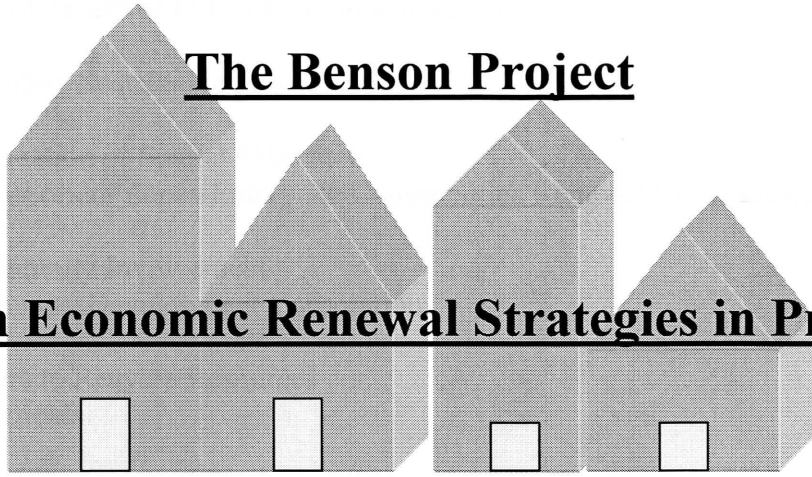
The Benson Project

Urban Economic Renewal Strategies in Practice



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Introduction

The Benson Project is an attempt to combat the problem of poverty within urban communities. The goal of the Project is to stimulate economic renewal within impoverished urban communities through the provision of jobs and economic opportunities to neighborhood residents. Through these opportunities, residents may have a chance to improve their standard of living and eventually overcome the grip of poverty.

Efforts to stimulate economic renewal should include a consideration of renewal strategies to ensure their effectiveness and ultimate success. The following study presents four tenets of economic renewal, developed from the research and recommendations of scholars with expertise in the area of economic renewal. These tenets form the framework for the Benson Project. The four tenets of economic renewal are:

1) Provision of Sustainable Jobs/Wages
2) Elimination of Spatial Mismatch
3) Community Involvement
4) Efforts to Recycle Resources

The Benson Project will practically apply these tenets of renewal through the development of a business plan for a business that will provide jobs and economic opportunities within an impoverished urban community in Atlanta, Georgia. The business plan will incorporate the four tenets of economic renewal to create positive and lasting change within the target community.

The study presents a detailed discussion of the four tenets of economic renewal and provides examples of their practical application in renewal efforts in Savin Hill, Massachusetts and Norristown, Pennsylvania. Additionally, the study identifies resources available to aid in the implementation of the four tenets, and provides a detailed description of the goals of the Benson Project based on the framework of the four tenets. Finally, the study concludes with a presentation of the business plan that will serve as a practical application of the four tenets of economic renewal.

Development of Tenets of Urban Economic Renewal

According to the Census Bureau's 2001 Current Population Survey, about 32.9 million people in the United States live in poverty. Of these people, many live in economically distressed communities within the central cities of metropolitan areas. In his study of census tract data from 1970 to 1990, John Kasarda indicates that "most of the nations' concentrated poverty areas and socially distressed tracts are found in the 100 largest central cities" (Kasarda, 255). Additionally, Census Bureau estimates reveal that in 2001, "a disproportionate share of poor people lived inside central cities: 40.7 percent compared with 28.9 percent of all people[1]." Economically distressed communities are marked by high levels of joblessness and a variety of social ills; "these neighborhoods are also posited to exhibit social disadvantages, such as high rates of school dropout, out-of-wedlock births, persistent joblessness, and welfare dependency, that reinforce poverty and limit upward mobility" (Kasarda, 270).

Although the causes of poverty are numerous and are furiously debated by many scholars, many agree that most poverty within urban communities is attributable to a lack of sustainable employment opportunities. In his book, Understanding the Nature of Poverty in Urban America, James Jennings says, "Low wages and the lack of jobs at "decent" wages may be one of the most important causes for poverty for all groups" (95). The disappearance of work within urban areas is attributable to societal and economic changes. In Gentrification of the City, Smith and Williams claim that the poor have suffered from the movement of low skill jobs from the inner cities to the suburbs: "The

[1] Current Population Survey. United States Census Bureau. 24 September 2002. http://www.census.gov/hhes/www/poverty.html#cps

lure of low wage manufacturing jobs in the cities brought them there, and the subsequent diminution of such jobs left them in marginal economic straits" (49). According to a survey by the Center on Urban and Metropolitan Policy of employers in Cleveland, Chicago, Los Angeles and Milwaukee concerning the employment of welfare recipients, most recipients live in the central cities of metropolitan areas, far away from low skill job opportunities in the suburbs (Holzer, 2). As such, the spatial mismatch of achievable job opportunities leaves the inner city poor at a disadvantage: "the spatial characteristics of a metropolitan area are likely to influence welfare recipients' employment outcomes" (Holzer, 2). The absence of work has an impact on a variety of factors within urban communities. According to William Julius Wilson, "Many of today's problems in the inner-city ghetto neighborhoods- crime, family dissolution, welfare, low levels of social organization, and so on- are fundamentally a consequence of the disappearance of work" (Wilson, xiii).

To stimulate economic renewal and combat the problem of poverty in urban communities, strategies and guidelines for economic development must be created. In Joan Fitzgerald and Nancey Green Leigh's book, Economic Revitalization, the authors stipulate that true economic development can only occur when impoverished persons see an improvement in their standard of living. The authors indicate that this standard of living is directly affected by the income of the individual: "the minimum standard of living is defined as that which lies just above the federally established poverty level" (28). Therefore, to produce a change in the standard of living of impoverished individuals, efforts must be made to increase individual income or provide options for better or additional employment; "the rise in standard of living. . .is achieved through the growth of better jobs that economic development creates" (29). The authors claim that economic development cannot simply provide an increase in the amount of jobs available to impoverished persons, but must create jobs that provide substantive compensation. Fitzgerald and Leigh advocate the creation of jobs that provide "living wages, that is earnings high enough to lift an individual or family above the poverty level" (29). Thus, economic renewal efforts must include the provision of work opportunities that provide sustainable employment.

Fitzgerald and Leigh also stipulate that efforts toward economic renewal should seek to reduce inequalities caused by spatial mismatch. Essentially, they argue that job opportunities should be made available within impoverished communities to provide impoverished individuals with an equal chance for employment. The authors attribute the presence of spatial mismatch to changes within society: "In many cities, the location of new job development in the outer-ring suburbs has created a spatial mismatch between employment opportunities and jobless or underemployed residents of inner cities" (30). Fitzgerald and Leigh also attribute this spatial mismatch to problems of discrimination: "minority workers . . . have not benefited proportionally from suburban service-sector job growth . . . inner cities are not treated as part of regional economies" (30). Because of these discriminatory forces, impoverished persons residing within urban areas are often far away from job opportunities in the suburbs. Thus, the provision of jobs within urban areas and the elimination of this spatial mismatch are essential in achieving economic renewal within impoverished communities.

Economic renewal efforts should also include a focus on sustainable resource use and recycling of community resources. Fitzgerald and Leigh claim that economic renewal requires, “recycling the material foods cast off by . . . society, which can in turn spawn economic development activities on ecological-industrial principles” (31). The authors claim that a focus on redeveloping cast-off resources stems the ecological decline of impoverished communities and makes renewal efforts sustainable. Doing otherwise for short-term renewal could have disastrous effects: “ Quick or desperate economic growth fixes such as allowing. . .a hazardous incinerator in a poor urban neighborhood preclude successful long-term development by reducing the possibility of attracting quality . . . development”(33). The authors advocate the redevelopment of abandoned properties within impoverished communities and other measures to recycle community resources.

