REVERSING THE TIDE Strategies for Successful Rural Revitalization

Case Study Coastal Enterprises Inc. (Maine)



Written in the winter of 2008

This case study has been produced as part of the 'REVERSING THE TIDE: Strategies for Success Rural Revitalization' project. The purpose of this case study, along with three others, is to provide insight into the goals, structures, and investment/ program strategies that well respected, successful organizations concerned with rural regional revitalization have used to address economic and community issues in rural areas.









Coastal Enterprises Inc. (Maine)

Note to Reader: This paper is a summary compilation of material taken from various documents available on Coastal Enterprises Inc's main website. Supplemental information, additional writing and a review of the document was provided by Dr. Carla Dickstein, Senior Vice-President of Research and Policy Development for Coastal Enterprises, Inc. (CEI).

CEI is a private nonprofit Community Development Corporation (CDC) and Community Development Financial Institution (CDFI) founded in 1977 to develop job-creating natural resources and small business ventures in primarily rural regions of Maine. Since its inception, CEI has been involved in investing and leveraging more than \$1.3 billion dollars for community development initiatives. It is now a nationally renowned leader in community economic development in the US.

Click on www.ceimaine.org to access their website.

CEI'S SERVICE AREA

CEI focuses most of its activity in the State of Maine, though in recent years the organization has expanded several of its financing programs to northern New England, upstate New York and beyond. The population of its main service area is approximately 1.3 million and covers a geographical area of over 35,000 square miles. While CEI serves the entire State of Maine, greater priority has been given to Maine's remote rural "rim" counties over the last few years (see Map 1).

HISTORY OF COASTAL ENTERPRISES INC.

CEI was created in 1977 to increase economic opportunities in midcoast Maine — an area that was hard hit by decline in employment in the manufacturing and natural resource industries. At the time, other sectors of employment were unstable, partially due to the seasonality of jobs in tourism and natural resource industries, but also due to decisions made by large, out-of-state firms that owned and controlled local plants. Outside ownership and control of production and land affected the entire state as well as the midcoast. At least 75% of Maine's manufacturing plants employing over 500 people in 1969 were owned by out-of-state corporations. Seven multinational pulp and paper companies headquartered out of state owned 40% of the entire state's land base. Estimates indicate that up to two thirds of

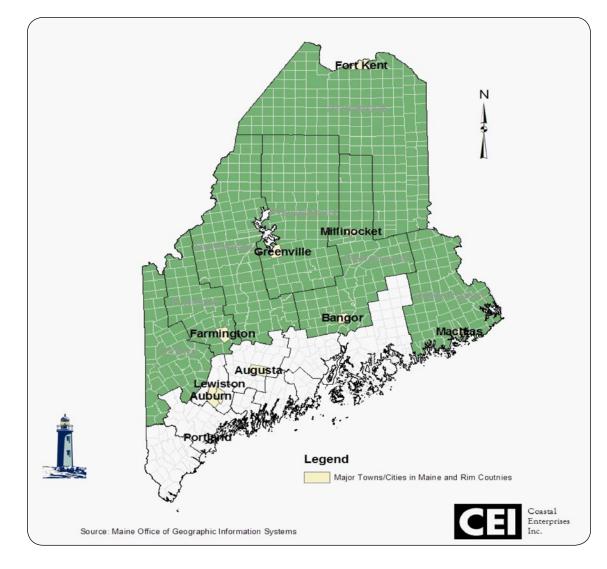
the state's coastline was owned by out of state residents.

When CEI was formed Maine's per capita income was very low; in 1976 Maine ranked 44th nationally in per capita income. Maine had consistently been the poorest of the six New England states. Median after-tax household income was \$8,600 in 1973, far below the New England median of \$9,600 and the national figure of \$10,100. The unemployment rate was similar. In January 1977 Maine's unemployment rate was 10.4% compared to 8.5% for New England and 8.3% nationally. The value of annual production in the manufacturing, government and self-employed sectors was increasing, but employment was declining. For example, between 1952 and 1972 employment fell 26% in the manufacturing sector. Average wages in the manufacturing sector were nearly 30% lower than the nation's and lower than both New England and Maine's average wage. Even shipbuilding, which paid higher wages, was about 5% below the statewide average.

A key concern in midcoast Maine was the decline of fishing due to uncompetitive equipment, high fuel costs, foreign competition and overfishing, pollution, and inadequate landing and processing facilities needed to add value to a product. Landings of both fish and shellfish had declined dramatically in the mid-seventies from their peaks in the sixties. For example, fish landings declined from 18.3 million pounds in 1963 to 8.1 million pounds in 1975, and shellfish landings fell from 15.6 million pounds in 1969 to 8.1 million pounds in 1975. Few of the fish processing plants that historically dotted the coast of Maine remained.

