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# Sudden and Severe Economic Dislocation: A Report on Program Grants and Loans in 1984

California Department of Commerce

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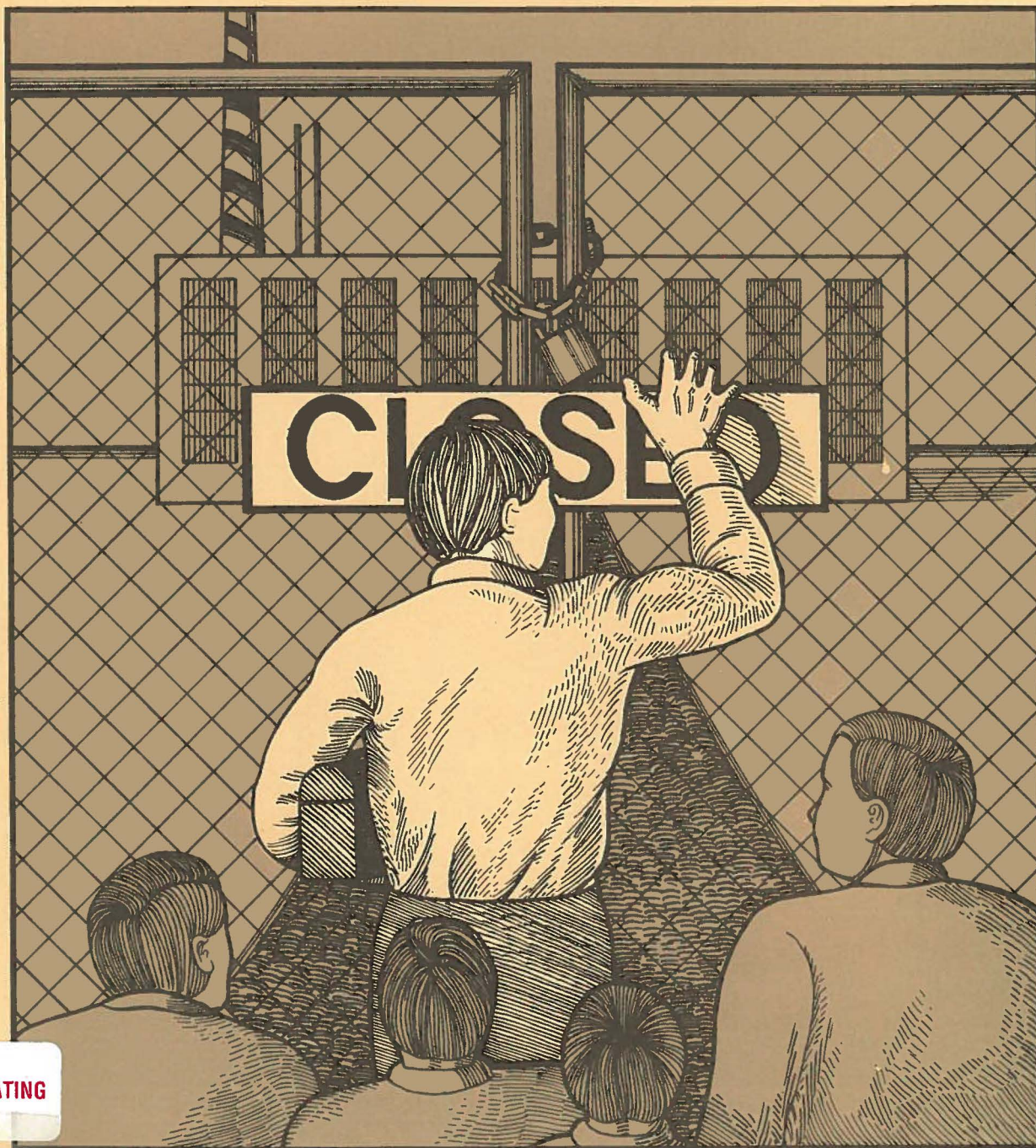
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# Sudden and Severe Economic Dislocation

A Report on Program Grants and Loans in 1984



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prepared by  
Office of Local Development  
California Department of Commerce

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**SUDDEN AND SEVERE  
ECONOMIC DISLOCATION**

**PROGRAM GRANTS AND LOANS IN 1984**

**ADMINISTERED  
BY THE  
CALIFORNIA DEPARTMENT OF COMMERCE  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
GEORGE DEUKMEJIAN, GOVERNOR**



The Sudden and Severe Economic Dislocation Grant and Loan Program was administered by the California Department of Commerce with funds from the Economic Development Administration of the U.S. Department of Commerce, the Employment Training Panel of California, and the California Economic Development Grant and Loan Fund.

Additional copies of this report can be obtained from the California Department of Commerce, Office of Local Development, 1121 L Street, Suite 600, Sacramento, California 95814 (916) 322-1398.



