve community outreach to include local businesses, citizens and regional experts on economic development. The State of Ohio Department of Development will put together and, if requested, facilitate meetings for these outreach efforts.

Key issues to consider in the strategic planning process:

1. Level of CRO involvement in site reuse and property disposition
2. Extent to which CRO wishes to be involved in growth management issues
3. Short- and long-term economic development strategies

4. Relationships with other economic development agencies and business service providers
5. Workforce transition focus, given existing DOE efforts
6. Sources of DOE, state and other financing
7. CRO role in economic development programs
8. Performance criteria to evaluate programs

The CUED team recommends careful consideration to the following in considering the strategic issues above:

Level of CRO involvement in site reuse and property disposition – The consulting team recommends limited involvement in site reuse. There appears to be little short- and medium-term opportunities to reuse the site; therefore, CRO efforts are likely to be more productive in other areas. Efforts on site reuse are discussed further in the next section of the report.

We suggest that the CRO not focus on environmental cleanup. These efforts are already part of other local initiatives such as FRESH and the Fernald Citizens Task Force. The CRO should not duplicate these existing initiatives. The CRO may want to select one member as a liaison to FRESH, the Task Force or other citizen activist groups. The CRO should not, however, take on the role of providing information on environmental activity for the site to the public. Such an assignment could confuse the role of the CRO to the public, weakening the CROs effectiveness in serving its primary mission.

Extent to which the CRO is involved in growth management issues – Communities experiencing moderate or rapid growth are often concerned with growth management. In contrast, communities experiencing declining or stagnant growth are more concerned with economic development. Since the Fernald area and Cincinnati region are experiencing growth, the CRO may choose to focus on tools such zoning and land use planning that are used to regulate growth. We recommend against such an approach.

There are two factors to consider: 1) duplication of the work of existing growth management agencies, and 2) the long-term impacts of focusing resources on growth management at the expense of economic development. Growth management is typically conducted by local planning agencies subject to review by elected officials and citizen groups. We believe that the CRO should not compete with these existing groups and their efforts.

Second, the economy, while strong now, can and will eventually worsen. Furthermore, there are now little or no negative impacts from the Fernald facility since it currently employs 2800, close to its all time high. Once the layoffs take effect, the impacts will be felt and the economy will worsen. Should those layoffs coincide with a national recession, local economic conditions would be severe. CRO economic development initiatives, prior to such event, could make an important difference in the mitigating those negative impacts.

Short- and long-term economic development strategies— Plans should be divided between short-term, one to two years and longer-term, three to five years. The CRO will need to determine how much of their resources they focus on the short-term versus the long-term. In the short-term the CRO needs to achieve an early success to gain credibility.

Relationships with other economic development agencies and public service providers – As discussed, we recommend that the CRO work closely with these agencies and avoid duplicating their programs and services. The CRO needs to determine whether the CRO will fund new or expanded programs through these existing agencies or manage them directly. The CRO may want to examine ways to assist existing organizations by providing resources to improve the quality and quantity of services offered. For example, the CRO could fund additional technical support staff or provide matching funds for a revolving loan fund to support Fernald area economic development.

Workforce transition focus, given existing DOE efforts – The DOE already operates training and job placement programs for workforce transition. The CRO must decide if it wishes to augment DOE efforts or not. Workforce initiatives are discussed later in this report on the section on programs.

Sources of DOE, state and other financing -- There will be a need to fund activities that are ineligible for DOE funding. Furthermore, the CRO may need additional funding for DOE eligible projects. Therefore, the CRO should explore other funding options. The State of Ohio provides some funding, other assistance and knowledge of other federal funding sources. Additional Funding sources are discussed in Appendix E on financial assistance.

CRO role in economic development programs – The CRO must decide what programs and projects to implement. These are discussed in the following section on potential program areas.

Performance criteria to evaluate programs – Economic development agencies serve many audiences who need to evaluate their performance. Among these are public officials and state or federal funding sources who provide support for policies and programs. Public officials expect to see some measure of performance and return on the investment of public funds they commit to economic development programs. The CRO should decide how it wishes to evaluate performance of its programs and projects. Performance evaluation, also known as benchmarking, is discussed in greater detail in Appendix G, Benchmarking.

VI. Potential CRO Program Areas

CRO programs should reflect the goals and objectives of the strategic plan and complement existing regional programs. The CRO can initiate programs itself or contract with other economic organizations to implement them. It is important that the CRO be prepared to change programs. Since markets change rapidly, programs will need to change as well, and the CRO should make the public aware that all programs are subject to change. The CRO should also assess its tolerance for risk for its programs. Programs tailored to start-up businesses are inherently risky. In many markets, high risk programs are the only way to get high value job creation.

Two of the most widely used potential program areas include:

A. Business Start Up Assistance
B. Business Retention and Expansion Assistance

Tools to implement the programs above include equity or debt funding, mentoring or technical advice, and specific programs for small business. Although the above program areas are conducted in the Cincinnati region, resources are thin. There appears to be a need for greater efforts in the Fernald area. For example, the Hamilton County Economic Development Commission (HCEDC) has almost depleted its micro-loan fund. The HCEDC and local Small Business Development Centers (SBDC) are very busy with little time available. Furthermore, there is no economic development targeted equity investment for smaller businesses or startups. Therefore, there could be a need for microloan program, small business consulting services, and an equity investment program. These three areas could provide good opportunities for CRO participation. The CRO should interact closely with other economic development agencies and banks in setting up these programs. The CRO may consider funding extra staff out of these offices to focus on the Fernald area.

There is strong demand for technical assistance. Technical assistance includes consulting to start-up firms on business planning. The CUED team recommends that economic development representatives require entrepreneurs to bring a drafted business plan prior to getting a personal appointment. This removes the less committed individuals, allowing more time for those that are committed. The CRO could establish a mentoring program. Fluor Daniel Fernald has a mentoring program with subcontractors for employees to help train subcontractors. The CRO could set up such a program for Fernald employees to work with firms not associated with the site cleanup. The Service Corps of Retired Executives (SCORE) provides another opportunity for business assistance. Many of these representatives come from a corporate environment that may not benefit entrepreneurs. The CRO could also target former professional women to help provide business consulting. Many of these women, now homemakers, may be looking for one or two days of work per week.

Incubators are an important tool in helping small businesses get started, but Fernald is not an ideal location for an incubator. They are comprised of a building or industrial facilities that house a number of new start up businesses. Incubators are ideal for high growth corridors where lots of entrepreneurial activity is taking place. Alternatively, they are appropriate in areas near universities or, with the right level of support, in older urban areas that are in need of revitalization. In the Cincinnati region, incubators will attract more businesses if located along high growth corridors such as the I-74 corridor near the City of Harrison where HCEDC currently operates one. Fernald may not be the most strategic location for such a facility.

The first step in determining what types of business retention and expansion programs are needed is to survey local businesses. This survey should be used to assess the needs of local businesses. The results of the business survey should be linked to the results of the SWOT analysis/targeted industry study and the workforce assessment. This information will reveal specific areas where the CRO can and should be involved.

A common strategy is to redirect the DOE facility workforce to the production of applications for commercial markets. Many firms can capitalize on workforce knowledge of the processes to clean up contaminated sites. Therefore, environmental services and products could be an important market.

DOE and defense related firms may require special assistance in making the adjustment to the commercial market. While some firms already produce for both the public and private sectors, many firms currently produce solely for government procurement. These companies work in a specialized environment that is not necessarily compatible with the demands of commercial markets. Defense-related markets tend to emphasize capabilities and existing relationships. Commercial markets stress price, quality and service. Defense-related contractors tend to be geared toward low volume production of highly specialized, expensive equipment with relatively high profit margins. They tend to lack experience in low-cost mass production techniques needed for commercial markets.

Other possible CRO initiatives:

C. Infrastructure Development – There are needs for water and sewer utilities especially west of the Miami River. However, the provision of utilities often involve complicated engineering, cost, and ownership issues which may be better left to the local governments. One option to help improve infrastructure issues is to create or support the creation of a water and sewer database.

