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Lancaster County Progressions

A Newsletter of the Economic Development Company of Lancaster County Summer 2008

EDC Finance Adds Two Tools to Funding Toolbox

Following a rigorous 18-month qualification process led by EDC vice president John Biemiller, EDC Finance Corporation in May received designation as a Certified Development Company (CDC) from the U.S. Small Business Administration, allowing it to administer the federal SBA 504 Loan Program and facilitate expanded economic growth opportunities, including commercial and retail development projects.

SBA 504 certification is EDC milestone

The U.S. Small Business Administration website (www.sba.gov) describes the Certified Development Company/504 Loan Program as “a long-term financing tool for economic development within a community, providing growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings.”

This “long-term financing tool” is now part of EDC Finance’s toolbox. As one of 260 Certified Development Companies throughout the country, and only the eighth in Pennsylvania, EDC

SBA 504 certification will open doors to new categories of development funding for EDC Finance, broadening lending from its tried-and-true manufacturing base to include many kinds of commercial projects. Loan amounts can go as high as \$1.5 million to \$2 million for community development and public policy projects, and to \$4 million for qualifying small manufacturing businesses.

In addition to its wider project application, an SBA 504 loan, according to Biemiller, carries a fixed interest rate for the full 10- or 20-year loan term and has less equity impact on the borrowing business. “The borrower benefits because the loan never has to be renegotiated and the company only has to put up 10% in equity,” Biemiller says. As for the bulk of the investment, a private lender, which assumes a first mortgage, secures half of the project cost and the CDC, through an SBA-guaranteed debenture, covers the remaining 40%, Biemiller explains.

Biemiller, Jean Rehrig and EDC president David Nikoloff recently underwent SBA 504 Program training at a conference conducted in early May by the National Association of Development Companies.

6 boroughs qualify for Urban Capital Fund investment

EDC Finance continues to expand its funding capacity to drive redevelopment in Lancaster County’s vital urban areas.

The additional LancasterProsper Urban Capital Fund allocation and its

(Continued on page 2)

‘The SBA 504 Loan Program Preserves and Strengthens Communities’

— David Dickson, Director, SBA Philadelphia District Office

Across America and in our own region, small businesses use SBA 504 loans not only to finance business start-ups, but to fund the kind of expansion necessary to remain competitive in today’s global marketplace. While 504 loans are not available for working capital, inventory or labor purposes, they are a vital resource for funding land, building and major equipment purchases, as well as leasehold improvements.

Communities that these small businesses serve also benefit from the SBA’s 504 loan program. The 504 program stimulates regional economies by encouraging local investment and requiring that 504-loan borrowers create one job for every \$50,000 borrowed. Also, the 504 program’s support of local business ownership means that business owners have a personal stake in maintaining their community’s integrity. So, even as those businesses adapt to marketplace demands, the community’s fundamental character remains intact.



SBA’s David Dickson speaks at EDC Finance luncheon, June 4, 2008.

ANNOUNCING THE NEW EDC FINANCE CORPORATION ONLINE

WWW.EDCFINANCECORP.COM

Be sure to visit EDC Finance Corporation’s new home on the web at www.edcfinancecorp.com. The redesigned site features:

- Simple and quick access to *in-depth information about our business and production agriculture financing programs*, including current loan rates
- Brief *case studies* of some of our projects to illustrate how various program monies have been used
- *News & events* page with timely articles that discuss the expanding activities and financing opportunities available through EDC Finance Corporation, such as the SBA 504 and the expanded LancasterProsper Urban Capital Fund Programs featured in this newsletter
- Growing list of *business resources* to help you with your business financing, planning and operating needs

Bookmark and visit www.edcfinancecorp.com often to stay up-to-date on the most recent EDC Finance happenings and program interest rates. Check it out, and then give us a call. We look forward to hearing from and working with you to grow your business or farm for a prosperous Lancaster County.



SBA 504 Program certification is the first of two new tools that EDC Finance will be able to offer businesses and developers in Lancaster County.

In April, EDC Finance learned that the state’s Commonwealth Finance Authority approved an additional \$4 million to capitalize the LancasterProsper Urban Capital Fund through the Building PA program – \$2.4 million of which can now be allocated to any urban area in Lancaster County that already has an established Main Street Program or Keystone Opportunity Zone (KOZ).

Securing both resources is further evidence of EDC Finance’s ability to serve as a qualified fund manager, thus ensuring access to a reliable stream of financing for a wider range of projects throughout Lancaster County.

Finance is authorized to work with the SBA and private-sector lenders to provide financing to small businesses.* “EDC Finance has reached a point with staff capacity and skills that we can administer the SBA 504 Program, from loan application to closing, providing local customer service through EDC Finance,” says EDC’s Biemiller.