## INTRODUCTION

85-9-324

In 1983-84, the California Department of Commerce added a new component to the state's economic adjustment program -- predevelopment grants and direct business loans to communities experiencing "sudden and severe economic dislocation" (SSED). The department has found that direct financial assistance to communities, provided in conjunction with staff technical services and business location assistance, can result in substantial progress toward the goal of local economic adjustment and worker reemployment.

### The Problem of Job Loss

In 1979, a long period of steady growth in California manufacturing employment came to an end. Employment in basic industry in California dropped precipitously during the recessionary period from 1981 to 1983, during which time the number of workers employed in manufacturing fell by nearly 100,000.

Masked by the general cyclical downturn were important structural changes occurring in many of California's most prominent basic industries. Major sources of well-paid employment, including motor vehicles and equipment, blast furnaces and steel, rubber, food processing, structural metal products, other machinery, excluding electrical, logging camps and sawmills, experienced permanent decline in California as a result of structural changes in mature manufacturing industries as a whole.

Major plant closures and layoffs in these industries have had traumatic effects on communities throughout California. The loss of a major employer inevitably results in the loss of additional jobs in local

suppliers and other local-serving businesses that depend on stable or increasing local purchasing. Thousands of dislocated workers and their families are experiencing an acute loss of income, frequently accompanied by a deterioration of family life and physical and mental health. The diminished economic base and level of local consumer buying power reduces tax revenues at a time local government services are most urgently needed. Suddenly the entire fabric of a community may begin to unravel.

### California's Economic Adjustment Program

In response to the severe and protracted community distress caused by major plant closures, cutbacks, and layoffs during the last recession, the State of California instituted a number of programs to mitigate the immediate and long-term effects of economic deterioration. The California Economic Adjustment Team (CEAT), an interagency task force at the State level, became the central mechanism by which assistance from relevant state agencies would be identified and activated on behalf of workers and communities immediately and severely affected by plant shutdowns and mass layoffs.

The CEAT is composed of the directors of the California Department of Commerce, Employment Development Department, Department of Industrial Relations, Governor's Office of Planning and Research, State Superintendent of Public Instruction, and Chancellor of the California Community Colleges. The California Department of Commerce serves as the lead/coordinating agency in the implementation of the California Economic Adjustment Program.

Through its Economic Adjustment Program, the State of California addresses five sets of needs for communities faced with plant closures and mass layoffs:

- \* Early intervention in an imminent plant closure situation to determine whether the shutdown is avoidable and, if not, to mitigate the negative impact on dislocated workers.
- \* Coordination of timely dislocated worker services (e.g., financial, personal/family, and career counseling, job development/ placement) at an on-site or nearby location.
- \* Assessment of worker skills and retraining requirements, and provision of retraining opportunities, if needed, prior to layoff.
- \* State programs for the retention of existing jobs and the creation of new jobs with skill and income advancement opportunities for dislocated workers in areas which are highly dependent upon employment in declining industries.
- \* A long-term economic development program at the local or regional level, including mechanisms to anticipate and identify future business and industry problems, to encourage business expansion, start-up, retention, and attraction, and to target new employment opportunities to dislocated workers.

The grant and loan program for areas experiencing "sudden and severe economic dislocation" (SSED), which is the subject of this year-end report, is part of the state's comprehensive economic adjustment effort. With financial support from the federal Economic Development Administration, the California

Employment Training Panel, and the California Department of Commerce, the 1983-84 SSED program provided critically needed financial assistance to communities to identify and exploit development opportunities which could reemploy dislocated workers or avert additional permanent job losses.

The following sixteen counties were eligible for SSED assistance:

Alameda	Sacramento
Contra Costa	San Francisco
Del Norte	San Mateo
Imperial	Siskiyou
Los Angeles	Stanislaus
Monterey	Sutter
Placer	Yolo
Riverside	Yuba

#### **SSED Predevelopment Grants**

The \$500,000 predevelopment fund was allocated to twelve different SSED communities in the form of thirteen grants, ranging from \$15,000 to \$50,000. These grants funded planning and feasibility analyses for projects that were designed to promote local economic adjustment, create reemployment opportunities for dislocated workers, or retain threatened jobs in SSED areas. Each SSED grant recipient made a cash or in-kind contribution to the project equivalent to 25 percent of the dollar amount of the grant.

#### **SSED Loans**

The \$1.3 million SSED loan program provided debt financing to five manufacturing firms in SSED areas, including two expansions, one start-up, and one business retention. The SSED revolving loan program was established to stimulate job creation for dislocated workers and the retention of threatened employment in firms that are located in SSED areas

and are unable to obtain adequate private financing.

A total of 281 jobs will be created and 56 jobs retained as a result of SSED loan financing. This represents an SSED cost per job created or retained of \$3,956, far below the maximum of \$10,000 established by the federal Economic Development Administration. In addition, each dollar of SSED financing has leveraged 6.4 dollars in private investment.