The creation of a water and sewer database will improve the ability of the CRO, other regional organizations, and the state to facilitate the site selection process for new and expanding businesses. The database will assist the CRO and the region in marketing available parcels of land for development. However, DOE may not fund this activity if it does not believe that it is directly linked to job creation and retention.

The CRO could develop the database in-house. CRO staff can access public documents on area infrastructure, interview local utility companies, interview local property owners, etc. This research should be used to determine for each industrial and commercial site:

- whether the site has access to gas, water, electricity and sewer
- what the existing capacity for each of those services is on-site
- who the providers of those services are
- the cost of existing services and cost for additional services
- the size, ownership and zoning of the parcels

D. Workforce Skills Assessment and Development -- The DOE has workforce training programs but there may be additional needs. The DOE has conducted research on workforce skills at the site, but the CRO may find that additional research, such as an area workforce skills assessment, is needed. A workforce skills assessment requires three steps: 1) profile industries, 2) estimate skill needs, and 3) identify existing gaps and training needs. The state of Ohio is an important resource for this assessment and should be included as a partner in such a study. It is recommended that the assessment be lead by an academic institution from the region or a consortium of academic institutions and business organizations.

A typical workforce study involves a survey of residents of the region. Respondents are questioned on their education, years of experience, specific skills, employment status, income, etc. The results of this survey are then compared to other, similar regions in the country to identify any competitive advantages and disadvantages of the workforce.

The study should be used to identify specific workforce characteristics for improvement and steps, such as vocational training, to implement improvements. The CRO should examine all available workforce development tools (from the state, federal government and local organizations), determine what they can accomplish, and compare those accomplishments with the identified needs.

The workforce assessment can also be used to determine what types of businesses are compatible with the local resources. Many industries seek specific skills from their workforce. An understanding of the local skill base will help focus economic development programs towards specific industries or categories of industries.

A study such as this was conducted at the Rocky Flats site located outside of Denver, Colorado. The Rocky Flats Local Impacts Initiative commissioned a consultant to identify emerging industries in which Rocky Flats workforce skills would be applicable. As part of this study, the consultant conducted an assessment of the Rocky Flats workforce. The study surveyed and classified the Rocky Flats workforce by skill level and analyzed re-employment possibilities for both existing companies in the Denver metropolitan area and in six target industries that the CRO identified. According to the findings, the skill mix among Rocky Flats workers was applicable to many large and small companies in the area, but the majority of the larger employers were stable or downsizing. The source of most new hiring was small companies of 25 or fewer employees. Emerging industries were then screened for their compatibility with existing positions at the facility.

The primary federal program to help displaced workers is the Economic Dislocation and Worker

Adjustment Act (EDWAA) authorized by Title III of the Job Training Partnership Act (JTPA). EDWAA provides funds to the states and to grantees within the states to support retraining programs for dislocated workers. In FY 1996, approximately $1.2 billion was provided for EDWAA programs.

Those eligible for assistance under EDWAA are workers who have lost their jobs and are not likely to become reemployed in their previous industries or occupations. These include those who have been impacted by plant closures or mass layoffs (this would include DOE employees displaced by downsizing or facility closures); long-term unemployed persons who face limited job opportunities in their fields; and self-employed persons who have lost their livelihood due to economic conditions. States may also authorize services to displaced homemakers under certain circumstances. The funds are primarily provided for retraining. See Appendix F, Federal Resources for Employment Retraining, for additional details.

One of the biggest obstacles in retraining is persuading the salaried employees of the benefits of training. The CRO (or DOE) should sponsor a roundtable of forced early retirees to meet with employees and share their problems. Such a group should be comprised of individuals who have been out of work for over two years and had a chance to spend their severance pay. The state unemployment office may useful data and be able to identify those who have been long-term unemployed.

Retraining programs should not only be considered for specific job skills but also in the context of new basic skills. These include skills in learning, communicating, problem-solving, creative thinking, personal management, and effectiveness in working in teams. Some displaced workers may need retraining in computation and writing skills to meet the demands of new and growing companies.

Other possible workforce programs include *Loaned Executives* and *Work for Others*. For these programs, the DOE would loan its employees to other local organizations. This action would provide an opportunity for DOE Fernald site employees to sample local employment opportunities and provide support to local employers. The Ohio State Employment Retraining Rapid Response Team is another possibility for retraining assistance, but they do not provide assistance until there is a layoff. The Savannah River CRO was, however, able to secure such support prior to the actual layoffs.

E. Recruitment -- It is likely that other economic development organizations, rather than the CRO, are better able to conduct activities to recruit new businesses. Many communities feel that economic development dollars are spent more effectively on assisting existing businesses than in trying to attract and recruit others from elsewhere. Research has shown that 65 to 80 percent of new jobs are created by existing businesses in a community rather than by those who relocate to a community. Thus, the CUED team recommends that the CRO designate recruitment as a lower priority to other economic development initiatives. The CRO should, however, develop presentation literature about Fernald workforce availability and other resources to be distributed by regional recruiting organizations such as the Chamber of Commerce.

Some regional recruiters will maintain that environmental concerns caused by the presence of the Fernald facility will discourage potential new businesses. It should be noted that the air quality around Fernald is much better than downtown Cincinnati. Furthermore, the CRO can choose to provide incentives to attract prospective new businesses, often overcoming their environmental objections.

F. Site reuse -- The CRO may wish to participate in the reuse of site assets and resources. As discussed previously, we suggest that the site reuse efforts be a secondary role for the CRO. For efforts regarding the site reuse, we suggest the following:

1. Have the DOE provide an inventory of site assets
2. Identify potential equipment or resources
3. Evaluate transfer options (privatization or community use)
   a. Feasibility and capacity as is
   b. Feasibility and capacity of upgrade
4. Possible site resources
   a. Fire station, equipment and personnel
   b. Water plant
   c. Laundry services
   d. Sewage plant
   e. Excess personal property and equipment
5. Timelines on availability for disposition to CRO for reuse

The unions will likely oppose efforts to privatize Fernald facilities because the new private operators would not be bound by the union contracts.

The CRO should request that the DOE conduct an inventory of the types of equipment that are or will be available from the site. This inventory should include land, buildings, machinery, and utilities. Once the inventory is complete, the CRO should determine with DOE which assets the contractors will probably retain and which they will probably release. The CRO should seek a written policy from DOE explaining when and how the CRO can use or own on-site assets. Once the inventory and policy are complete, the CRO should work with DOE and the contractors to develop a schedule for the potential release of those assets. This inventory and the time schedule should then be used in the CRO's planning process.

Many local CROs have attempted to reuse the property on the site. Those efforts, however, have been delayed by complicated surveying and inventorying processes required before the equipment can be cleared for disposal. CROs complain that DOE contractors are slow to cooperate and expedite the equipment transfer process. Many DOE contractors view the amount and quality of equipment on-site to be proprietary interest and are unwilling to release this information to the general public.

Appendices

Appendix A

List of economic developers in Greater Cincinnati area

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Cynthia Schrader
Manager, Local Economic Development
Greater Cincinnati Chamber of Commerce
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Andis Udrus
Director, Department of Economic
Development
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Peter Langhorn
Ohio Department of Development
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David Krings
Hamelton County Administrator
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Director, Economic Development
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Daniel Evers
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Small Business Development

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Appendix B
How to Select a Consultant

Consultants can provide a number of services. They can perform one or more of the following:

- Provide work that staff has no time to do
- Provide expertise not available from current staff
- Ensure objectivity
- Provide credibility

Usually a consultant provides most of the above. If the decision is made to hire a consultant, the development agency should clearly identify the problem and determine what the consultant's end product should be. Specifically, the agency should:

- Define goals and objectives of the consulting product
- Identify problems, challenges, and issues that need consulting support
- Define the technical, administrative and political constraints
- Define the role of the agency in the consulting effort
- Define the budget for consulting services
- Specify work tasks to be accomplished
- Define the process for finding and selecting consultants

Consultants are identified from personal referrals, professional association directories, special trade magazine issues that feature directories, trade magazine advertisements, literature mailed to agencies and at conferences.