Before certification, EDC Finance could market SBA 504 loans, but entrusted loan administration to the Chester County EDC, the closest CDC to Lancaster County. Over the years, more than 70 for-profit projects here have been facilitated by the Lancaster-Chester connection, and ultimately administered by the Chester CDC. These projects include the construction of the Country Inn & Suites on Route 30, the theatre at Rainbow Dinner Theatre on Old Philadelphia Pike and the La-Z-Boy Furniture Gallery on Harrisburg Pike.

(EDC Finance, continued from page 1)

broader apportionment means EDC Finance can consider more projects in Lancaster City and, for the first time, in the boroughs of Ephrata (KOZ and Main Street), Elizabethtown (Main Street), Lititz (Main Street), Columbia (KOZ), Mount Joy (Main Street) and Manheim (KOZ and Main Street). (Projects do not have to be located within the boundaries of a KOZ- or Main Street-designated area to

qualify for funding.)

According to Lyle Hosler, EDC project manager, "The move to the boroughs will allow us to fill funding gaps in important redevelopment projects that previously could not find the mezzanine funding to make the project work."

The additional Urban Capital Fund dollars are the result of an EDC Finance request prompted by high demand for the initial allocation

of funds in 2007. The lion's share of those funds have been directed to two projects – development of Auntie Anne's corporate headquarters in Lancaster City's Chestnut Street post office building and the Drogaris Companies conversion of the Swisher building on North Prince Street in Lancaster City into mixed-use property.

"We will continue to handle allocation of Urban Capital Fund

financing on a first-come, first-served basis," Hosler says. While no project has reached application stage, Hosler says that two projects are undergoing preliminary consideration for financing, including potential redevelopment opportunities in Columbia and Manheim.

*Visit EDC Finance Corporation's website at www.edcfinancecorp.com for more information.

Report to the Community Released in May LancasterProsperes Continues 'Leading with Vision'

Leaders of the LancasterProsperes economic development initiative released a progress report to the community at a special ceremony held on May 28 in the Lancaster City Council Chambers.

Titled *Leading with Vision: Successes, Challenges and A Plan for Moving Forward*, the 16-page "Revisited" report identifies the challenges encountered and achievements attained by the seven original LancasterProsperes strategy committees over the past three years and provides recommendations for advancing and strengthening the important county-wide initiative.

During the ceremony, attended by representatives from government and industry, members of the press, EDC staff and LancasterProsperes volunteers, EDC President David Nikoloff reviewed the main findings of the report and introduced members of the 2008 LancasterProsperes Steering Committee.

In brief remarks, Tim Peters (chairman emeritus, Warfel Construction Company), who served as co-chair of the 2004-2007 LancasterProsperes Steering Committee and 2007 Revisited Working Group, recounted the genesis and development of the LancasterProsperes initiative, the critical challenges it faced, and its core visions and values. "I'm proud to say that to a large extent, we have accomplished much in the first three years with all of these strategies, but as with any

initiative as innovative, multi-tiered and fluid as LancasterProsperes, difficulties, questions and shortfalls were encountered," Peters said.

"This is an exciting time for Lancaster as we attempt to forge our future into areas we know will be essential to our next generations."

– Nancy Arnold, 2008 LancasterProsperes Steering Committee and EDC Board Chair

In addressing the work that remains for LancasterProsperes, Nancy Arnold (partner, Reinsel Kuntz Leshner), current EDC board chair and co-chair of the 2007 Revisited Working Group, stated, "The original seven LancasterProsperes strategies have been evaluated and realigned. We now have six strategies with different structure, focus and leadership, but still addressing critical assets. This is an exciting time for Lancaster as we attempt to forge our future into areas we know will be essential to our next generations."

LancasterProsperes strategy chairs John Levitski (PPL Corporation), Scott Sheely (Lancaster County Workforce Investment Board) and Tom Baldrige (The Lancaster Chamber), all of whom will continue to play lead roles in LancasterProsperes, also made brief remarks during the event.

The LancasterProsperes report comes two months after publication of a Brookings Institute whitepaper, *An Economic Plan for the Commonwealth: Unleashing the Assets of Metropolitan Pennsylvania*, which suggests that the mission and work of the LancasterProsperes strategy committees are indeed focused on those assets that will drive the region's economy in the coming years.

In answering the question "What matters to economic prosperity today?," authors of the whitepaper define economic issues similarly targeted by several of the LancasterProsperes strategies: Innovation and Human Capital (Strategy 4), Infrastructure (Strategy 1)

and Quality Places (Strategy 6). "Leveraging these four assets and maximizing their impact and potential is the only way that Pennsylvania – or that the nation as a whole – can compete globally and move toward a sustainable future," the Brookings papers states.