"There was a time when the state of Maine had little infrastructure to help grow its economy and create jobs for people and places left out of the economic mainstream; a time when the state was dependent on outside-owned corporate interests, military contracts and transfer payments. Since its founding in 1977, Coastal Enterprises, Inc. (CEI) has helped to change all that. Now a nationally renowned leader in the CED movement, CEI touches every economic and social sector, and reaches communities throughout New England and beyond. But what makes CEI special is its willingness to try new ways of engaging the people and organizations it serves. CEI's story is about ordinary people waking up to the news that they are the ones calling the shots."

M. Swack in G.D. Miller, Potato Soup, Southern New Hampshire University, June 2007, p. 1



Map 1: Maine's Rim Counties in the Context of the Entire State

The one bright spot was immigration. Midcoast Maine was one of the fastest growing areas of the state. Most of the growth resulted from net immigration of retirees and professional families seeking refuge from urban environments. A vibrant back-to-the land movement also contributed to immigration. Between 1970 and 1973 the midcoast region had a 5% rate of population increase, greater than either the state or the nation. These new Mainers provided a valuable pool of entrepreneurial talent that CEI built on to develop small businesses, and also to build CEI's staff.

Although CEI's initial focus was on fishing communities threatened by over-fishing its work soon expanded to include preserving farming and forestry communities as well as addressing renewable energy needs during the energy crisis in the late 1970s. Early on CEI was building on the assets and resources of rural communities rather than chasing smokestacks, which tended to be the state's rural development strategy—to the extent it had one in those days. CEI realized it needed its own asset development strategy if it were going to succeed as a viable institution over the long run. Whenever possible,

revolving loan funds were written into grant applications in order to build CEI's capital base. When CEI started, Maine was 50th in the country in bank deposits per capita. Almost no one was doing subordinated debt financing (i.e., taking a second or third collateral position to bank financing) in Maine.

As CEI's financing programs grew, so did its geographic reach and complementary programs. It needed a larger geography in order to have sufficient deal flow for its growing financing programs. While CEI still focuses on rural communities, it also invests in more urban areas in Maine, Northern New England and in some financing programs, other parts of the country. Thus the narrow community development focus shifted to a larger playing field. CEI became a regional intermediary and worked with other local community development organizations to source financing deals.

Financing in itself could not address all the development issues in rural communities. Businesses needed technical assistance, and low-income workers needed access to decent jobs and affordable housing. Hence CEI developed new programs primarily in Maine

for small business technical assistance, workforce development, and affordable housing. In order to achieve greater impact, CEI realized early on that it could use its expertise and legitimacy as a practitioner to influence public policies that mobilize resources and create a regulatory environment that furthers its work as well as the wider field of community development. In 2002 CEI incorporated environmental purposes into its mission in order to address the growing concern with sustainability and sustainable development.

companies either start or continue operations (economic). By requiring the company to hire low-income individuals to fill a portion of new jobs created, CEI provides jobs for people in need (equity). CEI also offers assistance and expertise in environmental best practices for businesses (environment). Since sustainable development is also a global issue, CEI participates in development activities at the international level. CEI Development Services provides consulting services and training to community economic development practitioners and policymakers in the US and abroad.

By providing loans or venture capital financing, CEI helps local

CEI TODAY

Today CEI is recognized as one of the leading Community Development Corporations and Community Development Finance Institutions in the US. Over the past 31 years, CEI as an organization has grown significantly in terms of organizational resources, financial and program resources and the 'reach' of the organization. However, the fundamental mission and objectives of CEI have remained relatively constant.

CEI's Mission Statement:

The mission of CEI is to help create economically and environmentally healthy communities in which all people, especially those with low incomes, can reach their full potential.

CEI's purposes are set out in its by-laws:

- To raise capital and invest in businesses, affordable housing, facilities such as child care, and community projects that benefit local residents;
- Create good jobs with benefits and opportunities for people and places at the margins of our society;
- Broaden its impact through policy at the state and national levels; and
- Serve as an economic development model both here and abroad.

As a community development entity, most of CEI's activities are project-specific at the local or regional level. CEI's major corporate activities and initiatives include financing business startups and expansions; developing and implementing affordable housing initiatives; developing natural resources such as fisheries, forests and farms; creating sustainable communities; developing Maine's workforce and brokering employment opportunities; and creating policies that build upon CEI's mission.

CEI describes its work in sustainable community economic development as "3E investing"—achieving economic, equitable, and environmental outcomes from its investments and corporate work. CEI seeks to integrate the 3Es into all of its programs.