Consultants can be selected through several processes:

- Sole source
- From a list of prequalified candidates or RFQ
- Through an RFP or RFQ/RFP process

For sole source, a consultant is selected without a formal competitive process. The ability to sole source may or may not be legal, depending on local and state statutes. Some statutes specify a dollar amount over which the consulting assignment must be competitively bid. The advantage of sole source is that the consultant can be retained quickly. Agencies which have already identified consultants with which they wish to retain, can quickly employ their services. For legal and political reasons, any agency retaining sole source consultants should carefully document their reasons for doing so.

Consultants are sometimes selected from a list of prequalified candidates. Based on past working relationships, the agency maintains a list of consultants that are prequalified to perform certain functions. The agency chooses several to submit a statement on how they would approach the problem, interviews them and selects the best qualified and prepared candidate. The request for qualifications (RFQ) is similar except that there is an official announcement and often a more rigorous set of selection procedures. The announcement, say in a local newspaper, would help the agency add to its existing pool of candidates.

Request for Proposals (RFP)

The most rigorous selection process is the Request for Proposals (RFP). The consultant must submit a full proposal to be considered. The RFP is typically advertised, mailed to a list of possible consultants, and posted on the web site. The RFP clearly explains the items, discussed previously, that the agency does before retaining a consultant.

- Define goals and objectives of the consulting product
- Identify problems, challenges, and issues that need consulting support
- Define the technical, administrative and political constraints
- Define the role of the agency in the consulting effort
- Define the budget for consulting services (optional)
- Specify work tasks to be accomplished
- Define the process for finding and selecting consultants

There should be a description of the project and services required. The description of the required services is very important because it is what the consultant will base their approach to the proposal response. It should be clearly written and consistent with other parts of the RFP. In describing the proposed tasks, the RFP should provide enough detail, including number of meetings, for the consultant to make realistic cost estimates.

The RFP both conveys information and acts as a sales tool. A good RFP is well organized and written so that it encourages the consultant to invest time and money into a thoughtful response.

The RFP should include directions for submission. Such items include the time and date and location of submission, submission requirements, such as a cost proposal, and an outline of what should be provided in the consultant proposal.

Agencies may or may not wish to include budget information. The agency may not wish define the budget but instead, ask the consultant to propose a budget and make cost one of the selection criteria. By excluding the budget, the agency encourages the consultant to price their response competitively. However, it is difficult to compare responses with wide extremes in budget. Therefore, agencies may wish to provide a budget range. Besides costs, other often used selection criteria include:

- Understanding the project
- Approach to the project
- Experience with similar assignments
- Experience of consulting staff specified for the project
- Clarity of proposal

Appendix C

How to Conduct a SWOT Analysis

The CUED team recommends that the CRO conduct a SWOT analysis -- an analysis of strengths, weaknesses, opportunities and threats of the defined region. This analysis should then be linked to a targeted industry study which determines which types of businesses could and should be interested in the region given its strengths, weaknesses, opportunities and threats.

SWOT analysis is a common economic analysis to determine a region's assets and liabilities. The strengths and weaknesses of a community are based on analysis of internal factors.

Strength: assets that make it attractive for business to move into and remain in the community. Strengths include close geographic proximity to university, research park, or key transportation facilities; competitive wage rates; skilled workforce; and high quality of life.

Weakness: obstacles or constraints to businesses in the local economy that make it difficult for a business to develop, operate profitably or grow. Examples include limited access to capital, poorly skilled labor force, inadequate infrastructure, and crime.

A community's economic standing also is affected by external or exogenous factors. Exogenous factors are economic conditions, social changes, national trends, technology, competition and other factors that can influence the strengths and weaknesses of a community and typically are beyond the control of a community. Exogenous forces can create economic opportunities as well as pose threats to a local economy. For example, changes in federal, state laws and regulations can affect business licensing, zoning, wage rates, and other factors that effect location decisions. The rate of inflation, unemployment and economic growth can influence spending habits.

Opportunity: conditions external to the community that make it easier or possible to develop competitive advantages. This includes structural changes in the economy, demographic changes in the community, technological changes and so forth.

Threats: unfavorable trends or developments external to the economy that lead to a loss or decline in a community's competitive advantage or economy in general. Threats are classified in terms of their probability of occurrence and impact.

External factors can pose both a threat and an opportunity to a community. New technologies may affect labor skill and infrastructure demands. Business downsizing, for example, poses a threat in terms of job losses, but it also presents an opportunity. As a firm sheds activities that it normally conducted in-house, from high-tech activities such as research and development to lower-tech and back office activities such as printing, it creates opportunities for business in those areas. Downsizing can mean that the remaining business is a stronger, more viable operation.

Throughout the assessment it is important to keep in mind that the economy is fluid. The strengths and weaknesses of a community and the economic development opportunities that result, can change over time. Analysts should make sure to adjust measurements to account for seasonal changes, the effects of the business cycle, inflation and so forth. The conclusions of the SWOT analysis should account for several different scenarios. Since the economic future is unknown, the CRO should have an understanding of the implications of various outcomes.

Tables 1 and 2 provide examples of how to assess the strengths, weaknesses, opportunities and threats of a community. The examples provided are not meant be exhaustive, rather suggestive. In Table 1, strengths are divided out into major and minor strengths and weaknesses are divided out into controllable and uncontrollable.

For economic development organizations with limited staff, the SWOT analysis should be conducted by a national consultant. The national consultant should have survey expertise, an understanding of business attraction and retention needs, and an ability to compare the region to others in the country. SWOT analysis typically cost between $80,000 and $100,000 to complete.

To assist in business attraction and business development, the CRO should conduct a targeted industry study to determine which industries are and can thrive given the specific strengths, weaknesses, opportunities and threats. Business attraction and development efforts should then be targeted at those industries. Many of the consultants who can conduct a SWOT analysis also have the expertise to conduct a targeted industry analysis. CUED recommends that, when selecting a consultant for the SWOT analysis, the CRO select one with the capacity to conduct a targeted industry analysis as well. This approach should save costs since much of the information obtained from one study is helpful in completing the other.

Another possible component of the SWOT analysis is the backwards linkage analysis. Such an analysis will reveal opportunities for small local firms to become suppliers to larger regional companies. This analysis consists of: 1) surveying large businesses in the area to determine what their supplier needs and costs are, 2) surveying small businesses in the area to determine what products and services they can provide and to assess their capacity, 3) matching the larger purchasers with small suppliers, and 4) encouraging businesses to use local suppliers. Some backwards linkage programs provide assistance to small suppliers to help them improve quality and expand to meet increased demands.

Table 1
Internal Analysis: Strengths and Weaknesses

Location Factor	Strengths: Major	Strengths: Limited	N/A	Weaknesses: Correctable	Weaknesses: Uncorrectable
Labor Market					
Skills					
Wage Rates					
Productivity					
Availability					
Financial Capital					
Private Programs					
Public Programs					
Seed/Venture Capital					
Access To Markets					
Proximity to Customers					
Proximity to Suppliers					
Transportation					
Access to Major Highway					
Access to Airport					
Access to Port					
Sites and Facilities					
Number of Sites					
Size					
Cost					
Infrastructure/Utility					
Knowledge Resources					
R&D Facilities					
Industry/Trade Assoc.					
Education & Training					
Colleges/Universities					
Vocational Training					
Technical Assistance					
Business Climate					
Gov't Responsiveness					
Public/private cooperation					
Taxes/Regulations					
Quality of Life					
Cost of Living					
Culture & Recreation					
Public Services					

Table 2
External Analysis: Opportunities and Threats

Factor	Opportunities	Threats
Economic Environment/Trends		
Political Climate		
Government and Regulatory Bodies		
Legal		
Technology		
Competitors		
Other:		
Other:		

Appendix D

Business Retention and Expansion

Business retention and expansion emerged as a primary economic development program in an increasing number of jurisdictions during the protracted recession and industrial restructuring of the 1970's and 1980's. This was particularly the case in the industrial cities of the Northeast and Midwest when the term "rust belt" came into common usage as many plants closed and communities lost substantial parts of their manufacturing base to other areas or foreign countries.