2008 LancasterProsperes Strategies

- Strategy 1: Regional Initiatives
- Strategy 2: Economic Research Capacity
- Strategy 3: Economic Development Marketing
- Strategy 4: Community-wide Innovation
- Strategy 5: Entrepreneurship
- Strategy 6: Urban Center Development



2008 LANCASTERPROSPERES STEERING COMMITTEE

Back row: L to R, David Nikoloff (EDC), Dan Heller (Flintrock Farms), Matthew Sternberg (Lancaster County Housing & Redevelopment Authorities), Ralph Simpson (Warfel Construction Co.), John M. Levitski (PPL Corporation), James Black (Board Chair, Lancaster County Workforce Investment Board/Ross Technologies), Tom Baldrige (The Lancaster Chamber),

Front row: L to R, Wendy Nagle (Bird-In-Hand Corporation), Craig Lehman (Commissioner, Lancaster County), Nancy Arnold (Board Chair, EDC/Reinsel Kuntz Leshner), Tim Peters (Warfel Construction Co.) Scott Sheely (Lancaster County Workforce Investment Board)

Absent from photo: William Griscom (Thaddeus Stevens College of Technology), Jim Smucker (Board Chair, The Lancaster Chamber/Bird-In-Hand Corporation), Cindy Stewart (Board Chair, Lancaster County Housing & Redevelopment Authorities/Family Health Council of Central PA)

'Membership in EDC Is An Investment in Lancaster County's Prosperity'

How can businesses and organizations in Lancaster County truly benefit as members of EDC? R. Edward Gordon, Executive Vice President and CFO of Wohlsen Construction Company, a company with a long history of EDC leadership, was asked to provide his insight into the value of EDC membership. Gordon joined the EDC Finance Board of Directors in 2004 and is currently its acting Vice Chairman. He is also a member of the joint EDC/EDC Finance Investment Committee and is serving on EDC's 2008 membership campaign, which kicks off August 7.

EDC: Wohlsen recently increased its sponsorship to the Member level. Why?

Gordon: Wohlsen has a strong tradition of providing volunteer and financial support to initiatives and organizations that promote the well being of our people, communities and industry. We understand the importance of jobs and a strong economic environment to individual and community prosperity and to a successful construction industry. We recognize the contributions of EDC and EDC Finance to job creation and a strong economic climate in this community. Therefore, we feel EDC deserves additional financial support.

EDC: In what ways has the work of EDC impacted Wohlsen?

Gordon: EDC's and EDC Finance's activities, such as establishing Keystone Opportunity Zones, administering loan programs or coordinating investments and approvals, enhance the feasibility of development projects and, in some cases, provide the essential ingredient to move a project forward. Throughout our Pennsylvania, Delaware, Maryland and New Jersey marketplace, Wohlsen has constructed buildings for customers who derived financing or other benefits from state and local economic development programs.



Ed Gordon, Executive VP and CFO of Wohlsen Construction Company, at Brethren Village expansion site.

EDC: What message would you convey to other construction firms in Lancaster County regarding EDC, its mission and the importance of membership?

Gordon: Success in the construction industry depends on a positive economic environment and confidence in the availability of the necessary workforce so individuals and businesses will invest in construction projects. Every construction-related business that benefits from stronger communities, construction dollars and workforce in Lancaster County should be willing to invest in Lancaster County's future through a membership in EDC.

EDC: What is the relationship between EDC and the county's construction industry?

Gordon: While increasingly complicated and challenging, we all know of the inter-dependability of strong communities, economic development and workforce development. When you consider all of the jobs, careers and families connected to the construction industry, it clearly is a significant factor in this inter-dependency. Every construction-related business should be investing annually in EDC, through membership, just as they invest in employee development and community or humanitarian programs.

EDC: Investing through EDC membership can benefit any company, right?

Gordon: Any business that relies on Lancaster County for its work force or customers should be a member of EDC. EDC provides important services that help attract new businesses to Lancaster County and that are integral to the success of strategic economic development activities. These services are not duplicative and must be sustained through strong and weak economic periods. And, EDC has become an important voice in Harrisburg regarding the structure of economic development programs. To ensure these services are sustained through strong and weak economic periods, Lancaster County's business community needs to consistently provide financial support to EDC. Membership in EDC is an investment in Lancaster County's prosperity.

EDC: Where do you see EDC's biggest opportunities and challenges?

Gordon: The competition for business and workforce is more likely to intensify than ease, and Lancaster County is competing with other counties and states. EDC needs to build financial strength to consistently provide services and to invest in strategically important projects in order to attract and retain the businesses and workforce needed for Lancaster County's prosperity.