MAJOR OPERATIONAL ACTIVITIES OF CEI

As noted above, CEI's current day-to-day corporate operational activities occur in six major fields of work.

Business Development and Financing

CEI provides direct loans to start-up, existing and growing Maine small businesses in amounts ranging from \$1,000 to \$500,000. It also makes venture capital investments in small businesses ranging from \$500,000 to over \$1M. CEI also manages an investment fund that is capitalized by the US Federal Government's New Markets Tax Credits Program (whereby participating individuals, banks and other financial institutions receive a federal income tax credit for making qualified equity investments in low income rural areas). Through its subsidiary company — CEI Capital Management Ltd. (CCML) — CEI makes investments ranging from \$2M to \$30M available to qualified companies in targeted, distressed communities. In its investment activities CEI actively targets the following sectors:

- Waterfront and marine businesses;
- Small farms and agriculture;
- Microenterprises;
- Women business owners;
- Child care providers; and
- Business ventures of refugees and immigrants.

"Community development venture capital, more than traditional venture capital, is truly place-based. Replication of any particular approach can be difficult, but a common denominator among successful community development venture capital funds is an understanding of the communities in which they are working."

K. Bisson, Netting Venture Capital from a Fishing Village, Federal Reserve Bank of Boston, Summer 2002, p. 6.

Business Advice and Training

CEI offers business development services to approximately 1700 new and existing entrepreneurs annually across Maine through a variety of CEI programs including:

- The Women's Business Center at CEI (WBC);
- StartSmart a microenterprise program for refugees and immigrants;
- The Maine Small Business Development Center at CEI (SBDC); and
- Farms for the Future (FFF).

Services are offered in person and on-line in live and asynchronous formats to help increase access, particularly for customers in remote rural regions. They include:

TRAINING: Training is offered on topics relevant to the market and specific populations, such as business start-up, cash flow, marketing, pricing, QuickBooks, E-commerce, recordkeeping, and accessing credit. Sessions are from 2 to 16 hours depending on the topic. Classes are small (10–15) to maximize interaction and networking.

ONE-ON-ONE BUSINESS COUNSELING: Business counseling complements training and provides customized assistance that covers the full range of business issues, while addressing individual circumstances, such as limited English language literacy, cultural and social issues, transfer payments, etc. Business counseling is an ongoing activity.

ACCESS TO CREDIT: Assistance with identifying credit needs and sources of credit, as well as developing business plans and completing loan applications is an on-going service. Staff works with customers to identify all possible sources of financing, including CEI, and help package deals when multiple sources are involved.

In addition to the services described above, CEI provides specialized services to targeted populations:

WOMEN'S EMPOWERMENT PROGRAM: Targeted financial management skills training is provided for women business owners. An initial assessment of current skills and knowledge conducted by a business counselor helps guide participants through an array of focused workshops, individual consultation and networking to build their skills. Services are offered in on-line live, self-paced (asynchronous) and inperson formats to increase access for women in all parts of the state. Online networking meetings with other women business owners, counselors, and expert consultants add to the capacity of entrepreneurs to manage their businesses successfully.

NETWORKING FOR WOMEN BUSINESS OWNERS: Peer interaction is important for support and learning, particularly for new entrepreneurs. Networking is implicit in the structure of training women business owners and explicit in the peer groups and networking events that CEI offers women entrepreneurs. In addition, CEI offers on-line networking opportunities to customers and an Online Directory of Women Business Owners which increases visibility for members and facilitates interaction, reaching into remote corners of the state where low income rural women face isolation and lack of resources

MARKET DEVELOPMENT SUPPORT: Targeted market development assistance for refugees and immigrants involves helping emerging entrepreneurs test market products at public events, farmers markets and festivals. Market development activities have enabled new businesses to demonstrate market demand for ethnic products and help them gain access to financing for start-up businesses. Market development activities occur periodically during the year.

ACCESS TO CREDIT: In addition to its standard micro-loan, CEI has new products to help refugees and immigrants obtain access to credit, e.g., non-interest bearing products for Muslim populations, credit enhancement products to help build conventional credit histories and a streamlined product with a quick turnaround time for loans of \$3,000 or less.

Affordable Housing

CEI's Housing Program increases affordable housing opportunities for people with lower incomes by constructing, rehabilitating and managing affordable housing, helping people build assets through home ownership, providing housing education and counseling, and developing targeted programs and housing advocacy networks. The housing programs are undertaken in partnership with other organizations that have an affordable housing mission and the needed investment dollars.