As communities lost businesses and jobs, they responded by creating programs to shore up their industrial base through activities designed to retain the companies they had. In more recent times, business retention/expansion programs have been initiated by states, regions and localities to assist defense-oriented companies impacted by the decline of contracts as a result of the end of the Cold War. Diversification programs designed to help businesses become less reliant on defense contracts, have become an important part of business retention/expansion efforts.

An effective business retention/expansion program also gives credence to a business recruitment program. Existing businesses are the best sources to provide information to prospective new businesses. When the community has an effective business retention/expansion program, its reputation as a place to do business is greatly enhanced. This sends a strong positive message to prospective new businesses about the community's business climate and its commitment to assist companies.

The first step in determining what types of business retention and expansion programs are needed is to survey local businesses. This survey should be used to assess the needs of local businesses. It should query these businesses as to: what problems they are facing; whether or not they are at risk of going out of business and, if so, what are the threats to their continued operation; whether or not they have expansion or product spin-off potential; and their opinion of the provision of services in the community. The survey instrument should:

- Obtain baseline information on local businesses such as the type of business (by Standard Industrial Classification), the number of employees, levels of salaries and benefits, exporting activity, etc.

- Identify any problems that would cause the company to relocate (e.g., insufficient space, workforce problems, capital access problems, market impediments, etc.).

- Reveal the attitudes and opinions of the companies towards the provision of services in the community.

- Identify the threats to their continued operation.

- Identify their expansion and product spin-off potential.
- Allow respondents to describe where they now purchase materials, goods and services and what types of services or resources would be useful to enhance their operation.

The results of the business survey should be linked to the results of the SWOT analysis/targeted industry study and the workforce assessment. Combined, all three studies will provide the CRO with an understanding of:

- the needs of the local workforce
- the assets of the local community, including the local workforce
- the liabilities of the local community
- the needs of local businesses

Careful examination of this information will reveal specific areas where the CRO can and should be involved. This information should be used to design business retention and expansion efforts in the region. In brief, the CRO should design business retention and expansion efforts to meet the needs of local businesses. The following table list the types of services that economic developers can employ to meet specific business needs.

Business need:	New product development
Type of Service:	Product design
	Prototype development
	Product testing
Business need:	Market analysis and planning
Type of Service:	Information on market opportunities
	Market analysis training
	Export information and training
	Detailed assessment of marketing opportunities
Business need:	Upgrade Operations
Type of Service:	ISO 9000 Certification
	Quality control training
	Management and employee training
	Process analysis and engineering
	Commercial pricing and accounting
Business need:	Expansion
Type of Service:	Identify new sites or facilities for expansion
	Help rehabilitating/reusing facilities
	Environmental cleanup
Business need:	Financing
Type of Service:	Seed capital

Working capital
Equipment and new plant/facility financing

The target customers are likely to be small and medium size enterprises including both the firms directly affected by the downsizing such as DOE subcontractors and suppliers and local firms not affected by the downsizing. While smaller companies tend to be more flexible than larger operations, they typically lack the resources or capacity to undergo any significant change or transition. Small firms are often unaware of potential markets or how to reach those markets and do not have the capabilities or financial resources to retool their operations. DOE sub-contractors include both technical companies and lower skilled services such as maintenance and security companies. Most of these sub-contractors work at the DOE site rather than at their own facility.

Options facing subcontractors directly affected by the DOE downsizing include: 1) diversify their product or service line, or 2) adapt their current product or service for commercial markets. In spite of these efforts, jobs will likely be lost in the process. Some companies will not be able to make the transition from the public to the private sector. Firms that diversify their product or service will need to identify, develop, produce and market new products. They not only have to adjust their processes for doing business but also have to change management style. They may also need to retool their plant for the new product line. Based on the experience of defense-related firms, diversification is a difficult path for firms that have no experience in producing for the commercial market. Targeting existing products for commercial markets requires fewer adjustments but still requires dramatic changes in marketing, distribution and management style.

Appendix E

Financial Assistance

The following are sources of capital for land and building acquisition, machinery and equipment, working capital, lease hold improvements and other financing needs encountered in expanding or adjusting business operations as well as capital for financing public improvements such as roads, utility access and so forth. The different federal, state and local programs are listed below.

Federal Resources:

- Special Economic Development Adjustment Assistance (Title IX - EDA)
- Community Development Block Grant (HUD)
- Section 108 Loan Guarantee Program (HUD)
- Certified Development Company (504) Program (SBA)
- 7(a) (SBA)
- Low Documentation Loan Program (LowDoc) (SBA)
- CAPLines Revolving Line of Credit (SBA)
- Delta Loans (SBA, for defense-related DOE companies)

Department of Commerce Economic Development Administration

Special Economic Development Adjustment Assistance (Title IX)
The Economic Development Administration Title IX program money can be used to fund revolving loan fund (RLF) programs addressing the long-term economic deterioration in a community, or a sudden dislocation of their local economic structure. Most EDA funds are used for public improvements in conjunction with supporting such activities as small business development, including startup and expansions; business and job retention; redevelopment of blighted land and vacant facilities; and support for growth industries and high-tech firms.

The basic guidelines for the Title IX program include making loans based on pre-approved EDA criteria and bi-annual performance reviews from EDA. The funds are granted to a local nonprofit organization, which is responsible for establishing the loan fund. The recipient organization must be a community-based nonprofit organization. The criteria for receiving a grant to capitalize an EDA revolving loan funds is that the area to be served must be designated an EDA redevelopment area. It should also have higher than usual unemployment and a low per capita income.

Department of Housing and Urban Development

Community Development Block Grant
The Department of Housing and Urban Development's Community Development Block

Grant program (CDBG) provides funds for the improvement or installation of public infrastructure, public services and other assistance. How the money is spent is at the discretion of the local elected officials. However the money must meet three general program criteria: benefit low/moderate income people (households earning less than 80% of the median income of the area), prevent or eliminate neighborhood blight, or meet urgent development needs. Funds are allocated through a formula based on population, amount of overcrowded housing and the extent of poverty. Cities have used the grant funds for a variety of projects including business development districts, capitalizing revolving loan funds, micro-enterprise development, loan guarantees, workforce training, and business development centers and public works.

Section 108 Loan Guarantee Program

Section 108 enables communities to leverage their CDBG funding into a larger and more productive resource for financing projects and activities that could not be financed easily or efficiently from the CDBG grants. Communities accelerate their current CDBG activities by borrowing Section 108 funds, rather than waiting for grant funds over several years.

A CDBG entitled community can receive a federal guarantee of up to five times the public entity's latest (approved) CDBG entitlement amount, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans. Loans are administered by local commercial lenders. Non-entitlement entities (area not receiving formula-based CDBG funds) may also apply for up to five times the latest approved CDBG amount received by its state, minus any outstanding Section 108 commitments and/or principal balances on Section 108 loans for which the state has pledged its CDBG funds as security.

Small Business Administration Programs

Certified Development Company (504) Program

The Small Business Administration's 504 Loan program provides long-term, fixed-rate financing to small businesses to acquire real estate, machinery, and equipment for expansion of business or modernizing facilities. The loans cannot be used for working capital purposes or to refinance existing debt, except to replace funds spent on the project in anticipation of the loan. The 504 loan program provides up to $1 million in financing with maturities ranging from 10 to 20 years depending on the type of collateral. The loans are provided through certified development companies (CDCs). Business must go directly through the CDC to apply for the loan, however private banks can approach the CDC with a client business.