Additionally, any efforts to improve the economic vitality of a community in a sustainable manner in which the resident population sees substantial benefit should include community members as an integral part of the revitalization process. In his article, “Metropolitan Development and Neighborhood Revitalization”, Norman Krumholz claims that initiatives for economic revitalization should be community based and supported to ensure their success. He says, “Chances for success improve dramatically when the community is a partner to development. . .they may also be able to encourage community discipline, tap neighborhood spirit, and promote self-help, all in short supply in many troubled city neighborhoods” (Krumholz, 217). Through the support and cooperation of the surrounding community, economic renewal efforts are more likely to be successful and sustainable.

Consequently, efforts to combat income poverty and provide economic opportunities within impoverished urban communities should be based on a framework of four main tenets of economic renewal. These four tenets of urban economic renewal are: the creation of opportunities for sustainable employment, the elimination of spatial mismatch through the provision of employment opportunities within the community in question, the recycling and reuse of resources within the community, and the involvement of the community in revitalization efforts. The practical application of these four tenets of economic renewal in the creation and implementation of renewal strategies will contribute to the efficacy of efforts to eliminate poverty and stimulate economic renewal in urban communities.

The Benson Project is an effort to stimulate economic renewal within an economically distressed urban community by providing sustainable jobs to the residents of the area. The Project will adhere to the four tenets of economic renewal to create change within the target community. The implementation of the Project would result in the establishment of a business within the said community that would provide sustainable employment to residents, recycle available resources and collaborate with community members in efforts to aid renewal. The Project will make use of federal programs that identify and aid economically distressed communities, recycle available resources through the cleaning and use of abandoned properties, and collaborate with the community through the establishment of a strategic relationship with local community development corporations and other community organizations. By concentrating on these four main tenets of economic renewal, the Benson Project may be successful in stimulating economic renewal.

The following essay presents a discussion of the four tenets of renewal in detail and provides a broad description of a variety of resources that are available to aid efforts for economic renewal in impoverished communities. Additionally, the report provides a brief description of the efforts of community stakeholders in Dorchester Bay, Massachusetts and Norristown, Pennsylvania to spur economic renewal within their communities as an example of a practical application of the tenets of renewal. Next, the report describes the Benson Project in greater detail, identifying a target community and discussing the feasibility of the application of each tenet within the community. Following that discussion, the report is supplemented by a business plan that serves as a practical application of the tenets of economic renewal.

Tenet 1: Providing Sustainable Jobs/Wages

In efforts to provide sustainable employment opportunities to residents of impoverished neighborhoods, the Benson Project must establish a business that will provide a variety of jobs at sustainable wages to neighborhood residents. Because many residents of impoverished communities lack marketable skills and education, these individuals are unable to secure jobs with sustainable wages within the service-sector. According to Fitzgerald and Leigh, manufacturing industries pose the most promise for economic revitalization efforts because of their ability to provide low skilled workers with good wages: "manufacturing jobs pay better than most service sector jobs available to people with a high school education or less" (102). Additionally, manufacturing industries are desirable for economic revitalization efforts because these businesses may be established on rehabilitated industrial properties within urban communities, thereby recycling and improving abandoned resources and facilities. This reuse of community resources contributes to the sustainability of renewal efforts: "To the extent that manufacturing retention reuses existing facilities that would be abandoned . . . it represents a sustainable development strategy." (102)

However, manufacturing industries have faced many struggles throughout the last few decades. During the 1980s and early nineties, the United States saw the dissolution of many manufacturing companies due to the faltering economy. Additionally, American companies have increasingly moved their manufacturing processes outside of the country or into suburban areas. Despite the struggles that manufacturing industries have faced in the past, Fitzgerald and Leigh are convinced that manufacturing remains a viable opportunity for economic improvement within American urban areas. The authors maintain that despite the reduction of manufacturing companies within the United States, these still play a major role within the American economy: "Manufacturing still accounts for 15.8% of the nation's employment and is still an important component of many urban economies"(103). Therefore, economic development strategies to provide sustainable employment opportunities should involve a consideration of manufacturing industries to provide jobs within urban communities.

Tenet 2: Elimination of Spatial Mismatch

To stimulate economic renewal through the provision of employment opportunities, it is important to identify communities in which renewal is necessary and to establish the business directly within these communities to overcome the problem of spatial mismatch. The federal Empowerment Zone/Enterprise Community/Renewal Community Initiative is a vehicle through which economically distressed communities may be identified. Additionally, this program provides communities with a variety of economic incentives to increase capital investment and economic development within the area. Through these incentives, businesses are attracted to impoverished communities, providing employment opportunities to residents and eliminating the problem of spatial mismatch. The grants and tax incentives also provide valuable aid to these businesses, increasing their ability to operate profitably and positively affect the surrounding community. As such, the federal Empowerment Zone/Enterprise Community/Renewal Community Initiative may be a valuable resource to the Benson Project; through this program the Project may identify an impoverished community wherein the business may be established and receive federal grants and tax incentives to support its efforts to achieve economic renewal.

Empowerment Zones/Enterprise Communities/Renewal Communities

In 1994, President Clinton created the Enterprise Zone and Enterprise Community Initiative to aid in job creation and business growth in economically recessed areas of both urban and rural communities. The Initiative provides grants, loans and tax incentives to impoverished communities to implement renewal strategies created by community members. Currently, the Empowerment Zone and Enterprise Community programs benefit about 140 communities across the country. The Community Empowerment Board, a federal entity chaired by the Vice-President, manages the Initiative. This board creates and implements the broad goals and policy of the program and is made up of directors and cabinet secretaries from over twenty federal departments and agencies.

The program is based upon several assumptions: community renewal must encompass both economic and social change, and strategies for sustainable social and economic renewal must be specific for each community as no one strategy works for every community. Additionally, the program demands that community members and leaders must be involved in the creation and implementation of renewal strategies to achieve success and sustainable change. Through the Initiative, community residents and leaders with vested interests decide how the funds should be used, and create a list of goals to identify the results and changes they expect to see in their communities through the program.

In December of 1994, the President designated 105 communities across the country as either Empowerment Zones or Enterprise communities. These communities currently receive upwards of $1.5 billion in performance grants and $2.5 billion in tax incentives. To receive funding, communities submitted an application with strategic plans to the Departments of Agriculture and Housing and Urban Development in a process now called "Round One". After two review processes, successful applicants were awarded Enterprise Zone and Enterprise Community status. The urban Empowerment Zones were each granted $100 million and each rural zone was granted $40 million. The Round One urban Empowerment Zones are: Atlanta, Chicago, Baltimore, New York, Detroit, and Philadelphia/Camden. The rural Empowerment Zones are the Kentucky Highlands, the Mississippi Delta and the Rio Grande Valley. President Clinton also designated a variety of other communities as Supplemental Empowerment Zones and Enhanced Enterprise Communities, which received varying grant amounts. The Round One Empowerment Zones will maintain their Zone status until December 31, 2009 and the Enterprise communities will retain their status until December 21, 2002. Since 1994, several other communities around the country have received Enterprise Zone status through an application process known as "Round Two". In 1999, 20 new Empowerment Zones (5 rural, 15 urban) and 20 new, rural Enterprise communities were chosen out of 300 applicants. The "Round Two" designees will maintain their status until 2008. Although some small differences exist, these communities are eligible for the same incentives and grants as the Round One Enterprise zones.

The Initiative provides employers within the Round One urban and rural Empowerment Zones with wage tax credits of about $3000 per employee with residence within the Empowerment Zone and allows these businesses to expense $20,000 to $37,000 more for the cost of tangible, depreciable personal property than the customary, first-year write-off for other businesses of $17,500. Each of the Round One and Round Two communities also received tax-exempt bond financing, which provides them with lower rates than conventional financing to give funding to businesses within the communities for business land, property, expansions and renovations. The program also allows Round Two communities a "Brownfields deduction" for environmental revitalization costs and a public school renovation tax credit, which designates $400 million annually to states for the renovation of public schools. These federal tax incentives are managed by the United States Department of the Treasury.