#### **Targeting Employment to Dislocated Workers**

To target the employment opportunities generated in conjunction with the SSED loans and business location

assistance in SSED areas, the Department of Commerce worked with and used the California Employment Training Panel (ETP) and the training and job development program for dislocated workers authorized under Title III of the federal Job Training Partnership Act.

Although the SSED loan recipients have not completed hiring the projected number of employees, there are good indications, based on initial hiring experience, that the vast majority (80-90%) of the new jobs will go to dislocated workers. For example, at this time, of the 78 workers who have or will soon be hired, 76 lost their jobs as a result of recent plant shutdowns or permanent cutbacks in plant operations.





**SSED GRANTS**

**SUDDEN AND SEVERE ECONOMIC DISLOCATION  
PREDEVELOPMENT GRANT PROGRAM  
1984 (Summary)**

Applicant	Project	Amount Approved
City of South Gate	Reuse options for GM plant - South Gate	\$50,000
BUILDERS, Inc. (Berkeley)	Reuse options for Colgate-Palmolive plant - Berkeley	\$50,000
Economic Development Corporation of Los Angeles County	Feasibility study of steel rod production at Bethlehem Steel plant - Vernon	\$50,000
Richmond Private Industry Council	Feasibility study of newsprint in Richmond	\$50,000
City of Weed	Sewer infrastructure assessment	\$15,000
Superior California Development Council (Siskiyou County)	Market and financial feasibility study of forest tree nursery near McCloud	\$18,500
Superior California Development Council (Siskiyou County)	Mt. Shasta area tourism/commercial development feasibility study; potato processing market study; labor assess- ment	\$25,000
Monterey County	Industrial development plan for Spreckels area	\$23,732
City of San Leandro	Reuse and marketing study for Caterpillar - San Leandro plant	\$50,000
Area Independent Development Corp. (Del Norte County)	Tanoak lumber recovery study for Del Norte County	\$50,000
Placer County	Urban Business Identification System to identify small business market opportunities	\$17,768
City of El Centro	Market feasibility study of electronics assembly in Imperial Valley	\$50,000
City of Los Angeles	Market diversification for marine area economy and job development for displaced tuna workers	\$50,000

	No. of Applications	Total Funds
Received and Reviewed	24	\$1,185,000
Approved	13	\$ 500,000



## ALAMEDA COUNTY

### **Builders, Inc. (City of Berkeley)**

The closure of the Colgate-Palmolive plant in Berkeley's southwest industrial corridor in June 1982 put 350 people out of work. That plant shutdown was part of a significant wave of industrial closures which has hit Alameda County during the past five years.

Over 16,367 jobs were lost in Alameda County due to business closures from January 1980 through July 1984. Alameda County accounted for about 9 percent of California's job losses due to business closures during that period, while accounting for only about 5 percent of the state's employed population.

Builders, Inc., a Charitable Land Trust in Berkeley, has worked with the City of Berkeley and its community for the past two years to find employment-generating uses for the closed Colgate-Palmolive facility. An SSED grant of \$50,000 to Builders is financing a program to encourage the reuse of the 666,000-square-foot plant to provide replacement jobs in Berkeley.

The program has a variety of innovative elements. Builders is packaging a property transfer/development proposal to Colgate-Palmolive to encourage disposition rather than mothballing of the plant. The disposition alternatives include donation of the property to a non-profit organization and the sale of the property to a private developer. In addition, the SSED grant will fund the development of a market study to determine economically viable uses, developer selection criteria in the event of a donation, and co-venture and financing proposals.

Builders, Inc., intends to coordinate site redevelopment with a job development and retraining program. Although Builders is still negotiating the conveyance of the property, it has already toured the twelve-acre property with more than seventy-five prospective developers, tenants, community groups and business professionals.

### **City of San Leandro**

In December 1984, Caterpillar Tractor Company announced plans to close its San Leandro plant during the second quarter of 1985. In 1980, 1,800 workers were employed at the San Leandro plant. Caterpillar began to lay off the remaining 450 employees late in 1984, transferring most of the work performed at the San Leandro facility to its operations in Illinois and Pennsylvania.

The City of San Leandro secured a \$50,000 SSED grant to study new uses for the Caterpillar manufacturing site which could replace all or a portion of those lost jobs. The study will identify the most likely reuse prospects through market and financial feasibility analysis and will, subsequently, help locate a buyer and keep the facility in operation. Special attention will be given to potential users who could offer reemployment opportunities for Caterpillar employees displaced by the shutdown.

In addition to the market and financial analysis, the study will investigate shifting industrial trends for San Leandro and the East Bay in order to construct a solid base for economic planning for the next twenty years.

## CONTRA COSTA COUNTY

### City of Richmond

Contra Costa County, particularly the heavy industrial region which includes Richmond, has been hit hard by plant closures and job losses, primarily in manufacturing. Since January 1983, over 2,237 jobs have been lost due to business closures within the county. Unemployment in Richmond was 12.3 percent in 1983, compared with 7.2 percent for Contra Costa County and 9.7 percent statewide.