7(a)

The SBA will guarantee between 70 and 90 percent of a small business loan, up to a maximum of $500,000. The loan guarantee can be used for almost any legitimate business purpose including real estate acquisition, building construction and expansion, machinery and equipment purchases, furniture and fixtures purchases, working capital, and inventory purchases. The loans are available through participating banks or any of the subsidiary programs under 7(a). Local SBA district offices provide lists of participating area banks.

Low Documentation Loan Program (LowDoc)
The Low Documentation Loan Program, or LowDoc, is a SBA program designed to cut the paperwork burden, for both small businesses and lending institutions. The limited paperwork allows SBA to provide a quick turnaround to the lender, usually two to three business days. The program is similar to the 7(a) loan program.

LowDoc features a one-page SBA application for loan guarantees of up to 90 percent or a maximum of $100,000. In the LowDoc program, the applicant completes the front of the one-page application; the lender completes the back; and then the lender forwards the application to the SBA. For loans over $50,000, the applicant must include a copy of US Income Tax Schedule C or the front page of the corporate or partnership returns for the past three years. Personal financial statements are required for all guarantors. The private sector lender may require additional information and documentation from the applicant. Another feature of the LowDoc program is that loan approval focuses more on the applicant's character and ability to repay, rather than collateral.

Businesses applying for LowDoc loans need to meet general 7(a) loan criteria with the following exceptions:

- The business plan, the applicant's character and ability to repay is given more consideration than collateral requirements. That is, the business is not turned down if the only inadequate criteria is collateral.
- Average annual sales over the past three years should be less than $5 million and the business must have 100 employees or less.

CAPLines Revolving Line of Credit
This SBA program provides short-term working capital financing for small businesses. CAPLines financing purposes include: seasonal working capital needs; direct costs associated with performing construction, service and supply contract(s); direct costs associated with commercial and residential building construction without a firm commitment for purchase; operating capital from obtaining of advances against existing inventory and accounts receivable; and consolidation of short-term debt.

There are five distinct short-term working capital loan programs for small businesses under the CAPLines umbrella including:

- Seasonal Line: Designed to assist businesses which experience seasonal sales fluctuations during their peak season(s) with advances against inventory and accounts receivables. The line can be revolving or non-revolving.

- Contract Line: Designed to finance the direct labor and material costs associated with performing assignable contract(s). The line can be revolving or non-revolving.

- Builders Line: Designed to finance the direct labor and material costs for small general contractors and builders that construct or renovate commercial or residential buildings.

The building project serves as the collateral and loans can be revolving or non-revolving.

- Standard Asset-based Line: An asset-based revolving line of credit designed to assist businesses unable to meet credit standards associated with long term credit. Repayment comes from converting short-term assets into cash and remitting this cash to the lender. Businesses continually draw and repay as their cash cycle dictates. This line of credit is generally utilized by businesses which provide credit to other businesses. These loans require periodic servicing and monitoring of collateral, for which additional fees are usually charged by the participating bank.

- Small Asset-based Line: An asset based revolving line of credit up to $200,000. Its function is similar to a standard asset-based line, except that some of the stricter servicing requirements are waived, provided that the business can consistently show repayment ability from cash flow for the full amount.

Each of the five lines of credit have a maturity of up to five years. However, to meet the needs of the applicant, a shorter initial maturity can be established. Disbursements from the credit line can be made until the business can convert assets into cash for payment at maturity. The primary collateral will be the cash generated from the line of credit.

CAPLines, except the Small Asset-Based Loan, can be for any dollar amount. Interest rates are negotiated between the lender and borrower. The rates may be fixed or variable, but can not exceed the prime rate plus 2.25 percent. SBA imposes no interest rate ceilings or maximum fee limitations on lenders. SBA will, however, review rates and fees charged to borrowers. SBA charges the lender a guarantee fee of 0.25 percent of the guaranteed amount for loans of 1 year or less. The guarantee fee for loans with terms of greater than 1 year is 2 percent.

Other Financing Options

State and Local Resources
Most states and some localities have at least one financing program that can be used to finance fixed assets such as real estate, machinery or equipment or the renovation of existing infrastructure. Revolving loan funds are one approach. Others include linked deposits, loan pools, industrial bond guarantees, venture capital and tax abatements.

The Ohio Thomas Edison Program offers an integrated set of services for new high-technology development through eight technology centers that assist in commercializing technological advances linked with eight business incubators. The incubators support new high tech companies for three to five years. The separate technology centers are membership based; each center providing basic services as part of the dues: access to experts in the field, newsletters, conferences, access to sophisticated testing equipment, testing mechanisms, information searches, hotlines, etc. Members may hire each of the membership organizations for specialized consulting services. The Centers for divided along industrial lines: Polymer Innovation Corporation, Advanced Manufacturing Sciences, Edison Welding Institute, Edison Materials Technology Center, Edison Biotechnology Center, Industrial Systems, Advanced Manufacturing. Each of the centers are membership organizations charging sliding scale membership fees.

The eight technology incubators are located across the state and only one is located in a small urban area. Each incubator is guided by a Board of Trustees selected because of their own business success, community leaders and local academics. The Board assists tenants with valuable and timely advice, as well as information and referrals to other resources within the community. The Incubators are linked to the Edison Technology Centers so that tenants can access expert technical assistance. Each incubator is also teamed with a local Small Business Development Center, local universities, and other programs. The support system dramatically reduces the failure rate typical of star-up companies.

Extension Assistance

Many smaller DOE contractors, local expanding firms and start-ups will need assistance in making their operations more competitive in the commercial market including adapting new technologies, problem solving as well as business assistance. As stated previously, DOE contractors typically have high technology capabilities but may need assistance in adapting or retooling their production operations for new products and markets and other related assistance.

Manufacturing Extension Partnership (MEP)
National Institute of Standards and Technology through its MEP program funds a network of manufacturing extension centers, working with state and local organizations. The Partnership's mission is to build and coordinate partnerships and provide the information to smaller manufacturers on modern manufacturing and production technologies. The MEP program links small businesses with engineers and other specialists through affiliations with non-profit technology or business assistance centers, non-profit economic development organizations, technical schools, private consultants, universities and other federal agencies such as the Environmental Protection Agency.

NIST selects which program to fund through a competitive request for proposals posted in the Federal Register. NIST will not accept proposals unless they are in response to specific solicitations. Typically, proposals are rated on the number and types of firms in the region, the firm's needs, technology and business resources, technology delivery mechanisms and financial plan.

Manufacturing Extension Centers (MECs) provide a range of hands-on technical assistance and training to companies. Working with other federal, state and local organizations, the Centers assist companies with quality management, workforce training, workplace organization, business systems, marketing or financing, including needs assessment, management assistance, training programs, and marketing and finance needs. The specialization of each MEC varies, ranging from general manufacturing to specific fields such as plastics or pollution prevention. Common services include helping manufactures assess their current technology and business needs, identifying solutions, and implementing improvements.

Funding of the Centers is shared by the federal, state and local partners. Federal funding is provided either directly by NIST or through DOD's Technology Reinvestment Project. Federal funding must be matched by state or local funding. The regional sponsor must contribute 50 percent or more of the center's capital and annual operating and maintenance costs. The DOE affected states, California, Colorado, New Mexico, Ohio, South Carolina and Tennessee have MECs.

BUSINESS START UP FINANCING

Many communities conduct small business assistance programs to retain and expand locally owned businesses. They use a number of tools to address gaps in the local business environment or the entrepreneurs abilities. These include financing, business management training, networking, and low cost facilities.

Small Business Development Centers
Small Business Development Centers (SBDCs) provide one-on-one assistance and training to small business including identifying and accessing new markets. Each SBDC has its own particular specialty. Some SBDCs provide loan packaging assistance. SBDCs initiate and coordinate low cost seminars and workshops on topics such as marketing strategies, international trade, high technology applications, personnel management, and financing alternatives.

Financial Assistance
Credit gaps appear in local financing markets when local banks lack the resources to take risks on startup businesses, when regional and national banks are unwilling to make small business loans, or when banks are neglecting locally important business sectors. The following section addresses different tools to bridge that gap.