The Office of Community Services (OCS) manages $1 billion in flexible funding to be awarded to states with designated Round One Zones and Communities. Historical awards by the Office total $40 million to each rural Zone and $100 million to each urban

Zone. In addition, the OCS has granted Round One states $2.95 million for each Enterprise Community within state lines. States must distribute the grant proceeds to Zones and Communities to fund strategic revitalization projects. Recipients of this flexible funding may use the proceeds for a variety of uses including, but not limited to: health care, education improvement, housing construction and renovation, and day care services. OCS grants will be available until 2004.

The US Department of Agriculture (USDA) and US Department of Housing and Urban Development (HUD) manage flexible funding to be awarded directly to Round Two Empowerment Zones and Enterprise Communities. The grants are awarded to Zone and Community projects on an annual basis due to limited Congressional appropriations. The USDA and HUD have awarded each Round Two rural Zone a grant of $6 million and $19 million dollars, respectively. Additionally, Round Two rural Communities have received $750,000 each from HUD.

In December of 2000, Congress passed the Community Renewal Tax Relief Act which authorized a $22 billion tax incentive package for the private sector to aid renewal within economically distressed communities. The Act increased the tax incentives available to Empowerment Zones, created a New Markets Tax credit and authorized the creation of nine Empowerment Zones and 40 Renewal Communities. The Act called for the designation of seven urban zones, two rural zones, 28 urban Renewal Communities and 12 rural communities which would retain their designation from January 2002 through December 31, 2009. In January of 2002, after the customary application and selection process, the Round III Empowerment Zones and Renewal Communities designations were announced by President Bush. Eight Empowerment Zones were announced instead of seven because Atlanta was removed from the list of Round I Empowerment Zones. Atlanta lost its Empowerment Zone status and received a Renewal Community designation because the area it nominated as a Renewal Community shared census tracts with the existing Empowerment Zone.

Like the Round I and II Empowerment Zones and Enterprise Communities, businesses within the Round III Empowerment Zones and Renewal Communities are eligible for tax incentives for hiring residents and for the expansion of business operations within the designated communities. However, unlike their predecessors, Round III Empowerment Zones and Renewal Communities do not receive grant funding. Round III Empowerment Zones received an expansion of the wage credit to the first $15,000 in annual wages for each employee, the ability to expense an additional $35,000 for equipment purchases and enhanced tax-exempt bonds. Renewal communities received several incentives that include: a zero capital gains rate for assets held over five years, the ability to expense an additional $35,000 for equipment purchases, a 15% employment wage credit for the first $10,000 in annual income per employee, and a commercial revitalization deduction for tax payers that redevelop buildings within the Renewal Communities (see Exhibit 1 for incentive information).

Tenet 3: Community Involvement

The stimulation of economic renewal within an impoverished community must be executed with the cooperation and involvement of community members. The involvement of the community ensures community support and ownership of the project, which may have a positive effect on the outcome of the effort. Community Development

Corporations present an avenue to establish relationships with the community and may also offer resources to aid revitalization efforts. Through the establishment of cooperative working relationships with a community organization, the Benson Project may harness community support and cooperation, and may also be able to tap available resources for the establishment of the renewal effort.

Community Development Corporations

In 1964 Congress passed the Economic Opportunity Act to create Community Action Agencies empowered through federal funding to provide social services to combat the effects of poverty. This Act was later expanded to create the Special Impact Program in 1968, which provided funding to community organizations with a focus on improving the social and economic climate in needy communities. These organizations were called Community Development Corporations which established partnerships with community members and both public and private organizations to spur revitalization[2]. Community Development Corporations (CDCs) are non-profit (501C3) organizations dedicated to aiding poor communities through economic and social programs to spur revitalization. CDCs expanded the focus of community action groups through the use of federal funding to begin housing initiatives and create job opportunities.

From the 60s through the early eighties the number of CDCs within the nation grew to several hundred. This growth stemmed from the community activism surrounding the War on Poverty in the 1960s and the Civil Rights movement. This community activism remains the center of the CDC's power today, as the organizations

[2] According to the National Congress for Community Economic Development, these organizations may have a variety of nominations, including "Economic Development Corporation."

are neighborhood-based and controlled by community residents and those with concern for the community. CDCs received funding through the Model Cities program, an initiative to provide funding for efforts to combat poverty, sub-standard housing and discrimination within the nation's cities. Additionally, CDCs were recipients of funding from the HUD Title VII program and the Community Development Block grant through which the federal government extended grants to states to apportion to community development efforts. During the Reagan administration in the 1980s, the federal government made dramatic cutbacks in funding to CDCs and relegated much of the development activity to state and local governments. These changes forced CDCs to look for funding from a variety of different areas within public and private coffers. CDCs made use of intermediary organizations like the Enterprise Foundation and Local Initiatives Support Organizations to gain funding and assistance in their revitalization efforts.

In 1998, a report produced by the National Congress of Community Economic Development indicated that there were about 3600 CDCs in the United States, split evenly between urban and rural areas (CDCs, 8). The number of CDCs within a city usually depends on the number of community leaders willing to engage in community development. According to Avis Vidal, "Cities with an active group of effective CDCs tend to be places where the local business community has a strong tradition of civic activity and has made neighborhood development a priority" (Krumholz, 152). In these areas, local government is more willing to give attention to redevelopment efforts. According to a 1989 survey of 133 (75% of all cities) cities in the United States, 95% of cities with populations of over 100,000 people contained at least one CDC. Of these organizations, 90% were primarily concerned with public housing, 18% were involved with development of real estate and 23% provided lending programs and other aid to businesses (Krumholz, 150).

CDCs have worked to create development and also act as lobbyists to federal and state governments for community-minded legislation. CDCs have also been active in economic development efforts, owning small business projects, aiding small businesses through financing, and extending services like day care and job training services to increase economic opportunity within impoverished communities. Additionally, CDCs make efforts to develop community vision and leadership. Today, CDCs are usually small organizations, with 10 or fewer employees. The majority of CDCs focus on ameliorating housing issues, with a growing focus on the creation of business opportunities and commercial real estate development. CDCs also provide technical assistance and training to neighborhood residents as well as counseling and other social services.

To achieve their goals, CDCs must accumulate resources from outside the community, thus creating projects that are the result of both the community and other forces within society including the government, financial institutions, education institutions and others. Successful CDCs act strategically to set clear priorities and engage in multiple activities that overlap in their impact and support each other;

> "Twenty-first century CDCs are likely to be multifaceted organizations, doing everything from providing social services and educating residents on home ownership to engaging in commercial and residential development activities and assembling the funding to support it. CDCs are key partners in the public-private-nonprofit partnerships that tackle the challenges of neighborhood revitalization." (CDCs, 4)

CDCs receive financial support from a variety of sources, most of which is designated for housing efforts. Financing is available from government bodies, financial institutions, businesses and the private sector. These institutions are also usually willing to provide technical support and training in their area of contribution. Because CDCs are recognized as major influences within communities in spurring economic development, federal and state legislation has been created to appropriate funds to these organizations. As such, government entities are the largest contributors to CDCs through grants and tax incentives. However, as federal subsidies have declined for affordable housing in poor neighborhoods, CDCs have taken the responsibility of gathering funding from a variety of sources to create affordable housing. Often, CDCs receive funding through intermediaries that receive grants and loans from the public sector and financial institutions. CDCs then apply for grants and loans from these organizations, enabling them to share and reduce risk. Additionally, intermediaries are attractive to grantors because they usually have experience and expertise in evaluating the risk of CDC projects, and can reduce the administrative costs investors face in dealing directly with CDCs. The three largest intermediaries are the Neighborhood Investment Corporation (NRC), the Local Initiatives Support Corporation established by the Ford foundation and the Enterprise foundation.

