

2000 Annual Report Executive Summary

Kentucky Highlands Empowerment Zone

During the year ended December 31, 2000, the Kentucky Highlands Empowerment Zone continued its aggressive implementation of the Strategic Plan as almost all the Benchmarks made progress.

The majority of the Empowerment Zone grant award has been earmarked for job creation efforts, and in this area, the KHEZ continues to be successful. Total employment within the three KHEZ counties at December 31, 2000 grew to 19,438, an increase of 1,518 jobs from the December 1999 figure and 4,089 since designation in 1994. The overall KHEZ unemployment rate at December 2000 stood at 5.3%, which is down 45% since designation but up for the year 2000. The majority of the increase in unemployment claims came in the last quarter of 2000 when several manufacturers experienced temporary layoffs. This is evidenced by the fact that in September 2000, the unemployment rate for the KHEZ stood at 3.6%, below state and national averages. The majority of those laid off have been recalled and the rate should again decline during the first quarter of 2001.

During the year ended December 31, 2000, the Developmental Venture Fund (Benchmark 1) approved seven new loans to KHEZ companies. Included in these investments is financing for two new manufacturing facilities. The first, Gruen-Wald Engineered Laminates, Inc., based in Sioux Falls, South Dakota, opened a production plant in Wayne County that will employ 30 residents. The second is Holiday Mansion International, Inc., a division of Twin Anchors Marine Group, the largest houseboat manufacturer in Canada, that announced in the last quarter of 2000 that they would construct a houseboat plant in Clinton County. The remaining seven loans approved during the year were for expansions of existing KHEZ businesses.

Total employment at the companies which have received financing from the Developmental Venture Fund grew to 3,288 at December 31, 2000. This is an increase of 969 during the course of the year. The total private investment leveraged by the Fund grew to a total of \$97,645,000 at years end.

The performance of the Developmental Venture Fund loan portfolio has been excellent. A total of \$17,772,622 in loans has been approved, with an outstanding balance of \$12,677,437 at December 31, 2000. Only one loan was not paying in accordance with terms, and this company is working closely with the KHEZ on a restructure plan. In addition, a total of \$3,093,665 loan repayments beyond the \$11 million Benchmark capitalization has been relent and is in use in the Zone.

The other major lending initiative within the KHEZ involves small farmers. The Alternative Crop Fund (Benchmark 6) had an outstanding year, closing thirty-one new loans during the period and utilizing \$39,363 in repaid principal in the process. A total of seventy-nine Alternative Crop Loans, representing an investment of \$185,920 in KHEZ funds, have been made to date. During the year ended December 31, 2000, thirteen Production Loan Funds were made. This brings the total to date to thirty-seven. The amount invested with Zone farmers through this Benchmark is now \$494,241, including \$154,153 in repaid principal funds. Both of these programs have grown significantly as a result of an extensive marketing program, including newspaper and radio announcements.

On the county level, several Benchmarks were completed and others began to make noticeable progress. In Clinton County, a dispute with the State of Kentucky on the location for a post-secondary campus could not be resolved, so two training facilities on separate sites are being undertaken. The Clinton County 21st Century Learning Center (Benchmark 10), a local EZ project, began construction on October 10, 2000. This \$3.4 million education center will make college level classes available for the

first time to Clinton County residents. Other Clinton County accomplishments include completion of the Exhibition Hall at the fairgrounds (Benchmark 36), widespread improvements in the parks and recreation facilities (Benchmarks 29 and 37) and initiating construction of a new county emergency services building (Benchmark 38).

In Jackson County, the Environmental Impact Statement (EIS) for the reservoir (Benchmark 19) was nearly complete after three years of planning. A Preliminary Final Draft EIS will be released in February 2001. The importance of the reservoir was highlighted during the year as the existing lake reached a record low and the water association issued a tap-on ban and rationing directions. Several other Jackson County projects also made progress on implementation. The community center (Benchmark 25) began construction during 2000 as part of a new vocational school with a scheduled completion date of August 2001. The entrepreneur training program (Benchmark 9) and the city of McKee revitalization project (Benchmark 16) continued on course. The ambulance service project (Benchmark 43), the health department project (Benchmark 44) and the rescue squad project (Benchmark 45) were all completed during 2000. The day care provider training project (Benchmark 41) will be undertaken shortly as part of a new day care/family care center currently being constructed in the Jackson County Industrial Park. This center was funded in large part through a \$499,000 RBEG award. Two benchmarks, the student revolving loan fund (Benchmark 39) and the home buyer loan fund (Benchmark 40) made no progress during the year and their future is in doubt. The city of Annville (Benchmark 17) was dissolved in November 2000 by voter referendum and the funds remaining for revitalization of that community will be reallocated during the annual review of the Strategic Plan in the Spring 2001.

In Wayne County, all benchmarks are complete with the exception of constructing a swimming pool at the youth center (Benchmark 26). This project will be bid in 2001 and then all activity under the Benchmarks within Wayne County will be completed.

During the year ended December 31, 2000, the KHEZ invested \$2,259,425 of SSBG funds even though the cumulative total only increased by \$950,026. The reason for this anomaly is that \$1,309,399, which had been drawn down and paid to the State of Kentucky during 1999 for the Clinton County 21st Century Learning Center project (Benchmark 10), was returned to the SSBG account when the state cancelled the contract.

At December 31, 2000, a total of \$28,134,231, or 70.3%, of the SSBG award has been expended. In addition to this amount, \$3,287,181 of loan repayments has been reinvested within the Zone. This brings the total amount invested by the Kentucky Highlands Empowerment Zone to \$31,421,412. The resulting impact, in terms of economic development, is tangible and readily apparent.