Natural Resource Development

CEI has been working with the farming, fishing and forestry industries since its inception in 1977. Today, while the types of businesses have changed somewhat, CEI still works closely with these industries through targeted fisheries, farming, and forestry programs. CEI also provides financing to wood products industries and works in collaboration with other partners such as the Northern Forest Center in New Hampshire to improve logging techniques in local companies, and CEI is a leader in preserving the working waterfront for Maine's troubled fishing and lobster industries.

"As with fisheries, the underlying goal of CEI is to rebuild the forestry sector and make it sustainable. CEI is committed to supporting the long-term economic use of forest resources and to promote sustainable forest practices. It provides direct financing and counseling to new and growing forest products businesses, it develops value chains by brokering and developing the third-party certified wood market, and it brokers outside investments into large-scale forestland transactions."

G.D. Miller, Potato Soup, Southern New Hampshire University, June 9, 2007, p. 11

Workforce Development

CEI takes a leadership role in collaborative initiatives, forging partnerships between businesses and a network of workforce and economic development and social service agencies. The team utilizes its broad range of knowledge of federal and state-funded workforce development programs, its in-depth experience working with hard to serve populations, and its network of partners to develop skills training programs and training resources that meet both business and job seeker needs. Within the context of creating healthier workplaces, it assembles services for businesses that strengthen their operations, help them implement progressive personnel practices, and provide support to workers. CEI's Workforce Solutions Department links people who are low income, disabled and/or "new Mainers" to job opportunities in CEI portfolio firms. Larger, job generating small businesses that receive financing agree to look at entry level job applicants who are low income and/or disabled, and who are referred by CEI.

Policy Research and Development

Policy is a key strategy for CEI. CEI works with legislators, peer organizations, and other stakeholders to develop broad government support for legislation and programs that support the community and economic development field as a whole, as well as address issues such as predatory lending, access to child care, financing for farmland acquisition, etc. Research is often undertaken as a first step to inform a policy direction and strategy; this may be an evaluation of a CEI demonstration program, a synthesis of existing information, or new research.

CEI'S ORGANIZATIONAL STRUCTURE

CEI is governed by a volunteer, 17-member elected Board of Directors from public and private sectors representing the community, business and low-income populations. The board

helps establish policy and priorities for program development, oversees the fiduciary functions and major investment decisions of the organization, and serves as a resource for overall corporate development.

CEI currently has a staff of 85 people working in its parent organization and subsidiary companies. The organizational structure of CEI is shown in Figure 1 on the following page.

As shown in Figure 1, in order to deliver its various programs CEI has established several subsidiary companies.

CEI Ventures, Inc. (CVI)

Founded in 1994, CVI manages two socially responsible venture capital funds with total commitments of \$25.54M that make equity investments throughout the northeastern United States. Through these investments CVI seeks to create quality employment opportunities, promote progressive management practices, support socially beneficial products and services and enrich distressed communities. Portfolio companies exhibit the potential to grow profitably and provide attractive financial returns. For more information, visit the CVI website at www.ceiventures.com.

CEI Community Ventures, Inc. (CCVI)

Licensed by the US Small Business Administration (SBA), CCVI was formed in 1993 to direct equity investments and manage assistance funds to qualifying businesses located or willing to locate in low-income communities in Maine, Vermont, and New Hampshire. CCVI currently manages two venture capital funds – Coastal Ventures LP and Coastal Ventures II LLC. CCVI's mission is to realize a 'triple bottom line' by supporting companies that demonstrate an ability to meet or exceed CCVI's financial, social and environmental aims. CCVI investments range between \$100,000 and \$500,000. Working with partner funds, CCVI can help coordinate and/or lead larger financings (up to \$5M) with investors that share CCVI's outlook and criteria. For more information, visit the CCVI website at www.ceicommunityventures.com.

CEI Capital Management LLC (CCML)

CCML is a for profit wholly owned CEI subsidiary that furthers CEI's mission by working to help attract capital to low-income areas using the New Markets Tax Credit Program (NMTC). CEI and CCML take a mission-oriented approach as an NMTC sponsor when underwriting perspective transactions. CCML manages CEI's \$481M allocation under the New Markets Tax Credit program.