CDCs face many challenges today, including hiring and retaining skilled and experienced staff members and finding funding for operations and projects. Generally, these organizations have a median staff of seven people with a budget of less than $1 million. Their small operating budget prohibits them from paying market salaries for experienced staff members, so organization staff is often composed of individuals without much experience in community development. Additionally, their small size and budget limits CDCs in concentrating on multiple projects as the organizations must balance needs for operating and administrative costs and project plans. CDCs face competition from other non-profits for funding dollars from the government and other funding organizations. Lack of funding is limiting to CDCs as well; those with little capital will focus primarily on housing issues because more funding is available for these projects. Because of these limitations, CDCs often face criticism from government entities and the media for their inability to overcome these challenges and affect community development on a large scale.

Tenet 4: Efforts to Recycle Resources

In the implementation of economic renewal strategies, the reuse and recycling of resources within the community is central to making the most of available resources and aiding in true economic renewal. The presence of brownfields within economically distressed communities is prohibitive to economic renewal, despite their many advantages once developed. The redevelopment of brownfields across the country faces several challenges like daunting legislation, costs and liabilities. The federal government has established incentives to generate brownfield redevelopment within economically recessed areas. The use of these resources may aid the Benson Project in the redevelopment of a brownfield site for the establishment of the business within the target community.

Brownfields

According to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, brownfields are, "real property, the expansion, redevelopment or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant." Since the early 1990s approximately 600,000 pieces of property across the United States were identified as abandoned properties with suspicion of or real contamination due to commercial use. Because of the potential environmental effects that these properties could have on surrounding communities and the amount of liability a potential owner would have to take on in purchasing these properties, many brownfields remain abandoned and are not cleaned or rehabilitated. This contributes to the hesitance of businesses to relocate to these areas and ultimately contributes to the economic decline of communities.

After it became clear that improvement was needed in national industrial waste disposal, the federal government enacted legislation to regulate the process. In 1976, Congress passed the Resource Conservation and Recovery Act (RCRA). The RCRA regulates manufacturers that produce hazardous wastes, requiring them to remain accountable to federal and state EPA officials and to track hazardous wastes to prove its proper disposal. This act also governs the storage of hazardous wastes in underground storage containers and makes provision for concerned citizens or government entities to demand cleanup of properties that violate RCRA standards or "present an imminent and substantial endangerment to health or the environment" (David, 16). The law also stipulates that owners, operators, or contaminators of these properties are liable for the costs for clean-up. In 1980, Congress passed the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) which mandates the clean-up of all contaminated sites, not just those that present an "imminent danger" and attempts to hold owners and lenders fully liable for the clean-up of their property, regardless of fault. Through the CERCLA, the EPA is required to list the most contaminated properties on a National Priorities List (NPL). On the occasion that private parties are not found to bear the cost of cleaning these sites, the EPA may use funding from the Superfund, a revolving trust fund that uses the proceeds from lawsuits against contaminating parties and the proceeds of a tax on chemical feedstocks to fund clean-up of other contaminated properties. CERCLA also makes provisions for private parties to seek remuneration for clean-up costs from contaminating parties as well. Many states have enacted similar programs, often called mini-CERCLA statues, to enforce responsible parties to bear the cost for the clean-up of brownfields within their borders.

However, brownfields often remain contaminated because developers and businesses are hesitant to take on liability for the cost of cleanup of the property. As such, the federal government has enacted several programs to encourage developers to buy the contaminated properties and redevelop them. On January 25, 1995, the Environmental Protection Agency (EPA) created the "Working Draft of the Brownfield Action agenda" which contained plans for aid to cities and private businesses in assessing and redeveloping brownfield properties. Under this agenda, the EPA began to offer Prospective Purchaser Agreements, which provide purchasers protection from action by the federal government to force the new owner to clean-up contamination. These agreements are only available to purchasers of NPL sites or other sites the EPA has designated for special attention. Additionally, the EPA has initiated other reforms like the issuance of comfort letters and Memorandums of Agreements with some state EPA offices to provide documents to prospective purchasers for particular properties that certify that the EPA will not take enforcement action.

The White House also created several financial incentives to spur the redevelopment of brownfields. In 1997, President Clinton signed a $2 billion brownfield tax incentive to allow costs for cleanup of brownfield properties in specified areas to be fully deductible in the year of incurrence. Congress renewed this incentive in December 2000 for three additional years. In the beginning of 1998, the White House designated sixteen communities across the country as Brownfields Showcase Communities, awarding them $28 million for the clean-up and revitalization of properties within these areas. During the spring of 1999, the EPA created the Brownfields Assessment Demonstrations Pilots, in which 227 communities received grants of up to $200,000 to be used for testing cleanup and redevelopment models and encourage community involvement in the redevelopment of contaminated properties. In January of 2002, President Bush expanded the funding available to provide increased aid to communities for brownfield assessment, cleanup and associated job training through the Small Business Liability Relief and Brownfields Revitalization Act. This law also limits the liability of those that purchase brownfields, to encourage prospective owners to buy the properties. Only local or state government agencies, Indian tribes or non-profit organizations may receive grants through this program.

Additionally, the EPA established the Brownfields Clean-up Revolving Loan Fund (BCRLF) program to provide funding of up to $500,000 for states and local governments to offer in loans to borrowers for brownfield clean-up. BCRLF funds can only be used for properties where contaminants harmful to public health have been released or where a substantial threat of their release exists. Additionally, the funding cannot be used for properties listed on the NPL or otherwise designated for action by a federal or state agency, cannot be used where cleaning must occur within six months and may not be used to clean sites solely contaminated by petroleum products. In 1995, the EPA worked in conjunction with the U.S. Treasury to revise mandates under the Community Reinvestment Act (CRA) which mandates that banks and financial institutions must extend loans in low income communities. Through this revision, banks and financial institutions were able to fulfill their CRA obligations by offering financing for brownfields redevelopment. The Department of Housing and Urban Development (HUD) manages the Brownfields Economic Development Initiative (BEDI), a program in which communities may receive funding for brownfield redevelopment and local governments may purchase contaminated properties to sell to private parties at discounted prices.

Successful Efforts

The following cases are examples of businesses that have been established in impoverished areas and have a conscious goal of stimulating economic renewal. Between them, Spire Inc. and Sun and Earth have incorporated all four of the tenets of economic renewal and have had a positive impact on the community around them. Through an analysis of their methods of establishment and operation, the Benson Project may benefit from the example of these two businesses.

Spire Inc.

Skip Dyer, his brother Rick Dyer, and Rick Theder founded Spire Inc, a digital and graphics printing company in 1988 in Boston, Massachusetts. Spire has been a profitable company and a leader in its industry, using revolutionary technology to secure corporate customers. Spire's current customers include Staples, Salomon Smith Barney, Gillette, and Reebok among others. In 2000, Spire grossed $22 million in sales and was the first in its industry to use the Nexpress, a revolutionary digital printing machine that allows printing design and online order placement to shorten production processes.

On June 12, 2001, Spire began construction for its new headquarters at 65 Bay Street in the Savin Hill community of Dorchester Bay, Massachusetts. The Savin Hill community has undergone a variety of changes in recent years. Before the economic slump in the mid-eighties, there were many thriving businesses within the community. Today, many of those businesses no longer exist. Most community residents are either working or middle class, and the majority of them work outside of the community due to the lack of sustainable employment within Savin Hill. The demographic of the neighborhood has changed dramatically as well; in the past the neighborhood was mostly Caucasian, but in recent years the community has seen a large influx of Vietnamese and Cambodian families, and a wide variety of other ethnic groups. Real estate prices within the community have also changed as development activity and tremors in the macro-economy have caused them to rise dramatically.