A human resources survey recently conducted for the Richmond Private Industry Council (PIC) identified a range of industries, paper production among them, that could create jobs for the city's unemployed or recently displaced workers. Working with companies interested in locating newsprint production and recycling plants in California, the State of California's Waste Management Board alerted the City of Richmond and the California Department of Commerce to Richmond's potential for locating a facility.

A \$50,000 SSED grant to the City of Richmond will involve interagency and

state-local cooperation in a study of the market, financial and engineering feasibility of a recycled newsprint production facility in Richmond. The paper industry has been avoiding California as a location for new investment, citing a lack of state and local government support and cumbersome regulatory processes.

In addition, the study will incorporate information from a JTPA-funded dislocated worker assessment to determine the feasibility of matching the labor and skill requirements of the facility with available dislocated workers. A new facility would create at least 150 jobs matched to the employment needs of dislocated blue collar workers in the county.

The SSED study will be used in a targeted marketing program to attract recycled paper production to Richmond. The Waste Management Board, the State Department of Commerce and the City of Richmond will work together to generate industrial prospects for the City.

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## DEL NORTE COUNTY

### Area Independent Development Corporation

Del Norte County is one of the most severely distressed local economies in California. The county's economy is dominated by the timber, wood products, and fishing industries, sectors which have experienced steady decline in recent years. In 1983, the county's unemployment rate of 19.6 percent was fifth highest in the state. In the winter of that year, the unemployment rate in Del Norte County approached 27 percent. Furthermore, these figures underestimate the degree of distress,

since several residents have been out of work so long that they've dropped out of the unemployment statistics.

Most recently, the closure of Arcata Lumber Company and McNamara & Peepe Lumber Company eliminated nearly 600 jobs in the county. In addition, the effects of the 1982-83 El Nino - an invasion of warm southern waters - have been disastrous for the county's fishing industry.

The Area Independent Development Corporation is a private, non-profit corporation that was created by

county residents to promote the economic development of Del Norte County. In its efforts to pursue potential development opportunities for the county, the AIDC has found that there is a critical lack of information and misperceptions about the economic feasibility of increased harvesting and productive utilization of the county's plentiful hardwood resources.

California's hardwood timber, though much less plentiful than softwoods, is one of the state's under-utilized forest resources. At present, most commercial hardwoods in the state are either left standing, killed, or used as relatively low-value products, such as fuelwood and chip for pulp-making. California's hardwoods are not, by and large, harvested for higher-value end-uses, which include lumber for furniture, flooring, cabinetry and (of less value) pallets. For example, California's furniture industry, which is comprised of 38 percent of the nation's furniture manufacturers, purchases hardwood lumber almost entirely from sources in the eastern and southern United States.

Because hardwoods are more difficult to harvest and not as plentiful and valuable as softwoods, large timber companies have considered their

hardwood stands to be little more than "weeds" that interfere with the growth and harvesting of their softwoods. According to those involved in processing and end-use manufacturing of hardwood timber, the primary obstacle to higher-value utilization of California hardwoods is the lack of a consistent supply of quality hardwood lumber.

The AIDC has received an SSED grant of \$50,000 for a study to determine the quality, quantity and market value of lumber recoverable from tanoak logs grown in the county. The study is intended to provide needed information to potential hardwood sawmills to improve their prospects of success, and to timberland owners who are not fully aware of the potential value of their standing tanoak timber. The AIDC will involve forestry specialists from Humboldt State University to carry out the technical elements of the project.

According to the development corporation, Del Norte County must continue to develop its productive natural assets in order to replace lost employment. The AIDC estimates that hardwood manufacturing on a "cottage industry" scale could create up to 200 jobs and reemploy timber and sawmill workers displaced by Northern California's two-decade lumber industry slump.

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## IMPERIAL COUNTY

### City of El Centro

Imperial County has lost well over 4,000 jobs since 1980, mainly within agriculture and retail trade, its two greatest sources of jobs and revenue. The unemployment rate in Imperial County hovers around 33 percent, consistently the highest of any county in the state.

With plans for diversifying the county's economic base, El Centro, the county's largest city, is developing an industrial park as one of its incentives for attracting manufacturing industry. A \$50,000 SSED grant will finance a study of the market feasibility and cost competitiveness of electronics



assembly in the Imperial Valley. The study will document the cost advantages of a 30,000 square foot facility in Imperial County and the existence of regional markets for its products. In addition, the skills and training requirements of the area's displaced workers and long-term unemployed will be analyzed.

An electronics manufacturing facility could create up to 300 manufacturing

jobs, expand the tax base for the City of El Centro, and support the attraction of manufacturing suppliers and retailers. The provision of packaging, training and financial assistance to manufacturers will also build the capacity of El Centro's Local Development Corporation and the Center for Employment and Training in working jointly to design and implement support programs for retraining dislocated workers and expanding area businesses.