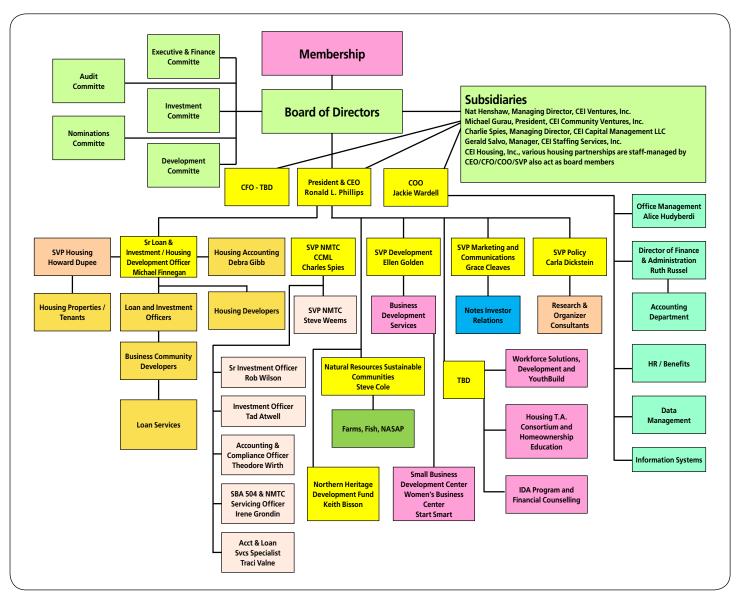


Figure 1: CEI Organizational Structure

CEI Development Services (CDS)

CEI Development Services is an internal program that provides consulting and training to community economic development practitioners and policymakers in the US and abroad. By drawing on CEI's extensive, multi-faceted experience CDS offers practitioner-oriented services as part of its effort to build a stronger, more sustainable field.

SCALE OF CEI'S RESOURCES AND PROGRAM EXPENDITURES

In a typical year, CEI will provide loans and equity investments to around 100 businesses and provide approximately \$90M /year in financing. In 2007 CEI financed 90 businesses with \$88M in total financing to create and/or maintain 351 jobs.

CEI and its subsidiary companies operate on an annual administrative budget of approximately \$12 million. Table 1 on the next page provides summary revenue and expenditure information for CEI and its subsidiaries to the end of CEI's 2007 corporate year-end.

At the end of fiscal year 2008 CEI had 547 loans and equity investments outstanding and \$589.7M in assets under management.

Using Government Dollars to Leverage Significant Resources

CEI's capacity to carry out large-scale development projects can be found in its structure as a Community Development Financial Institution (CDFI). The Department of the Treasury created the CDFI Fund in the 1990s to promote economic revitalization and community development. A certified CDFI is a specialized financial institution that works in market niches that are underserved by traditional financial institutions. To become CDFI-certified, an organization, usually a Community Development Corporation (CDC) or other community-based organization, applies to the CDFI Fund. The CDFI Fund is a mechanism that channels core funding from Congress directly to low-income neighborhoods through CDFIs. As a CDFI-certified organization, CEI uses these federal funds to create public/private partnerships. It reaches out to private organizations, particularly religious institutions and individuals, to match the federal government funding.

"In urban markets, venture capital investment creates meaningful employment and resources for the community and stakeholders. It also helps foster a culture of innovation and risk-taking. However, rural and distressed communities tend not to attract this form of capital. Of the more than \$30 billion of venture capital raised over the past five years and available to support fast-growing businesses, most will go to a few cities. As much as 80% of venture capital in the United States is invested in just five states. Venture capital tends to be directed toward high-margin, highgrowth businesses such as information technology and life sciences. It is a tremendous catalyst for job creation in those sectors, but the jobs require skill sets one generally does not find in rural and distressed communities. Nevertheless, those communities have businesses and entrepreneurs capable of building the sort of value that venture capital investors require. Opportunities in these markets may be less well developed, but with the right resources and guidance, they can deliver investment-grade returns - as well as jobs and economic development for markets that do not have the resources of their richer urban neighbors."

> Michael Gurau, President, CEI Community Ventures Fund, 2007

CEI has become one of the leading certified CDFIs engaged in development finance, in part by taking full advantage of recently added incentives through the New Markets Tax Credit (NMTC) program. CEI played a leadership role in designing and having the NMTC program passed in Congress in December 2000. The NMTC program is designed to attract private investment to underserved rural and urban regions. Investors receive a credit against federal income taxes for making qualified equity investments in designated CDFI certified organizations (like CEI-CCML). Substantially all of the qualified equity investment, in turn, must be used by the

Table 1: CEI Summary of 2007 Administration Revenues and Expenses

Revenues:	
Fee income	\$3.67M
Federal & state sources	\$2.43M
Interest & dividend income	\$1.86M
Private/public sources	\$0.97M
Realized & unrealized gain (loss) on investments	\$6.52M
Other revenue	\$2.40M
TOTAL REVENUE	\$17.85M
Expenditures:	
Salaries & benefits	\$5.84M
Consultants & contract services	\$1.43M
Interest expense	\$1.00M
Provision for loan losses/bad debt	\$3.65M
Other expenses	\$0.70M
	\$12.62M