Microloan
Microloan programs, also called micro-credit programs, provide very small, generally $25,000 or less, short-term unsecured loans to people without the credit history and/or collateral necessary to obtain a conventional loan. The terms of the loan are generally three years or less, with the majority of the loan maturing in less than one year. The loans recipients are generally entrepreneurs from targeted populations who want to start up or expand a small business, often home-based and individually owned. Micro-enterprise development programs increase access to capital. Microloans enables owners of the smallest businesses to become economically self-sufficient through self-employment, whether in a sideline, home-based enterprise, or a full-time storefront operation.

Venture Capitalists
Venture capitalists are golden opportunities for the development of high technology ideas.

Venture capitalists earn their living identifying companies developing promising products, infusing desperately needed capital in unproven ideas and bringing them to market, and using the investor's ownership position to enforce sound business management practices. There is much anecdotal evidence among Silicon Valley entrepreneurs that venture capitalists are particularly good at Picking winners.

The formal venture capital industry is best known as a source of risk capital to young, rapidly growing, technology-based enterprises, particularly those in the computer and other electronics-related industries. Venture capitalists typically provide funds to start-up and expanding businesses, before these businesses have access to capital through the public stock market or more credit-oriented institutions like banks and insurance companies. The industry is a less active, but important source of pre-start-up or early stage seed capital, funds used by entrepreneurs to develop a business concept. Because many of the venture capitalists are ex-businessmen, with technical training and business acumen, they are qualified to judge both the business skills of potential recipients and the product's technical viability. Since the venture capitalists are the individuals with the purse strings, they are able to advance money quickly once they have made a decision.

Appendix F

Federal Resources for Employment Retraining

The primary federal program to help workers displaced by layoffs and closings is the Economic Dislocation and Worker Adjustment Act (EDWAA) authorized by Title III of the Job Training Partnership Act (JTPA). EDWAA provides funds to the states and to grantees within the states to support retraining programs for dislocated workers. In FY 1996, approximately $1.2 billion, was provided for EDWAA programs.

Those eligible for assistance under EDWAA are workers who have lost their jobs and are not likely to become reemployed in their previous industries or occupations. These include those who have been impacted by plant closures or mass layoffs (this would include DOE employees displaced by downsizing or facility closures); long-term unemployed persons who face limited job opportunities in their fields of experience and/or training; and self-employed persons who have lost their livelihood due to economic conditions. States may also authorize services to displaced homemakers under certain circumstances.

Consistent with the delivery of services prescribed by the Job Training Partnership Act, the states are divided into substate service delivery areas (SDAs). Within each SDA a private industry council (PIC), comprised of representatives from business, government, the community, labor organizations and other sources, sets policy for the use of JTPA money according to local conditions, the training needs of eligible participants and the workforce needs of businesses. The programs are developed and implemented locally based on local labor market needs, opportunities and available resources. In addition to allocating retraining funds to SDAs, the Governor of each state appoints a Dislocated Worker Unit which has the responsibility for overall administration and management of the EDWAA program within the state, including the establishment of a system to respond rapidly to worker dislocations. Funds are made available to the states annually through a distribution formula based on unemployment in each state.

Typically, states allocate 50 percent of their EDWAA funds to Service Delivery Areas (SDAs) to provide basic readjustment and retraining services; 40 percent are used at the state level for rapid response, technical assistance functions on statewide, regional or specific industrial sector projects to cope with geographic and industry impacts; and the remaining 10 percent is allocated to selected local areas based on need.

Under EDWAA, a range of retraining and readjustment services are available. The states and the local substate grantees tailor the services to meet the individual needs of the participating dislocated workers based on the funds available. The following services have been available under EDWAA:

Rapid Response. The Dislocated Worker Unit in each state receives notices of plant closures and mass layoffs as required by the Worker Adjustment and Retraining Notification Act

(WARN). When the Unit receives the information, it responds with on-site services to assist workers facing job losses. The Unit can also help to set up a labor-management committee at the worksite and/or assist in efforts to avert worker dislocations.

Retraining Services. Retraining is provided so participants can attain skills needed to qualify for jobs in demand. This retraining is done in classrooms and through on-the-job training. The program may also provide basic and remedial education, entrepreneurial training and instruction in literacy or English-as-a-second-language.

Readjustment Services. These services include outreach and intake; testing and counseling; development of individual service plans; labor market information; job development; job search and placement; support services (including child care and transportation allowances); relocation assistance and pre-layoff assistance.

Needs Related Payments. Dislocated workers who have exhausted their unemployment insurance (UI) benefits may receive needs-related payments while they complete training.

Certificate of Continuing Eligibility. The program provides certificates of continuing eligibility which allows eligible workers to defer the start of retraining or to obtain their own retraining.

States and substate areas can also apply for grants from the National Reserve Account (NRA) of the Department of Labor's Employment and Training Administration (ETA). These grants are additional funds to administer and implement projects for eligible workers dislocated because of mass layoffs, plant closures, disasters and Federal government actions, such as reductions or closings of DOE facilities.

Appendix G

Benchmarking

Economic development agencies serve many audiences who need to evaluate their performance. Among these are public officials and state or federal funding sources who provide support for policies and programs. Public officials expect to see some measure of performance and return on the investment of public funds they commit to economic development programs.

The outcomes benchmarked by various economic development organizations vary depending on the organization. Traditional programs benchmark jobs created and retained, businesses locating or expanding, etc. But changes in the economy have put more emphasis on creating and replacing quality jobs, on attracting or expanding growth companies and on providing needed training for the workforce.

Economic development organizations should work to develop benchmarks that:

1) assess cost-effectiveness of all programs,
2) compare program results to national standards,
3) help enforce accountability,
4) identify problem areas -- both within the organization and within the local economy -- that should receive additional attention, and
5) track progress

To do this, economic development organizations need to first establish what should be measured. They need to look at program objectives and determine ways to quantify those objectives. For example, if the objective is to promote job creation through small business loans, they should measure the number of loans, the number of jobs created or retained as a result of those loans, the average loan amount, the default rate, etc.

Once the measures are established, the economic development organization will need to decide what they will benchmark against. Benchmarks are most valuable when they are used to compare program results to some standard.

1. Compare program results to national standards. This is the best way to establish program effectiveness, however it is the most difficult. Because benchmarking is relatively new to the economic development field, national standards have not yet been established for most economic development activities. When such standards are available, such as acceptable levels of dollar investment per job created or retained, organizations should compare their results to such standards.

2. Compare program results to those of an existing, model program. For example, an organization can benchmark the results of a new high- technology incubator against a similar, established incubator. The economic developer can contact an organization like the National

Business Incubation Association to determine which national incubators can serve as model programs, with similar goals and similar characteristics. The economic developer can then compare his/her program results to the results of this model incubator.

3. Compare program results from after implementation to results before implementation. This type of benchmarking relies on an assumed causal relationship. For example, a marketing organization can compare the number of business attractions that have occurred in the community once the program was running to the number of attractions that occurred before the program was implemented. To some degree, the marketer can claim that their program influenced the change in attractions. This requires that Abaseline@ measurements are taken before program implementation.

4. Track program trends. The final way to use benchmarks is to track trends in the measurable outcomes. For example, a program that provides technical assistance to small businesses could measure the rate of business failure among clients. If the rate decreases over time, then the economic developers can argue that they are doing their job effectively.

Once the economic developer has established the measurable outcomes and once he/she has established what he/she will compare results to, the next step is to develop an instrument with which to measure outcomes. Measurements should occur periodically (monthly, quarterly or annually). It is recommended that these periods are established and known by all staff. Such periodic measurements and evaluations will provide staff with incentives for improvement.

The economic developer needs to establish the physical means of tracking benchmarks. Typically, trends can be tracked with a standard spreadsheet software package on a personal computer. The hardware, software and staff requirements of tracking benchmarks is relatively minimal. However, if databases (in a spreadsheet) are not established in the beginning, it will be easy to lose track of the benchmarking program.