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## LOS ANGELES COUNTY

### **Economic Development Corporation of Los Angeles County**

When Bethlehem Steel Corporation closed its Vernon plant in December 1982, the company put 700 people out of work. Vernon is located within the older industrial core of Los Angeles, where the Bethlehem Steel closure was just one of a string of plant closures that included Uniroyal, Goodyear, Goodrich, General Motors and Kaiser Aluminum. Since January 1980, Los Angeles County has lost 61,056 jobs to closures, over one-third of all the jobs lost in the state as a result of business closures.

Now Bethlehem Steel is redeveloping the 100-acre property as Vernon Industry Plaza. With the help of a \$50,000 SSED grant and a grant from the California Office of Economic Opportunity, the Economic Development Corporation of Los Angeles County is working to attract a steel-related user that would provide 300 to 400 new jobs, comparable in skill and wages to those which were lost.

The predevelopment study will determine the financial and engineering feasibility of purchasing, reequipping and re-opening the plant, and

tailor a training program to the needs of the new steel-related user. Funds will also be used to assess the skills and training needs of those steel workers displaced by the closure of steel plants and related service and supply businesses. The EDC's goal is the reopening of the Bethlehem Steel facility for steel production and the rehiring of workers who lost their jobs when the plant closed.

The EDC will also prepare and print a booklet for county and local governments, training and development organizations, and private firms that describes federal, State and local incentives and programs that can be used for plant reuse and displaced worker reemployment.

### **City of Los Angeles**

In October of 1984, Star-Kist closed its tuna cannery in San Pedro, the largest of its kind in the world, idling 1,200 workers. This was the only local processing facility for dark meat tuna and albacore. The Star-Kist closure places in jeopardy the remaining tuna canning facilities in San Pedro, which supply another 1,000 jobs, and a number of associated maintenance and repair businesses.

Since 1981, over 5,000 direct jobs have been lost in California's tuna canning industry. These job losses are, in large part, attributable to a 20% drop in price and a 73% increase in imports between 1981 and 1983.

The City of Los Angeles secured a \$50,000 grant to perform industry analysis to determine market diversification and expansion potential for marine area industries in Los Angeles and to promote reemployment of workers displaced by the closure of the Star-Kist Tuna cannery.

The SSED grant is a component of the state's tuna plant closure response strategy, which involved encouragement for Star-Kist's voluntary prenotification of closure, early intervention to mitigate the hardship of job loss, retraining assistance for dislocated cannery workers, and assistance to retain other tuna processing plants threatened with closure.

#### **City of South Gate**

In March of 1982, General Motors closed its automobile assembly plant in the City of South Gate in Los Angeles County. As a result of the closure, 4,300 workers were permanently laid off and the City experienced a huge loss of tax revenues. The GM closure came on the

heels of other major plant closings in the area, including Firestone Tire and Rubber and U.S. Gypsum.

As part of its long-term economic adjustment strategy, the City of South Gate began analyzing reuse alternatives for the 100-acre GM facility. A \$50,000 SSED grant advances that process towards developing a number of options for the redevelopment of the GM facility for productive uses. Included in the study are proposals for reintegrating the South Gate plant into the GM productive capacity.

The South Gate site has proximate road, freeway, port, rail and airport transportation access. The new Century Freeway, currently under construction, runs within one mile of the plant. The plant is also close to the Los Angeles area General Motors assembly, testing, design and manufacturing facilities.

The study also recommends public actions and programs to encourage the development and implementation of the automotive production options. These proposals will inform the City of South Gate and the State of California in their attempt to pursue a joint strategy with General Motors to further explore the possibility of reopening the South Gate plant and rehiring the displaced auto workers.

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#### **MONTEREY COUNTY**

Some 3,500 workers, including 500 at the Spreckles sugar refinery, lost their jobs in the Salinas area during the last few years due to plant closures and slow-downs. This has exacerbated unemployment in the county, which stood at 12.3 percent in 1983, compared with 9.7 percent for the state.

In response to the severe economic dislocation caused by the business closures, the Monterey County Office of Economic Development applied for and received \$23,732 in SSED grant funds to investigate the industrial development potential of 340 acres of land around the closed Spreckles sugar refining facility near

Salinas. The funds will also be used to assess the skills and training requirements of displaced workers and develop a displaced worker hiring strategy.

The study will include an analysis of economic and industrial trends in the region, an industrial real estate market analysis of the location and competing locations within the county, a financial feasibility analysis of various development

scenarios, and recommendations for action by the county and its non-profit economic development corporation.

The Monterey County Office of Economic Development views the grant as the vehicle for producing an overall industrial development plan targeted to replace lost jobs, meet county environmental requirements, and integrate citizens' concerns.