CDFI to provide investments in low-income communities. This is a major carrot for encouraging private investors to take a bit more risk and invest in poor neighborhoods and rural regions. To participate in the NMTC program, in 2004, CEI created a for-profit subsidiary called CEI Capital Management LLC (CCML). Through CCML, potential investors can take advantage of attractive rates of return and qualified local businesses have access to development funds at reasonable rates. CEI uses this tool to meet its goal of attracting capital to low-income areas. While it is licensed to manage NMTC transactions anywhere in the U.S., CEI currently manages funds in Maine, New Hampshire, Vermont, western Massachusetts and upstate New York with primarily a rural focus. To date, CEI has been awarded \$249M in investment capacity through the NMTC program. So far, CEI has utilized \$235.5M of this investment capacity triggering total private capital investment in low-income communities of more than \$771M. These projects directly build on CEI's values, its triplebottom-line criteria and its rural-development goals.

SOME EXAMPLES OF CEI'S INVESTMENTS & PROJECTS

The following are just a sample of some of CEI's investments and projects to give a sense of the breadth of activity that the organization undertakes.

Investing in Maine's Staple Industries

Even though there has been significant job loss in fishing, forestry and farming, these industries continue to be important staples of Maine's economy. CEI has worked extensively with these industries since its founding. By investing in community-based, natural resource enterprises, such as fish processing plants, forestry cooperatives and farmers' markets, CEI has demonstrated its facility with the triple-bottom-line approach in natural resource industries.

FISHING: In the fisheries industry alone, CEI has mobilized more than \$60m in 200 enterprises. When Maine Lobster Outlet, a lobster wholesale business located in southern York County, was in need of a new facility, CEI stepped in to fill a financing gap, allowing the \$1.75M construction project to move forward. The deal made economic sense for the growing lobster business and meant the addition of 13 fulltime jobs. On the environmental front, moving into a new space enabled the business to purchase energy-efficient equipment, including a pump that recycles water through a state-of-the art filtration device. As waterfront property gets sold for vacation homes along Maine's 5,300-mile shoreline, fewer than 25 miles remain as working waterfront. These 25 miles support 10,300 harvesters and 26,000 fishing-related jobs, which generate \$740M in income each year. Fishermen and shore businesses from York to Eastport are finding it increasingly difficult to do business because they can no longer access the clam flats or find storage or places to repair traps. CEI was a driving force in forming the Maine Working Waterfront Coalition (WWC), a statewide group of industry associations, nonprofits, state agencies and concerned citizens on a mission to protect marine infrastructure and access to the water. In the past three years, the WWC has developed a public policy agenda that has engaged municipalities, lawmakers, businesses, land trusts and others seeking to protect this asset. CEI has made more than 200 loans to commercial fishermen and other marine-related businesses. That \$14M has leveraged an additional \$46M and created more than 1,600 full and part time jobs. In recent years, borrowers have been required to participate in research in the marine sciences or in environmental action projects for the term of their loan.

"And then there's the Portland Fish Exchange. Established with the support of CEI, the exchange was the first of its kind in the U.S. Fresh fish and seafood are unloaded from fishing vessels daily and displayed for wholesale buyers (restaurants, processors, fish stores) to help make purchasing decisions. The auction is conducted at midday, nearly guaranteeing top price for Maine's fishermen."

G.D. Miller, Potato Soup, Southern New Hampshire University, June 9, 2007, p. 11

FORESTS: With nearly 90% of Maine forested, it is no surprise that timber-based businesses have long been a part of the Maine economy. To help maintain this industry, CEI has loaned more than \$3M to 70 Maine-based small-business forestry enterprises—independent loggers, lumber mills and furniture makers—in an effort to make them more viable. This investment has leveraged another \$10M in funds. CEI has also provided counseling services to nearly 270 timberrelated business owners. As with fisheries, the underlying goal of CEI is to rebuild the forestry sector and make it sustainable. CEI is committed to supporting the long-term economic use of forest resources and to promote sustainable forest practices. It provides direct financing and counseling to new and growing forest-products businesses, it develops value chains by brokering and developing the third-party certified wood market, and it brokers outside investments into large-scale forestland transactions. Investments in more efficient equipment and time-saving technologies, creation of new products and other value-added strategies such as green certification, and creative use of byproducts are some of the ways Maine's forest products companies are staying competitive. All of these efforts must be pursued within a sustainability context to ensure that they remain a strong part of Maine's economy.