Appendix H

Case Study
Fargo-Cass County Development Corporation
Fargo North Dakota
Visioning and Planning

Goals

- Create new, higher income jobs in the Cass County area
- Prevent the skilled and educated workforce from leaving
- Increase existing annual payrolls
- Diversify the job base
- Conduct a national marketing campaign to attract and retain businesses
- Create funding programs

Programs

- Marketing program to recruit new businesses
- Marketing program for investors in the Fargo-Cass County Development Corporation (F-CCEDC)
- An incentive fund program in the form of a revolving loan fund (RLF) which acts as a community buy-down loan program
- The Dakota Certified Development Corporation, a state-wide 504 loan funding program
- Property tax exemption program based on the assets of the company
- Corporate income tax exemption
- A Training Center sponsored with North Dakota State University, North Dakota State College of Science, Fargo Public School District, Job Service, and the Fargo Chamber of Commerce

Funding

The F-CCEDC is an investor based organization funded by both the private and the public sectors, but relying predominantly on the private sector. The Corporation oversees two other financial entities, a Revolving Loan Fund or Growth Initiative Fund, and the Dakota Certified Development Corporation, which has 504 application processing authority. All three entities are funded differently.

- Eighty percent of the F-CCEDC budget comes from the private sector and 20% from the public sector. The private sector support is made up of 172 private investors (totaling $1.6 million in 1996). These investors are business and community leaders and represent financial institutions, utilities, development corporations, and large companies, among others. Investors make a four year commitment during which time the pledge is paid in full. Different companies commit to different amounts. This money supports the efforts of F-CCEDC to help market the area and attract new clients and investors.

The other 20% comes from the public sector, mostly from money generated by a Four Mill Levy which is held by the county as a trust/reserve and is paid to the F-CCEDC on a monthly allocation basis. All of the money that the corporation receives is put into a general operating fund to cover only those items outlined in the yearly budget. Unused funds for a current year's budget are put into a reserve account.

- The Growth Initiative, or incentive fund, is a Revolving Loan Fund (RLF) financed primarily by the Four Mill County Levy. This fund is also assisted by any money invested in F-CCEDC that goes over a $1.2M limit, so in 1996 when the F-CCEDC brought in $1.6M, the incentive fund received the $400,000 excess.

- The Dakota Certified Development Corporation, an authorized SBA 504 loan program administrator, is funded by the administrative fee that is charged to banks.

Problems

- The prevailing attitude in the area towards economic growth
- Perception of North Dakota as being backwards, cold, and empty
- Lack of financial resources to offer financing, marketing and property tax exemption programs
- Lack of credibility as an economic development organization

Results

Before 1992, the Fargo Development Corporation (FDC) had a $100,000-$150,000 budget with three staff members and 10 clients in its portfolio. The F-CCEDC 1996 budget is $1 million, with a $2 million fund drive, and the organization has 7 staff members and a portfolio of 80 active clients and several hundred inactive ones.

From 1992-1996 the Fargo-Cass County Development Corporation:
- Implemented a highly successful four year marketing strategy
- Succeeded in adding $75 million to the local annual payroll
- Created 5400 new jobs
- Stabilized the brain drain, encouraging the educated workforce to stay in the area
- Increased new facility space by 1,600,000 square ft.
- Developed an Incentive Program
- Expanded the Dakota Certified Development Corporation into a state-wide 504 lender

Background

The Fargo Cass-County Economic Development Corporation (F-CCEDC), established in 1991, sprang from the Fargo Development Corporation (FDC) which originated in 1946 as a non-profit entity focused on land use and the development of an industrial park. By the 1980s FDC, with its limited defined purpose, no longer played an active a role in promoting economic development in the area.

The economic challenges of the 1980s forced Fargo to reevaluate the role of its development corporation. Fargo lagged behind the national average in the number of employees based in manufacturing (13% nationally, 4% in Fargo) and national service companies (nationally 7-8%, Fargo 2%). The area also faced a major brain-drain of university educated graduates, high unemployment, high part-time employment, and low benefits. The economy, which was highly dependent on agriculture, was stagnant whereas other areas similar in size were diversifying and moving forward economically.

A few of the board members sensed the crucial position of Fargo and began to actively recreate the corporation. Members of the board learned about the types of economic development programs that similar areas were using. Using personal contacts, those on the board dedicated to change were able to rally together a group of supporters from the community. In response to the strong movement for change, board members who had once been reluctant to consider reorganization, gradually came to embrace the cause.

Knowing that the focus of the development corporation had to change, the first step was to raise the funds for the new organization. A campaign was initiated to encourage local companies and industries to invest in the F-CCEDC, the new economic development organization dedicated to retaining and attracting businesses. The board members, committed to redesigning the scope of the development corporation, devised a four year marketing campaign. They focused their efforts on local businesses and industries by encouraging them to help market the area by investing in the F-CCEDC. Having strong leadership dedicated to achieving their vision was instrumental in getting F-CCEDC off the ground.

Having witnessed the inactivity of the FDC, investors were initially hesitant to participate, yet these same potential investors were aware of the dramatic changes that economic development corporations were making in other similar sized areas. With this awareness, and watching the Fargo economy continue to falter, big businesses began to invest in the new corporation. In December 1991 one of the largest utility companies in the area made the first investment of $100,000 in order to support the four-year marketing strategy. Once this utility company made a commitment, 11 other big investors soon followed suit. The support of one major company made it much easier to obtain additional corporate support. By the spring of 1992, the original $100,000 had been leveraged 16 times, with 170 investors investing a total of $1.6 million. The organization which had traditionally been publicly funded, now relied on private investors.

This led to the complete overhaul of the development corporation in 1992. Changes were made to the structure and composition of the board, the purpose of the organization and the staff. The new organization's board and president came up with a strategic plan that included a four year fund-raising campaign, a nation-wide search for a president, and the hiring of National Community Development Services (NCDS) of Atlanta, Georgia, to devise a fund-raising plan. Another private firm, Midwest Research Institute (MRI) was hired to conduct a major client targeting study soliciting businesses within and outside the community who were on a core group list.

In retrospect, initiators of the corporation's rebirth recognize that the development process was slightly backwards. Usually, new organizations formulate a well-defined plan which is then used in the fund-raising to support the organization. However, in the case of Fargo, the money was raised first from soliciting investors, and then as the money began to come in, a plan for the corporation, slowly developed as the new president and his staff was hired. In this case, the corporation was ready for a change. The climate, being as bleak as it was for Fargo, was fertile for soliciting investors who knew that any change would be for the better.

Since the overhaul, the corporation's primary focus has been on marketing to the manufacturing sector and national service operations. There have been two major four year marketing initiatives. The first one (1992-1996) was based on the target analysis conducted by MRI. The second initiative, which was developed with the consulting services of Fluor Daniel, called Economic Development 2000, will focus on getting better jobs into the area, jobs that match the skills and abilities of the community, and offer the possibility of growth.

The by-laws specify that the corporation will help develop financial tools for supporting businesses in the area but will not manage the funds. In deference to the by-laws, F-CCEDC has set up an RLF and a development corporation that administers 504 SBA loans through separate subsidiaries.

Although Cass County includes the three major cities of Fargo, West Fargo and Casselton, and has 102,00 people, the region that F-CCEDC covers contains 550,000 people. The stakeholder region is not limited to the county. Fargo is directly affected by the economic development of the neighboring rural communities, hence by expanding the F-CCEDC region, the organization can oversee the whole area. The county also borders with Minnesota, and a lot of the effort of the corporation flows over the state line. Although Minnesota has its own development corporation, there are investors from the Moorehead area that do business in Cass County.