Spire is the first company to occupy 65 Bay Street in over 30 years. Spire now houses all of its operations in a new 80,000 square foot two story building on the formerly abandoned property. Spire has made a commitment to aid economic development in the Savin Hill area and to help the community by expanding employment opportunities for residents. The company has committed to creating 60 new permanent jobs that will be made available to low-income residents of the area. Spire intends to create 40 new jobs for varying skill levels in its first year at Savin Hill and plans to create 20 new jobs per year through 2006.

Spire's move into the Savin Hill community was facilitated in cooperation with the Dorchester Bay Economic Development Corporation (DBEDC). The DBEDC provides a variety of services to the Savin Hill community including small business loans, construction of affordable housing, and works with the city to identify and purchase vacant lots in need of rehabilitation. The DBEDC is convinced that the Spire project will have a major impact on the community and hopes that it will have a positive impact on other businesses in the area. Several of these, like coffee shops and restaurants receive financial aid and technical assistance the DBEDC as well.

Spire's new headquarters was built on a 4.7 acre site that was once a brownfield. The site contained an old assembly plant belonging to the Boston Insulated Wire and Cable factory. The cable company had abandoned the property in the late 70's, causing it to deteriorate steadily due to arson, drug activity and vandalism. During the eighties, developers considered the site as a possible location for new condominiums. However, the real estate market collapsed and the plan was quickly abandoned. Eventually, in 1992, the community asked the DBEDC to intervene and find use for the property.

After researching the title, the DBEDC made preparations to purchase the property. The organization paid one dollar for the property and was forgiven the nine million dollar mortgage and $1,000,000 in back taxes owed on the property on the basis of the DBEDC's social mission. Additionally, the organization negotiated with junior lien holders to forgive a $155,000 claim on the property. The DBEDC completed purchase of the site in 1994 and began to prepare it for a business that would increase jobs and economic investment in the impoverished and crime-ridden neighborhood of Savin Hill.

After purchase, the DBEDC demolished the old factory that existed on the property and found that the site contained several contaminants including lead, oil, copper, and Polychlorinated Biphenyls (PCBs). Initially, the DBEDC hoped to receive funding through brownfields legislation to rehabilitate and clean the site. However, the extensive red tape surrounding this process motivated the DBEDC to look for money outside of state coffers. The DBEDC sued the former owner of the factory for the contamination of the site and received $200,000 from the lawsuit. Fortunately, the cleaning process was basically inexpensive and the DBEDC was only required to remove the top layer of soil from the property.

After the rehabilitation process was complete, the DBEDC began to search for potential tenants for the property. The organization investigated a variety of potential candidates including United Foods, a Massachusetts noodle factory. In October of 1999, the DBEDC began to consider Spire as a possible tenant. At that time, Spire was planning to expand and consolidate operations and wanted to find a new site. Through negotiations, Spire signed a community agreement, pledging to offer jobs to residents in the Dorchester Bay area in return for the rights to occupy a custom designed building on the rehabilitated property from the DBEDC. In their agreement, Spire entered into a contract to rent the building at a competitively low rate with an option to buy in the third year. Additionally, Spire pledged to list available jobs through local media outlets before seeking job candidates outside of the community. The Savin Hill community was receptive to the project; only three people within the community group opposed the plan.

Construction on the Spire building was completed in June of 2002 and by the end of the summer, the company moved its operations into the new building. The new building was designed by Winter Street Architects and was constructed by Payton Construction at a total cost of $10.5 million. The 78,000 square-foot facility contains a warehouse, a press operations area, a fulfillment and mailing area, administrative and technical areas and a glass atrium at the entrance. Spire currently rents the building from the DBEDC at a rate of $10.48 per square foot and plans to exercise the right-to-buy option in three years.

The total cost for the project, which included the land purchase, demolition and decontamination and construction costs was about $13.5 million. The DBEDC received funding from the donations of over 20 donors including local and federal government groups, non-profit organizations and financial organizations. Lenders included a commercial lender that specialized in the development and construction of mass housing, a quasi-public agency within the city of Boston, several private non-profit organizations, and insurance companies. The DBEDC was able to raise about $4 million in equity and contributed about $800,000 of its own money to the project. The project also received funding through an EDA grant and Spire contributed to the construction costs as well.

Because of the recent decline in the economy, Spire has only been able to hire one person from the Savin Hill Community and has had to lay off several original employees.

Yet, all parties in the Spire project are hopeful for an improvement in the economy in the near future. Despite the marginal success in the effort to create jobs through the relocation of Spire to the Savin Hill community, the presence of the new business within the neighborhood has had a positive effect on surrounding businesses. Both McKenna's Café and another nearby restaurant in the Savin Hill area have seen increases in their lunch-time business. One restaurant has hired a new cook to keep up with the surge in business.

According to Skip Dyer, the most difficult portion of the two-year process was his interaction and collaboration with the DBEDC. Mr. Dyer was often frustrated with the slow pace and general disorganization of the CDC: "they get nothing done . . . issues don't ever get resolved." Mr. Dyer advises that community renewal efforts should not rely on the leadership of CDC's because of their inefficiency: "don't rely on the CDC so much. . . [I] don't think most non-profits are well positioned to aid with this." Despite these challenges, Mr. Dyer found that other community members and city representatives were most helpful and supportive during the process, "we worked with the community . . . the city's been great [and] the neighborhood's been great." Consequently, Mr. Dyer advises that community renewal efforts require patience, endurance and a willingness to cooperate with a variety of stakeholders. This process of cooperation takes time, but such time is necessary to provide the best service to the community: "you need to be patient . . . there are pros and cons to it."

The relocation of Spire Inc. headquarters to the Savin Hill community provides an example of the practical application of the tenets of economic renewal. First, the company should be able to provide employment opportunities to community residents pending an improvement in economic conditions. Secondly, the presence of the business within the community effectively eliminates spatial mismatch. Additionally, the business is established on refurbished brownfield property and finally, the project was implemented in cooperation with the community through the DBEDC. Although the implementation of the four tenets was a challenge, particularly in the realm of community involvement and the creation of employment opportunities, the community of Savin Hill should benefit from the presence of the business within the area.

Sun and Earth Inc.

Sun and Earth Inc. was founded in 1994 and is a private, for-profit manufacturer of non-toxic, natural cleansers for office and home use. The company is dedicated to producing cleansers that are powerful but safe for the environment and for consumers that may be sensitive to chemicals in other cleansing product brands. The company's cleansers are made with natural products like coconut and orange oils and have enjoyed popularity among consumers for the exceptional cleaning ability of the products. Recently, Sun and Earth was ranked ahead of 80% of national cleaning brands in a national ranking of all-purpose cleaners. Sun and Earth products are available online and in supermarkets and natural food stores in over eight different states.

Originally called McWolfe Enterprises, the company was formed in 1988, when its founder began experimenting with natural ingredients in his bathtub and found that he could create all purpose household cleaners that were ecologically friendly. Over the last fourteen years, McWolfe Enterprises was sold several times and eventually relocated to Norristown, PA in 1999 and set up operations in a refurbished old mill. On May 4th of

2001, the company was sold to the Barred Rock fund and Capital-to-People/Murex Investments and the name was changed to Sun and Earth. The Barred Rock Fund is a non-profit venture capital group run by Ben Cohen, former owner of Ben and Jerry's Ice Cream, established to invest in environmentally friendly companies that provide employment and equity investment to low income communities. Capital-to-People/Murex Investments, is a non-profit venture capital group that is also dedicated to social and environmental issues and seeks to aid businesses that are dedicated to job creation.