When the paper and pulp mills of the Great Northern Paper Company (GNP) of Millinocket and East Millinocket, Maine were on the verge of declaring bankruptcy in 2002, more than 1,130 people stood to lose their jobs. This is a big deal almost anywhere. But for a small town in rural Maine, bankruptcy would have meant the end of the community. CEI participated in negotiations led by The Nature Conservancy (TNC) involving the purchase of a \$50M mortgage on GNP land held by John Hancock Financial Services. The deal resulted in retiring a \$14M debt and refinancing the balance at less than half the rate of the retired note, thereby providing substantial breathing room to a new owner that acquired the assets of GNP. In return, 41,000 acres in the Debsconeag Lakes wilderness area was transferred to TNC and a conservation easement was placed on 200,000 acres of forestland around Mount Katahdin, offering guaranteed public access, recreational uses, sustainable forestry and no future development. In addition to helping to preserve a portion of the historic paper and pulp economy, the plan helped to protect the environment and revive the livelihoods for many in the Millinocket region.

AGRICULTURE: An example of economic development innovation with conservation outcomes is the Farms for the Future Program (FFF). The FFF program responds directly to one of the primary needs within the farming community - specialized business assistance. Many farmers have an idea for a new product, a new market, or improved efficiency in production, but lack the resources to develop the idea into a viable business plan. The FFF program provides team-based business planning services to farmers. Business assistance is:

- Provided by people with extensive farming knowledge, and
- Individualized to each client farm's particular needs and opportunities.

These critical features of success have been missing from many other attempts to enhance farm viability. The program is designed in two phases:

- Assistance in developing new business plans aimed at increasing farm viability (Phase 1).
- A grant of 25% of the funds needed to implement the plan, up to \$25,000 (Phase 2).

In exchange for this support, farms participating in Phase 2 enter into a farmland protection agreement that prevents their land from being developed for non-agricultural purposes for five years. The farmland protection agreement may be terminated by paying back the grant.

CEI designed the original FFF program, modeling it after a successful Massachusetts farm assistance program, but tailored to Maine. FFF is now a formal program of the Maine Department of Agriculture, Food and Rural Resources (MDAFRR). After winning a competitive request for proposal (RFP) process, CEI now delivers the FFF program on behalf of the MDAFRR.

FFF has now provided six rounds of assistance to farmers and a seventh round is currently underway. As of March 2007:

- 144 farms have been supported;
- 18,459 acres have been placed in non-development agreements;
- Every \$1 of state investment has leveraged another \$4.40 in farmer investment and outside funds; and
- The projected average increase in net profit per farm within three years of entering the program is \$38,000.

An additional impact of FFF is the development of a statewide network of service providers with experience in farm business planning. Before participating on an advisory team, many business counselors had not worked extensively in the farm sector, and many agricultural production experts had not worked extensively with issues of marketing and/or finance. The "cross-pollination" inherent in the team format has brought both breadth and depth to the agricultural support system in Maine. Several farms have continued relationships with members of their advisory teams, and some farmers have even become advisors to other farmers in the program.

HAS CEI BEEN SUCCESSFUL?

"At CEI economic and management strategies have been put in place to make each venture sustainable. Not only has due diligence been carried out for each of the investments that has brought together a mix of public and private, business and nonprofit capital, but considerable training and technical assistance have been added to the mix to ensure success. This strategy has paid off with the influx of new populations finding livelihoods in pockets of Maine that have suffered years of loss and economic stagnation."

G.D. Miller, Potato Soup, Southern New Hampshire University, June 9, 2007, p 13

In the early 1990s CEI systemically started measuring its program outcomes and its return on investment in order to provide funders, policymakers and staff with a better understanding of how it was achieving its organizational goals and mission. To assist in measuring outcomes, CEI invested heavily in its Social Information System, which captures relevant data across the organization for reporting and internal feedback.

To measure and evaluate organizational and program effectiveness, CEI routinely conducts regular internal evaluations. CEI Ventures has developed a social index that tracks 45 indicators ranging from the financial side of the equation to social measures including job creation, low-income impact, and employee benefit information. Occasionally specific programs of CEI have also been the subject of formal evaluations conducted by external parties. CEI continues to examine options to improve organizational evaluation and performance management (for example see CEI's report on "Measuring Impact in Practice" at www.ceimaine.org/images/stories/pdf/measurement.pdf .

It is clear that CEI has been very successful in its business development and financing activities, resulting in increased investment in rural businesses and communities that traditionally have a difficult time accessing capital. CEI's investment activity has also helped change banking practices within the region. By providing subordinated debt and higher risk venture capital funding, CEI has been successful in leveraging very significant amounts of bank and private financing, which likely would not have occurred without the higher risk capital that CEI invested.

As shown by the statistics in Table 2 below, CEI has had a major impact on business development and job creation and maintenance in Maine. Since its inception, CEI's has provided financing to over 1900 businesses.