Board

F-CCEDC must provide the board with:

- An annual report on business retention
- An annual Competitive Programs Analysis
- Frequent updates on the status of the funding programs

The Board of Directors, before the change in 1992, was comprised of 20 directors, several of which were appointed. Four were appointed by the Fargo Chamber of Commerce, one from the West Fargo Chamber of Commerce, two from the Fargo city government and two by Cass County. The rest of the board members were elected and were primarily business representatives. The chairman of the board, and the Executive Committee, was responsible for a lot of the administrative work of the corporation. The purpose of the board was to meet periodically and receive a report on the status of the corporation. There were no active policy making meetings or discussions of how to improve the business climate in Fargo.

The new Board of Directors and the Executive Committee differs from the old board in several ways. The board is now made up of leaders in the community with diverse professional backgrounds who set policies for the organization and are very performance driven. The board members serve not only as advisors but have become the focal point of the organization. They raise the resources to accomplish the goals of the organization.

The Board of Directors was devised to represent the community as well as industrial interests. It is now made up of businesses who have invested in the corporation as well as representatives from specific sectors within the community such as Health Care, Finance, and Utilities. It was also mandated that labor, higher education and secondary education have representatives on the board.

There are presently 25 board members (the by-laws call for a board numbering 22-25, who serve for three year terms), 11 of whom are appointed from local public groups. Of those 11, two are from the Fargo City Commission, one from the West Fargo City Commission, two from the Board of Commissioners of Cass County, two from other city commissions or development councils in the county, one labor participant who is nominated by the local labor union, two delegates from the state legislation, and one executive director of a local planning council. The additional 11-14 members represent the interests of the community and include representatives from health care, financial institutions, utilities and the manufacturing sector. The President of the University and the superintendent of the school district are also on the board.

Both the Board of Directors and the Executive Committee meet monthly. The Executive Committee meets for two hours during the week before the general board meeting. The President of F-CCEDC sits in on this meeting and joins the discussions of strategy and its implementation. The Executive Committee and the Board of Directors have very consciously built up high trust among themselves. Trust and communication are extremely instrumental in the success of the boards.

The Executive Committee is made up of 9 of the 25 board members. Officers of the corporation include the Chairman, Vice-Chairman, Treasurer, Secretary and President. The four others on the committee are board members, one lawyer acting as counsel, one city planning director from Fargo and a second from West Fargo, and an emeritus member who served as the chairman for many years. Terms are for one year and can be held for succeeding terms.

Two committees are outlined in the by-laws. The budget and finance committee has the responsibility of overseeing the financial condition and policies of the corporation and establishes the budget. Presently the budget and finance committee is the same as the Executive Committee. The second committee, the loan committee, is responsible for voting on SBA 504 loans.

The strength of the board has been highly critical for the organization's successes. Because the group is focused and includes the leadership of the community, no outside entity has posed as an adversary to the organization's goals. This type of board structure allows the board to provide leadership that is influential. The board has been instrumental in transforming the community mind-set to one that supports economic growth.

Staff

The first major step in hiring the staff of F-CCEDC was to conduct a nationwide search for a qualified and experienced economic developer to become the President. Although the board was initially hesitant to offer a high salary for the new position, they received such strong financial backing that they were able to offer a competitive salary.

Once the President was hired in 1991, he started building his team, hiring qualified, experienced and dedicated staff. Presently, F-CCEDC is staffed by 7 people; the President, Vice President of business retention, Vice President of national marketing, an administrative assistant, a support staff member who provides financial services and acts as a marketing assistant, a word processing assistant and a receptionist. The President has a background in economic development, an MBA, and 20 years of experience in economic development. The Vice President of business retention has an MBA, a background in the manufacturing industry, having worked with Boeing, and had experience working at another development corporation. The Vice President of marketing served as the President of an interstate business college in town, and also has a business background.

The organizational tree starts with the Board of Directors which oversees the Executive Committee. The President reports to the Executive Committee. When establishing the organization, each position and its purpose was clearly defined, including the lines of accountability between job positions. Also included in the job description was the nature and scope of the position, concrete examples of the types of work the position would entail, a list of the required knowledge, skills and abilities, the acceptable experience and training, and a summary of the salary and benefits.

How organized

- The F-CCEDC is registered as a 501(c)(6) corporation. There are presently 172 investors which include businesses, cities and the county. F-CCEDC was established as a 501(c)(6) corporation to avoid the long and difficult process of applying to the IRS as a 501(c)(3). Under a 501(c)(3) plan all investors would be able to consider their investments as tax write-offs; however, this benefit would discourage the IRS from approving the corporation's registration. Hence, to avoid the IRS scrutiny, it was easier and more feasible for F-CCEDC to sign as a 501(c)(6).

- The Growth Initiative Fund, or incentive fund, is registered as a 501(c)(3) and has a 5 person appointed board who decide how the funds will be used. It is a revolving loan fund (RLF) which is used to subsidize interest rates on loans for equipment or facilities. Together, the Bank of North Dakota and the community jointly buy down the effective interest rate. The administrative work for the fund is handled by the F-CCEDC staff.

- Dakota Certified Development Corporation, a financing corporation which services all of North Dakota, is certified as a 501(c)(4). Most community and certified development corporations are registered as 501(c)(4)s. It administers 504 and 7(a) SBA loans and gap financing. The president of F-CCEDC also serves as the president of the Dakota Certified Development Corporation, a subsidiary of F-CCEDC.

Lessons Learned

- **Benefits of a public-private partnership**. Even though most of the funds of F-CCEDC come from private sector investors, money from the county from the Four Mill Levy has enabled the establishment of funding programs important to the business community. Having both private and public sector representatives on the board has ensured that the corporation gets full support from both sectors. The balance of representatives on the board allows all voices in the community to be heard.

- **Importance of a strong President who will set up a team-oriented and productive staff.** The most important aspect in setting up a new organization is finding the right President to lead the organization to success. The search for a President is a process that should be well-planned and should not be limited by funding. A competitive salary must be offered to ensure hiring the most professional and qualified candidate possible. Recruitment also takes time. Whereas the FDC used to spend only a few months recruiting for positions, F-CCEDC expects to spend at least nine months in any recruitment effort. The head of staff must know the business and have the ability to bring in support staff with economic development backgrounds. Staff must be highly dedicated and aware of the types of outreach efforts for which they will be responsible.

- **Importance of having a professional group of business leaders on the board.** The Board of Directors must be committed and willing to invest both time and money into the corporation. The staff is hired to run the organization and take care of administrative tasks, leaving the board free to focus on policies. The board should represent a solid cross-section of the community including the government, business, education, and labor. It is important to establish a network on the board to help facilitate the interactions with city hall, the legislation, etc. When recruiting companies to the area it is important to be able to have a wide range of representatives from the community to meet with prospective clients. The board can serve as the first step in establishing a network that is critical in attracting new clients.

- **Use outside services and resources**, four examples:
    - The FDC ran out of money in the 1980s. To establish the original marketing campaign, the F-CCEDC asked for tax money from the county to pay for the corporation's efforts while the investment dollars were being generated.
    - National Community Development Services, based in Atlanta, Georgia, was hired to do a feasibility study and conducted a national fund drive that helped F-CCEDC raise $1.6 million from investors. NCDS's services were key in identifying the funding sources for F-CCEDC that led to Fargo's successful

marketing campaign to bring in investors. NCDS was hired for the second marketing campaign as well.

- The Midwest Research Institute (MRI) was vital in setting up the targeting plan to determine who and where Fargo should market to bring clients to the area.
- Fluor Daniel was hired to update the target industry analysis and assisted in developing the second 4-year marketing plan.

- **Devise a well-visioned strategic plan.** In the case of Fargo, the visioning process was first initiated by those board members who saw that the corporation needed to change. After talking to others, deciding to hire a new president and determining their options, funding for the new organization became their primary concern. By this time NCDS was already working on determining the best direction for F-CCEDC and helped the board start a strategic plan. The result was the four-year marketing plan which became the foundation of their strategic plan. Board members were able to provide the vision and the president and his staff provided the economic development expertise.

- **With success, do not become complacent.** Once the rewards and success are felt after several years of hard work, there is a tendency to sit back and enjoy it. However, in economic development there is always more accomplish.