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## PLACER COUNTY

Although Placer County has experienced rapid growth in population and employment, these increases have not kept pace with the rapidly growing labor force and have not adequately offset the impacts of plant closures in the labor market. Placer County's unemployment rate of 13 percent in 1983 was an all-time high for the county.

The recent closure of Shugart Corporation, a floppy disk manufacturer, which at one time employed 600 workers, prompted the county to consider diversifying its economic development efforts. In order to stimulate county-wide economic development and job creation, the county's Business and Industrial Development Commission will coordinate the design and creation of a small business support system. The county believes this strategy will support the development of both employment and ownership opportunities for displaced workers and other residents of the county.

An SSED grant of \$17,768 will help complete an analysis of market opportunities for Placer County small businesses in the Sacramento Metropolitan Area. SRI International, the contracted consultant on the project, will use the Urban Business Identification System (UBIS), a proprietary methodology developed by

James Howell, the First Bank of Boston and Boston University.

The study will first identify between twenty and thirty target industries which are potentially the most successful investment opportunities in the county because they are found to be "undersupplied". Another ten to twenty high priority industries will be selected based on their potential to serve and supply the major existing industries in the county and the broader labor market area. The cluster of businesses identified with the study grant will constitute a list of target industries for start-up, expansion and attraction.

During the later stages of the study, the Placer County Business and Industrial Commission will work with the State Department of Commerce and other organizations in the county, including the Sierra Economic Development District, the Sierra Business Development Corporation, the Golden Sierra Job Training Agency and Sierra College, to design a small business support system to make use of the results of the small business market study. The county plans to integrate a targeted job placement and hiring program into the design of the small business support system to ensure that benefits accrue to dislocated workers.

## SISKIYOU COUNTY

### **Superior California Development Council**

Siskiyou County has been hit hard by plant closures and job losses in the last few years. The county has lost 15% of its employment base to shutdowns in the lumber industry since 1979, contributing to an unemployment rate over 25% in recent years. In recognition of this exceptional problem, the California Department of Commerce approved two SSED grants to the Superior California Development Council, a private, non-profit corporation mandated to promote the economic development of the northeastern counties of Siskiyou, Shasta, Trinity and Modoc.

The first grant addresses the problems and potential of harvesting and reforestation of true fir forests located in high elevation areas of the county. Much of the old-growth timber in northern California is true fir growing at high elevations. Large portions of national forest are restricted from harvest because of the inability to reforest effectively at high elevations. At high elevations in California, planting is often delayed until June or July because of heavy and long-lasting snow packs. Consequently, trees for reforestation are forced to remain in storage for more than four months, thus weakening the seedlings and causing severe losses.

Before the risk of plantation management becomes acceptable to many forest managers, there must be adequate proof that these forests can be successfully regenerated.

The utilization of fall planting for true firs native to the high mountains of California has great potential for increasing successful

reforestation in the state. Fall planting at high elevations provides a growing environment and annual environmental cycle which closely matches that of the plantations where they will be planted. However, there are now no cold-climate, high-elevation nurseries in California.

A grant of \$18,500 will enable the Superior California Development Council to investigate the market and financial feasibility of a high-elevation, cold-climate forest tree nursery in the Mt. Shasta area, near McCloud. Should this study confirm the anticipated product demand and profitability, the ultimate result for Siskiyou County would be the creation of 8 to 12 full-time, year-round jobs, and 40 to 70 seasonal, semi-skilled positions.

This innovative project will demonstrate the possibility of using the county's natural environment and its prime renewable resource to expand existing enterprises and create new employment opportunities for displaced workers and their families.

A second grant of \$25,000 will fund three studies - a destination commercial development feasibility study, a potato processing market study, and a labor force assessment - all designed to promote the diversification of Siskiyou County's resource-based economy, and increase the incomes of displaced workers and their families.

The Springhill Park Economic Planning Study will evaluate the market and financial feasibility of a themed commercial development along Interstate 5 in southern Siskiyou County. The study will also analyze the economic impact of the proposed



development on southern Siskiyou County and the impact of possible annexation of the development site to the City of Mount Shasta.

The specific site under study was previously identified by a Private Industry Council report as a prime location for visitor attraction and development in Siskiyou County. Over 4.5 million tourists pass the Springhill Park site annually. The PIC-funded study suggested the type of tourist attractions and commercial establishments with the greatest potential for attracting the tourist dollars of Interstate 5 travelers into the Springhill Park area. If development financing is ultimately obtained, the proposed development mix would generate 150-200 new jobs, additional indirect employment, and increased tax revenues in southern Siskiyou County.

The potato processing study will assess the market and financial feasibility of processing fresh potatoes within Siskiyou County. The potato crop in northern California generated gross sales of \$60 million in 1981. About 15% of California's potato production is concentrated in Siskiyou County alone. However, the northernmost counties are suffering from a loss of market outlets and a decline in the number of fresh packing sheds in the region.