Table 2: CEI Summary Cumulative Impact Statistics to September 30, 2008

Number of businesses/people counseled	28,931
Number of businesses financed	1,989
Number of loans/investments outstanding	547
Total investment capital/assets under management	\$589.7M
Total loan dollars invested	\$460.7M
Amount leveraged	\$1.3B
Full-time jobs at loan closing	23,266
Affordable housing units created/preserved	1,261
Child care slots created/preserved	4,599

CEI's three venture funds had invested \$24.29M as of August 2008. CEI Community Ventures which manages two of the equity funds has invested in 37 companies, diversified by industry and stage of development that created and/or maintained over 1800 jobs. CEI Community Ventures is in the process of raising a third, \$50M venture capital fund.

As of October 20, 2008 CEI Capital Management LLC (CCML) had closed investments in 23 high-impact investments in the northeastern U.S. using \$235.5M of NMTC investment capacity. This NMTC investment triggered total private capital investment in low-income communities of over \$771M. With its latest Round VI allocation of NMTC funds of \$112M, CEI has now been awarded a total of \$481M in New Markets Tax Credits and predicts that a steady demand will consume this allocation quickly.

"For every dollar CEI has put in, an additional \$4 in investment has been leveraged."

> G.D. Miller, Potato Soup, Southern New Hampshire University, June 9, 2007, p 4

CEI's business assistance programs reach a significant number of Maine businesses. The programs receive positive evaluations from clients and have shown positive outcomes in helping firms access capital and implement good management practices resulting in job creation and increased revenues and profits. One external university evaluation of CEI's investment activities in 1996 concluded a conservative estimate of a return on taxpayer and charitable investment in CEI of 14 to 1, and suggested that the Return on Taxpayer and Charitable Investment (ROTCHI) was more likely as high as 38 to 1.

CEI has also been very successful in leveraging knowledge and practice to assist in creating new government programs and expanding community economic development resources for CEI

and other CDCs. For example, CEI's policy development and lobbying efforts were instrumental in the development of new government regulations to manage predatory lending activities. CEI has also had major successes in developing resources and improving regulations in the fisheries and farming sectors. It has helped elevate farming as a worthy sector for economic development in Maine. CEI has also influenced government funding priorities for the New Markets Tax Credit Program. CEI successfully lobbied the government to allocate a greater percentage of NMTC credits to rural areas and to give additional priority to funding applications that incorporate triple bottom line investing principles.

Finally, CEI has been successful in meeting its mission to provide greater opportunities for lower income individuals through its various affordable housing and workforce programs.

SUMMARY

The over 30 years of success of Coastal Enterprises Inc. would indicate several important lessons and conclusions:

- That rural community and regional development organizations like CEI—when provided with adequate financial resources—can have significant success in stimulating economic and business development in economically challenged rural areas.
- 2. That through strategic action and investment it is possible for organizations like CEI to play a pivotal role in assisting with the economic revitalization and re-positioning of businesses in natural resource sectors like forestry, fishing and agriculture.
- 3. CEI's involvement and success in its working waterfront, forestry and agriculture development initiatives suggests that to be effective, rural development organizations will at times need to go beyond helping individual entrepreneurs and work on larger infrastructure and program development initiatives in order to effect larger scale economic development in their regions.
- 4. CEI's history of encouraging business development and providing loans and equity investments suggests that it is important to work at many different levels – specific client groups, communities, economic sectors and the larger regional scale—if an organization is to impact and improve the larger regional economy.
- 5. The success of CEI indicates the value of creating mission-based organizations that can integrate community, social and business development objectives.
- 6. Like the Kentucky Highlands Investment Corporation and Highlands and Islands Enterprise in Scotland, CEI's 30 years of investment and business development success prove that

if governments provide initial investment capital it is possible to stimulate and accelerate business creation and expansion—even in the most economically challenged rural regions.

Further information is available at:

- CEI website: www.ceimaine.org.
- G.D. Miller "Potato Soup: A Down-Maine Recipe for Success", Southern New Hampshire University, School of Community Development, June 9, 2007. www.snhu.edu/files/pdfs/CEDCEIProfileofExcellence.pdf.
- K. Bisson "Netting Venture Capital from a Fishing Village" in Communities & Banking, Federal Reserve Bank of Boston, Summer 2002. www.bos.frb.org/commdev/c&b/2002/ summer/index.htm.
- M. Gurau "Venture Strategies for Distressed Areas" in Communities & Banking, Federal Reserve Bank of Boston, Winter 2007. www.bos.frb.org/commdev/c&b/2007/winter/index.htm.