Sun and Earth remains headquartered in Norristown, Pennsylvania, a designated Enterprise Development Zone and a low-income neighborhood. The manufacturing plant is on the site of a refurbished textile mill that provided jobs to the community before its downfall in the 1960s. Because of its location, most of its employees are able to walk to work and bypass a costly commute. Additionally, the company's presence in the community has brought additional clientele to surrounding businesses that benefit from Sun and Earth's employees and visitors.

Sun and Earth is dedicated to providing jobs, economic opportunity and sustainable living resources to its community. Sun and Earth's employees are characteristic of the community, representing seven countries and three languages. The company is planning to devote about 10% of company stock to employees and maintains company wages at the livable wage standard. Furthermore, the company has recently provided health coverage and vision coverage for its employees. All of the company's employees began work as unskilled laborers, and currently a third of these employees have technical positions in areas like equipment maintenance, batch making and equipment operation. Most of the employees speak Spanish, and hence, the company maintains a bilingual workplace. The Company provides the employees with uniforms, vacation pay and tries to maintain a culture centered on trust and a sense of family.

Sun and Earth hopes to expand its staff from 28 to 60 people in the next five years. Generally, neighborhood residents have filled administrative positions and positions on the manufacturing line, although Art Rogers, the company's Chief Executive Officer (CEO) states that he is considering residents for positions in middle management. Sun and Earth promotes its employees from within; employees may begin working on the production line, and may be promoted to line manager, line supervisor, plant supervisor or other leadership positions within the company. The company has created a number of roles in line staff to reward employees for exemplary work including a position with the company's internet business that provides a pay increase. Most of the employee training is done in-house and is financed by the company. Because the company is based in an Enterprise Zone, Sun and Earth is eligible for a federal loan for training programs. Mr. Rogers claims that the company has not made use of this money so far, but is considering it for the future.

Sun and Earth also attempts to aid employees with their financial decisions and financial future. The Barred Rock fund provides an interest-free lending program to the Sun and Earth employees to aid them in purchasing a home. The company also works in conjunction with a local, bilingual program that provides aid to the employees in making financial decisions about financing a home. Additionally, Sun and Earth encourages its employees to open checking accounts and is instituting a 401k program. Sun and Earth has strategically placed its payroll account with a bank in walking distance to grant employees a chance to open checking accounts and to begin saving for their future. The company has not taken part in any recent community activities and currently does not underwrite any social programs or initiatives within the community.

However, the company's main concern is functioning as a successful business and creating value for its shareholders. As CEO, Mr. Rogers is convinced that the company cannot aid the workers unless the company is able to be successful in business first. Sun and Earth is currently expanding its product categories and its distribution to include other areas of the country. Although he was hesitant to give financial information on the company, Mr. Rogers confirmed that the company is a growing, profitable company. Despite growth, Mr. Rogers is convinced that the company will keep its core operations within the Norristown community.

Sun and Earth's operations within Norristown, Pennsylvania are a practical application of the tenets of economic renewal. First, the company provides jobs at sustainable wages to the residents of the community. Additionally, Sun and Earth is established within a refurbished mill in the community, eliminating spatial mismatch and recycling community resources. Finally, the company works in conjunction with community organizations to provide aid and education to employees, although it does not actively take part in community activities. Through Sun and Earth, the residents of the Norristown community have access to economic opportunities and may benefit from the company's efforts to stimulate economic renewal in the area.

The Benson Project Plan

Like Spire and Sun and Earth, the Benson Project is an attempt to combat poverty and provide economic opportunities through a practical application of the four tenets of economic renewal. The Benson Project is a plan to establish a business to spur economic renewal within the community of Peoplestown in Atlanta, Georgia, an Empowerment Zone/Enterprise Community/Renewal Community, designated by the Federal Initiative. The business will be located within the selected community and will offer sustainable jobs to the residents of the area. The Project will be implemented in collaboration with community members and will recycle available resources within the community. Through these efforts, the Benson Project may achieve success in contributing to an improved quality of life for neighborhood residents.

Tenet 1: Providing Sustainable Jobs/Wages

The Benson Project will establish a business that provides jobs at living wages to residents within the community of Peoplestown. The Project is committed to providing job training to employees, and promoting from within to help employees improve their standard of living. The business is described in detail within the attached business plan (See Benson Douglas Packaging, LLC).

Tenet 2: Elimination of Spatial Mismatch

The Benson Project will be established within the community of Peoplestown in Atlanta, Georgia, an Empowerment Zone community designated by the Atlanta Empowerment Zone Corporation. Through the establishment of the business within

Peoplestown, the Benson Project will create employment opportunities for residents directly within the target community, eliminating the problem of spatial mismatch. The Project will attempt to make use of federal and state resources available through the Empowerment Zone program to establish and receive funding for the business.

Atlanta Empowerment Zone Communities

Upon receipt of an Empowerment Zone designation in 1994, Atlanta was awarded $250 million in grants and tax incentives through the Initiative to carry out strategic plans for encouraging economic development in low-income communities within the City. The Atlanta Empowerment Zone consists of 30 neighborhoods made up of 50,000 residents, 57.5% of which live in poverty as 56% of the working population earns less than $10,000 a year. The unemployment rate is about 17.5% and one-third of the population receives public assistance[3]. After receiving the Empowerment Zone designation, then-Mayor Bill Campbell established the Atlanta Empowerment Zone Corporation (AEZC), a 17-member executive board to oversee and implement goals and strategic plans for the renewal of communities within the Zone (see Exhibit 2 for a list of Zone Communities). AEZC board members are made up of representatives from state, county and city governments, Empowerment Zone neighborhoods, the Atlanta Public Schools and the Atlanta Housing authority, community service groups and members of the private sector. The AEZC receives recommendations from the Community Empowerment Advisory Board (CEAB), a 36 member body with an annual budget of $200,000 consisting of representatives from each of the Empowerment Zone and related communities to provide

[3] Atlanta Empowerment Zone Corporation. 12 February 2002. http://www.aezc.com/howthe.htm

a strong community voice within the creation and implementation of strategic plans for the Zone. Residents of the Empowerment Zones elect the members of the CEAB.

The goal of the AEZC is to create sustainable change within Atlanta's enterprise communities by stimulating economic growth and opportunity. The AEZC's priorities include expanding and creating employment opportunities, increasing neighborhood safety, empowering youth and families, and creating affordable housing. The Zone has made several loans to aid first-time homeowners in various communities, and used Zone funds to create a program called the One-Stop Capital Shop that provides training and resources to small businesses. Additionally, the Zone made a $1 million loan to aid development of the Fulton Bag and Cotton Mill in the community of Cabbagetown. This site was developed into upscale loft apartments.

To receive Zone grant or loan funds for projects, a proposed project must first receive a community review through neighborhood organizations and planning units. These organizations must then submit their review findings to the CEAB. The CEAB must then assess the project in question and make a recommendation to the AEZC. The AEZC will then vote on approval of the recommended projects. Proposals for loan funds must receive an additional review by the AEZC staff to perform due diligence concerning the financial capabilities of the applicant. After approval, successful projects will be formalized with a contract stipulating the goals and benchmarks for the project, the financial commitment of the AEZC and a review process for monitoring expenditures.

