

1999 Annual Report Executive Summary

Kentucky Highlands Empowerment Zone

During the year ended December 31, 1999, projects and programs outlined in the Strategic Plan began to take hold in the Kentucky Highlands Empowerment Zone (KHEZ). This was primarily because many of the projects have had enough time to move from the planning stage to the implementation stage.

Job creation continued to be the main focus of the Empowerment Zone's efforts. Total employment in the three KHEZ counties, as of December 31, 1999, had grown to 17,920, an increase of 492 jobs during the year and 2,573 since designation. The overall KHEZ unemployment rate, as of December 1999, stood at 4.0%, with the Jackson County rate standing at 2.9%. For reference, the national rate was 3.7% and the Kentucky rate was 3.6%.

During the year to December 31, 1999, the Development Venture Fund approved investments with nine companies. This included the purchase of the Clinton County EZ Community, Inc. IRP portfolio with its four loans. Total employment at the companies with which the Development Venture Fund has participated grew to 2,319, an increase of more than 900 during the period. Total private investment leveraged through investments by the Fund grew to more than \$68 million. Importantly, the entire \$11 million in the Development Venture Fund (Benchmark 1), plus the \$2 million used to recapitalize Mountain Ventures, Inc. (Benchmark 14), has now been invested in the KHEZ. In addition, as of December 31, 1999, a further \$1,536,157 has been loaned to KHEZ businesses from repaid Fund principal.

The participation of KHEZ in agriculture projects grew significantly during the reporting period. At the beginning of the year, KHEZ had made only 5 Production Loans and 28 Alternative Crop Loans in the first four years of operation. In response to a Spring 1999 radio and newspaper advertising campaign the number of Production Loans grew to 24 and the Alternative Crop Loans grew to 52. The advertising campaign will continue throughout the life of the KHEZ.

On the county level, several projects were completed and others made noticeable progress during 1999. The Environmental Impact Statement (EIS) for the lake in Jackson County (Benchmark 19) moved forward with a Preliminary Draft EIS due out on March 1, 2000. In Clinton County, the water tank/line project (Benchmark 20) was completed which allowed Cagle - Keystone Foods, to grow to 1062 employees, an addition of more than 600 workers. In Wayne County, the ASPIRE Youth Center opened its doors in July 1999 and the Center is planning to add a swimming pool in the coming year.

During 1999, the KHEZ invested \$9,775,484 of SSBG funds, of which \$3,683,896 was invested by the three county organizations. Since designation, the KHEZ has invested \$27,184,205 of SSBG funds, plus an additional \$1,613,225 of loan repayments, for a total of \$28,797,430.

The KHEZ Strategic Plan was amended during 1999 following six well-attended annual review forums. Ten new projects were added to the Strategic Plan and four received additional funding. Two projects, the Clinton County Airport and the Home Keyer initiative, were deleted from the Strategic Plan.

Finally, the KHEZ hosted a visit to Jackson County by President Clinton on July 6, 1999. The President visited a family in the community and toured Mid-South Electronics, Inc., a company which has received assistance through the Development Venture Fund.