Recently, growers in the region have expressed an interest in the possibility of producing potatoes for processing. Working in cooperation with the University of California Cooperative Extension in Davis and local farmers, the Superior California Development Council will determine the viability of potato processing in northern Siskiyou County. A small-scale processing plant could provide reemployment opportunities for dislocated workers by creating an estimated 350 jobs.

The labor force assessment will analyze the skill and education

levels of unemployed and dislocated workers in Siskiyou County, and the skill level and job classifications of those employed. This study will help training and educational agencies design training programs that coordinate labor supply with labor demand. It will also provide an accurate picture of the county's labor force for prospective employers making location and hiring decisions.

#### **City of Weed**

The City of Weed evolved as a company town with sewer system construction paralleling the expansion of International Paper's facilities and additions to the housing stock. International Paper closed in June of 1982 and 600 employees lost their jobs. Now the city's sewer system is deteriorating and constitutes an obstacle to economic recovery and development.

The SSED program awarded Weed a \$15,000 study grant to help assess sewer capacity and groundwater infiltration problems currently inhibiting economic development in the city. According to local officials, infiltration into the original sewer lines makes up 40% of the materials treated by the waste treatment plant, which now operates near maximum capacity.

Without rehabilitation of the current system, the front-end costs for any industry moving into Weed could put the city out of the running when compared to other locations.

The City of Weed has contributed \$4,000 in cash to the project and has contracted with a civil engineering firm to define the location of interceptor lines and appurtenances, determine plant capacity, and develop a plan for repairing or replacing the damaged and deteriorating lines. Once the study has been completed, Weed will use the results to develop financing for the improvements.



Weed's plans for infrastructure rehabilitation have been developed in conjunction with efforts by the newly formed Siskiyou Economic Development Council to support the development and expansion of manufacturing in

Siskiyou County, and Weed in particular. The industrial development planning process was initiated when the County's Private Industry Council contracted with a consulting firm to assess Siskiyou County's industrial development potential.

**SSED LOANS**

**SUDDEN AND SEVERE ECONOMIC DISLOCATION**

**LOAN PROGRAM (SUMMARY)**

**1984**

Company Name	Business Activity	Start-Up (S) Expansion (E) Retention (R)	Loan Amount	Use of Funds	Private Funds/ State Funds	New/ Retained Jobs	SSED Cost Per Job	County	City
American Underwater Products	Diving Equipment Manufacturing	(E)	\$400,000	Equipment, Working Capital	0.69:1	65	\$6,154	Alameda	San Leandro
Bauchet International	Mannequin Manufacturing	(E)	\$400,000	Leasehold Improvements, Building Acquisition	6.7:1	75	\$5,333	Commerce	Los Angeles
Designed Magnetics	Floppy Disk Manufacturing	(S)	\$333,333	Equipment, Working Capital	11:1	116*	\$2,871	Sacramento	Folsom
L.A. Burch	Construction Equipment Manufacturing	(E)	\$100,000	Equipment, Working Capital	0.75:1	15	\$6,667	Sacramento	Sacramento
Nu-Way Plating	Plate Fabrication	(R)	\$100,000	Equipment	0.25:1	56(R) 10(E)	\$1,515	Los Angeles	Los Angeles

Number of SSED Loans	5
Total SSED Investment	\$1,333,333
Private Investment Leveraged	\$8,556,000
Number of Jobs	337
SSED Cost Per Job	\$ 3,956

\* 116 jobs created for EDA investment. The remainder (59 jobs) is attributable to a loan from the California Economic Development loan program.

## ALAMEDA COUNTY

### **American Underwater Products (City of San Leandro)**

American Underwater Products, located in San Leandro, is a leading innovator in the manufacturing of sport diving and underwater photographic equipment. When the company approached the California Department of Commerce, it had a substantial net worth in foreign and domestic assets and a large amount of inventory, but no conventional lending institution would risk making a loan to the company.

The problem was that American Underwater Products didn't have the qualifying cash flow because most of its assets were tied up in foreign receivables. A company like American Underwater Products is considered part of a small glamour industry in that it does not mass produce. On the other hand, the company has a large foreign market. According to its financial consultant, American Underwater Products just didn't fit a conventional lender's definition of a business. So, while its market was calling for expansion, the firm would soon be forced to cut back sales and lay people off.

American Underwater Products was ready to expand manufacturing capacity but in order to increase

output it needed more control over what the consultant calls "critical product" - the \$2.20 part that could tie up \$60,000 in inventory over ninety days because the company didn't have the necessary tooling to manufacture that part in-house.

The SSED program loaned American Underwater Products \$400,000 for the purchase of new and late model equipment that will enable the company to manufacture more inventory from raw goods and more than double its workforce to ninety employees. The funds will also be used to help finance increased exports, primarily to Asia and Australia. As a result of the SSED-financed expansion, the company will create an additional 65 jobs, a number of which will be for machinists and other skilled trades. These jobs will be suited to the skills and wage levels of persons recently laid off. The company has already signed a contract with the California Employment Training Panel to hire and train 53 unemployed workers. Hiring is underway.