In their eight years of operation, the AEZC and the CEAB have developed a reputation for inefficiency and controversy. Mayor Campbell dismissed the AEZC's first executive director, Paul White, after he used all of the $4 million budgeted for administrative costs for the 10-year program within the first year. His excessive use of these funds was supplemented by inadequate and inaccurate bookkeeping. White's successor, Joe Reid, spent most of his tenure in controversy with CEAB board members over control and use of Zone funds. Currently, Reid is facing sentencing for attempting to bribe contractors to do City projects. In 1999, the CEAB also received criticism for its use of funds; auditors were unable to account for about $100,000 that the organization's faulty bookkeeping attributed to unverifiable equipment purchases and legal expenses. Currently, the CEAB is embroiled in a bitter lawsuit over the leadership of the organization. In 2000, the state of Georgia also leveled criticism towards the program, charging that the Zone officials had not maintained consistent policies or records and had done little to encourage private investment. The program has also received negative press for several of its business failures, the most egregious of which was the dissolution of Light and Energy Management which was unable to repay a $3.2 million loan owed to the AEZC.

In January of 2002, the City of Atlanta lost its designation as an Empowerment Zone and was granted a Renewal Community designation instead. The federal government has allowed the City to retain the remaining $40 million in Empowerment Zone funds for projects outside of the Zone area. The current mayor, Shirley Franklin, has decided to dismantle the AEZC and CEAB and replace these bodies with a smaller advisory board that will have oversight over the tax incentives within the Renewal Communities program. Until these changes have been finalized, Atlanta's future within the Renewal Communities program remains uncertain.

Peoplestown

The neighborhood of Peoplestown is located about one and a half miles south of the Georgia capital and is one of thirty neighborhoods targeted as an Empowerment zone by the AEZC (see Exhibit 3). Currently, Peoplestown is made up of a population of about 2,608 people, 38.8% of which are under the age of 18. Approximately three to four percent of the current residents have college degrees, and 90% of these have found employment outside of the community. Of the current residents, 51% of the households earn annual incomes of less than $10,000[4]. The community spans 300 acres and is bordered on the north by Ormand Street, on the south by the Southern and A&WP railroad, on the east by Hill Street and by the downtown connector (I75/85) on the west. The community faces a variety of social ills including homelessness, abandoned properties, and high levels of criminal and drug activity.

Peoplestown originated as a suburb beside the railroad on Capitol Avenue in 1885. At this time, Peoplestown was a somewhat integrated neighborhood, as Victorian homes for upper and middle class Whites lined the streets of Capital and Ormand Avenue, and shacks and one-room homes for African Americans lined the rear of these lots on Atlanta and Capital Avenue. The community was named after the affluent Peoples family that owned several lots within the neighborhood. As options for commute shifted from railway to automobiles during the 1920s and 30s, white residents began to leave the community to follow the move of business and industry northwards along Peachtree Street.

During the next few decades, several events threatened the longevity of the Peoplestown neighborhood. First, the City constructed the Interstate 75/85 to link the

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[4] Peoplestown Revitalization Corporation. 1999. http://www.peoplestown.com

downtown with the suburbs that were expanding rapidly at the beginning of the 1950s. The expressway was constructed directly through the western edge of the Peoplestown neighborhood, separating the community from the Atlanta central business district and destroying approximately 110 homes. The presence of the interstate within the community hastened the exit of businesses and middle to upper class residents from the community. Successive expansions to the interstate have resulted in more demolition of neighborhood homes and increased noise and traffic in the area.

Secondly, the City began construction of the Atlanta-Fulton County Stadium within the community in the beginning of the 1960s. The construction of the stadium resulted in the demolition of the houses within the first three blocks surrounding the stadium for parking purposes. As well, the major streets within the neighborhood were converted into reversible one way streets to direct traffic to and from the neighborhood for stadium events. The noise and fireworks from the stadium as well and the dense traffic and parking problems during stadium events were all the more unappealing to residents, although their appeals to the city government for curfew and noise reduction were rejected. Urban renewal efforts by the city contributed to the demolition of traditional structures in the neighborhood like the local health clinic, grocery store, ice cream parlor and the butcher shop. Additionally, the city was delinquent in its low income housing replacement plan, and demolished 14,000 more housing units than it replaced across Atlanta, pushing low income residents into substandard housing in the Peoplestown community.

The housing conditions and insensitivity of the City to the residents of the Peoplestown community sparked a riot in 1966 on the northern border of the community.

This event and the political action of groups like the Emmaus House, a community action center within the Peoplestown community, forced the City to consider redevelopment policies for the neighborhood and surrounding communities. Through Model Cities program, the City aimed to develop 17,000 low to moderate-income housing units and subsidize commercial development in a district slightly north of the Peoplestown area and surrounding communities. However, these plans were soon abandoned through a shifting political focus, and eventually, this development area was cleared for parking spaces for the Braves stadium. By 1991, despite organized protests by the neighborhood residents, this area was designated the proposed location for the Olympic stadium. Today, this location remains the site of the former Olympic Stadium, Turner Field.

Tenet 3: Community Involvement

The Benson Project will establish a strategic relationship with the local community development organization within Peoplestown, the Peoplestown Revitalization Corporation (PRC). Through this relationship, the Project will establish relationships with community members and encourage community cooperation in the establishment of the renewal effort. Additionally, through this strategic relationship, the Project will gain access to a variety of resources to provide financing and political backing for the effort.

Peoplestown Revitalization Corporation

Through their history of adversity, the people of Peoplestown have developed their own voice and have become active in shaping the future of the community.

Community groups like the Emmaus House, the Peoplestown Advisory Committee and the Peoplestown Reunion have been active in creating positive change within the neighborhood. In December of 1991, the Peoplestown Revitalization Corporation was created as an amalgam of these organizations to promote renewal efforts within the community. The PRC is governed by a fifteen-member board of directors, employs a seven person staff and is made up of 200 members, most of whom are neighborhood residents. The PRC is dedicated to improving the economic and aesthetic qualities of the neighborhood, as well as promoting unity and safety within the community. The organization holds monthly meetings that are open to the public to facilitate community involvement in decision-making. The organization has a variety of goals, which include efforts to "provide or coordinate economic development activities for youth and adults which lead toward creating a self-reliant, empowered community with lasting community change[5]." The PRC receives $100,000 annually from stadium parking which is used for social programs within the neighborhood.

The PRC facilitates a variety of programs to provide social services to the community. The organization runs the Georgians Accessing Technology through Education (GATE) program, which provides computer training to residents in cooperation with the Gateway Computer Corp. The PRC also offers job-training services to neighborhood residents through a program called the Employee Skills Training and Implementation (ESTI) program. Since its establishment, ESTI has had eight residents to register and two people to graduate from the program. Graduates are given $100 and linked with Goodwill Services to pursue more job training. Additionally, the PRC is working to create a resident run program to battle crime and ensure neighborhood safety.

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[5] Peoplestown Revitalization Corporation. 1999. http://www.peoplestown.com

The PRC has spearheaded a variety of housing and development initiatives to improve the aesthetic quality of the community and provide affordable housing options to residents. Through relationships with groups like the Enterprise Foundation, the Atlanta-Fulton County Land Bank Authority and the Corporation for Olympic Development in Atlanta, the PRC has begun the development and renovation of several apartment and rental housing units. The PRC's most notable accomplishment was the completion of the Square at Peoplestown in 2000. The Square is a housing complex of 94, one, two and three bedroom units with rental ranges of $450 to $766. The complex was developed in partnership with the Integral Group and Smith Real Estate Services. The PRC has also begun a SuperBlock Mixed Use Development Project which would create three units of affordable housing and 10,000 square feet of commercial space on the northern edge of the community. The project was initiated in 1999 through an initiative of the Atlanta Investment Alliances Real Estate Investment Committee and will cost about seven million dollars to complete.

The PRC has also facilitated several economic development projects including Inner-City Foods, a neighborhood garden to provide neighborhood youth with a source of income and business experience. The PRC is a member of the Atlanta Housing Association of Neighborhood Based Developers through which neighborhood residents may participate in the Atlanta Micro-Loan Fund. Through this fund, residents may access loans ranging from $100 to $1500 for existing businesses and entrepreneurial efforts. The organization has also made a commitment to revitalize industrial properties within the neighborhood.