The results of the SSED loan will be decreased production time, a better final product, an increased cash flow, and more jobs for San Leandro, all at an SSED cost per job of \$6,154.

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## LOS ANGELES COUNTY

### **Nu-Way Plating (City of Los Angeles)**

Nu-Way Plating produces both traditional commercial chrome bumpers and new aluminum and urethane bumpers for lighter, more efficiently designed cars. It has emerged as a competitive business within the metal-plating industry. However, until recently, Nu-Way Plating was threatened with closure, jeopardizing the jobs of its 56 employees.

The growth and development of the company was threatened by new, more stringent Environmental Protection Agency (EPA) wastewater standards, which require the company to purchase and install costly, new pollution control equipment. Furthermore, to maintain its competitive edge, Nu-Way must increase production and intensify product development.

The Department of Commerce has loaned Nu-Way \$100,000 in SSED funds as a match to the \$25,000 loaned to the company by the City of Los Angeles to finance improvements to the present wastewater control system. The new wastewater equipment will not only allow Nu-Way to maintain operations, but will result in increased production capacity and an addition of ten employees to their current long-standing work force. The cost to the state of saving and expanding employment at Nu-Way is only \$1,515 per job.

#### **Bauchet International (City of Commerce)**

The Kaiser Aluminum products fabricating plant, located in the City of Commerce, closed its doors in 1983, idling 46 workers. With financial assistance from the SSED loan fund, that plant site will now reopen, this time to manufacture mannequins.

Bauchet International is a leading domestic manufacturer of mannequins and display materials for the

department store industry. While demand has increased for its products, the company has outgrown its current space. More room and new equipment are needed to allow Bauchet to meet the growing demand for its product and create additional jobs for Los Angeles County. However, the company was unable to obtain adequate financing from private financial institutions. With the help of a \$400,000 SSED loan, Bauchet will expand into the vacant Kaiser Aluminum site. Every dollar in SSED funds will leverage \$6.7 in private sector financing.

The company will retain its 80 employees in the relocation process; in fact, the new manufacturing site is closer to the homes of the majority of Bauchet's primarily Hispanic work force. The expansion will also create another 75 jobs within the next two years, translating into a SSED cost-per-job of only \$6,333.

To help meet its employment needs and target opportunities to displaced workers, Bauchet will participate in Los Angeles County's dislocated worker training program.

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### **SACRAMENTO COUNTY**

#### **L A Burch (City of Sacramento)**

For years, the owner of Sacramento-based L A Burch has been modifying conventional concrete curbing production machinery, or building it from scratch, to produce the quality of curbing his customers have come to expect. Burch was turning away requests for the machinery itself. He didn't have the cash flow to fund that kind of venture.

The Burch-designed production equipment improves output by 400% in field tests and the financial consultant for Burch reports that

interest in the product is growing nationwide.

A \$100,000 SSED loan will help finance the manufacturing of the new equipment. Every dollar of SSED funds will leverage \$.75 in private sector financing.

The research and development component of business at L A Burch will stabilize the company's seasonal sales pattern and employment base, and create 15 new jobs, thereby doubling its work force in the first year.



In addition to supplying additional employment at the low SSED cost per job of \$4,400, L A Burch will hire primarily displaced workers, including welders, assemblers, mechanics and heavy equipment operators, referred through a local JTPA-funded dislocated worker reemployment center. Hiring is underway for up to ten of the positions.

**Designed Magnetics (City of Folsom)**

Designed Magnetics Corporation is planning to build a new, 35,000-square-foot manufacturing plant in the City of Folsom, Sacramento County, to produce the stock for floppy discs, which is sold to finishers for etching and packaging. The start-up company expects to create 175 new jobs and has targeted February 1985 to begin production.

As a start-up company, Designed Magnetics was laboring without the quality of equipment critical to its manufacturing process, according to its president. State loans will enable the company to acquire quality instrumentation and create jobs for skilled technicians.

Designed Magnetics has received a sum of \$500,000 from the State SSED and Economic Development Loan (EDLP) programs. The EDLP makes below-market interest rate loans to businesses in economically distressed areas to stimulate job creation, economic diversification and business expansion.

The ratio of private sector to state loan funds on this project is eleven to one, with a cost to the State of \$2,857 per job.

The initial capital for the venture was provided by Designed Magnetics Corporation and Sierra Resources, a Sacramento-based venture capital firm. In addition, the City of Folsom, and the State of California have approved a \$4,500,000 Industrial Development Bond for the firm.

The company has completed its initial hiring phase, and thirteen of the first fifteen employees were previously unemployed as a result of a recent plant closure or permanent layoff in the area.