The PRC is currently preparing a feasibility study to better understand the economic needs the community is facing and how the organization can better fulfill those needs in the future. Through the study, the organization hopes to create a more systematic approach to economic development, as past development efforts have been performed on an ad hoc basis. The PRC has been approached about business projects like a meat processing plant and a fish market. Additionally, the organization has considered projects like a warehouse that would cater to businesses that service the area or an incubator business that would aid residents with the administrative aspects of their business processes. Arthur Miller, the economic development manager of the PRC, has expressed that the organization is willing to work in cooperation with the Benson Project. Mr. Miller has expressed that the PRC would be willing to secure funds for the redevelopment of a brownfield property and oversee the construction process for a building for the business. As well, Mr. Miller has pledged that the PRC would be willing to aid the Benson Project in securing funding from federal and private resources for start-up and operational costs for the business.

Tenet 4: Efforts to Recycle Resources

The Benson Project will establish the site of the business on a redeveloped brownfield site within the Peoplestown community (see Benson Douglas Packaging, LLC). The assessment, cleaning and construction costs and processes will require the use of federal, state and community resources. The Project will take advantage of resources available through federal programs and will make use of its strategic relationship with the PRC to assess, clean and acquire a brownfield site within the community.

Brownfields

Georgia offers protection for purchasers of brownfield properties within the Hazardous Site Response Act and the Hazardous Site Reuse and Redevelopment Act. Under these statutes, a purchaser of contaminated property may have immunity from regulatory and third-party claims if and when the purchaser of the property completes the cleanup to state required levels. Lenders may foreclose on the property, but if they fail to sell the property within 180 days, they can face liability for claims. These protections are only given to those sites listed on the Hazardous Site Inventory published by the Georgia Environmental Protection Division. A copy of this list exists in real estate records of Georgia counties. Currently, the Hazardous Site Inventory only lists about 500 sites.

Within the Atlanta Empowerment Zone, 30 neighborhoods in the city with a combined population of 50,000, there are over 568 brownfields in need of redevelopment. Many of these sites are abandoned gas stations or industrial sites that existed from 1911-1950 within the City[6]. In 1996, the City of Atlanta received a grant of $200,000 from the EPA Region IV office for a Regional Brownfields Assessment Pilot. The grant was to be applied by the City of Atlanta to brownfields within the Atlanta Empowerment Zone communities and to be managed by the Atlanta Bureau of Planning (BOP). Through this grant, the City was to redevelop properties as an example to other communities of successful methods for the redevelopment of brownfields. The BOP was to create an inventory of brownfield sites in the Empowerment Zone communities, encourage community and industry involvement in the redevelopment of brownfields

[6]Brownfields-EZ. December 1998. Team Five.
<csat.gatech.edu/csat/education/cp6567/brown/brn2.htm>

through financing options, provide environmental planning resources and create a comprehensive development plan and oversight entity.

After receiving the grant in 1996, the City of Atlanta did not use any of the funds available and made no effort to achieve any of their stated goals through 2000. The EPA renewed the grant several times without receiving any documents for reimbursement under the grant from the City. The EPA's southeast division indicates that private citizens and groups, without the aid of the City, have accomplished most of the brownfield redevelopment that has occurred in the City of Atlanta. The City was supportive in the redevelopment of an old abandoned steel mill in Midtown to the present Atlanta Station office mail and housing complex, but besides this effort the City does not appear to have done much to aid the poorer communities on the south side of the city.

In 2000, the EPA threatened to withdraw the grant unless the City created a new working plan and showed signs of actively dealing with the brownfields issue. In an effort to retain the grant, the City created a new working plan in the end of 2000. In the working plan, the City of Atlanta identified several objectives including the creation of a Brownfields Resource Information Center which would house all City activities regarding brownfields and would be responsible for making resources available to communities to aid them in redevelopment efforts. Additionally, the City planned to create an expansive database of brownfield properties within the City and a comprehensive redevelopment model, perform three Phase 1 and one Phase 11 assessments on selected communities within the City and seek other funding sources to leverage the grant received from the EPA.[7] The community of Peoplestown is one of

[7] Phase I and II assessments are a series of tests to determine contamination levels and quantify costs for clean-up.

the targeted locations for brownfield Phase 1 assessments through the Atlanta working plan.

Since 2000, the City has only used about 50% of the $200,000 in Pilot funding[8]. The City was only able to complete two Phase 1 assessments within the Peoplestown community. However, the EPA has not accepted the assessments because of a lack of substantial findings. The City has also been unable to create the inventory of brownfield properties or the comprehensive brownfields development plan. City representatives claim that surveys were sent to the 30 Enterprise Zone communities, asking them to detail the brownfields within their boundaries, but only 12 communities returned the information. Because of a lack of real use of the funds, Atlanta's brownfield program was suspended until November of 2002. Currently, the program operates on a budget risk status. The remaining $100,000 available from the EPA is hardly enough to cover the goals that the City of Atlanta created in the brownfield redevelopment plan. The City of Atlanta is facing a budget crisis and is currently laying off workers, so the chances of receiving funding from the City are minimal. The EPA has also greatly reduced its revolving loan fund and instead the organization has made direct grants to particular CDCs to aid in the assessment and cleanup of their brownfield properties.

Garnet Brown, the city planner in charge of Atlanta's brownfield project hopes to create a comprehensive redevelopment plan by the summer of 2003 but is concerned about attaining additional funding and City support; "Our brownfield program lags behind many cities of similar size." Neighboring cities like Birmingham, Alabama and Charlotte North Carolina have shown major success in the application of their grant funds. Birmingham has an expansive database of brownfield sites and has been

[8] Mitchell, Arthur R. Personal Interview. 26 November 2002

successful in rehabilitating several brownfields sites. Because of their efforts, Birmingham has received additional funds for future project use from the EPA.

Currently, there are about 27 brownfield properties within the Peoplestown community that have been designated as brownfield properties by the Atlanta BOP (Exhibit 4). Of these, the BOP identified seven with the greatest economic development potential and performed a Phase I assessment of these sites through the Atlanta Brownfields Pilot Grant (Exhibit 5). The properties are awaiting the second and final Phase II testing to indicate the amount of contamination on these properties and quantify the cost for clean-up.

<u>Business Finance Options</u>

There are a variety of resources available to the Benson Project to cover costs for the establishment and operational expenses for the creation of the business. The Benson Project will take advantage of these resources to enhance chances for success in economic renewal efforts.

The Phoenix Fund

The Phoenix fund is offered through a partnership of the Economic Development Administration and the City of Atlanta. The fund exists to provide aid to small to medium-sized businesses by providing financial assistance and competitively priced loans to encourage the creation of jobs for middle to low-income residents of Atlanta. Most small businesses are eligible for funding with the exclusion of non-profit businesses, financial institutions and businesses that sell a combination of nude dancing and alcohol products. The fund proceeds are to aid with the creation or improvement of commercial buildings, the purchase of land, the purchase of business related equipment and the financing of working capital, inventory and other development costs. Loans are distributed by the Atlanta Development Authority at a rate below prime. Loan amounts typically range from $10,000 to $30,000 and recipients are required to "create or retain" one job per $15,000 of the loan amount with 51% of jobs being made available to middle or low income persons.

Loan applicants must make a non-refundable payment of $75 to apply for funding from the Phoenix fund. Loan recipients are granted 33% of the project amount and are expected to finance the remaining 67% through a combination of personal investment, additional private financing or SBA affiliated loan programs. The interest rates on loans are calculated at half of the current prime rate plus 2% (1/2 Prime +2), beginning at a minimum rate of 4%. Loan maturity dates range from 3 to 7 years; maturity dates for real estate may extend up to 15 years. Collateral for the loan may take the form of a subordinated mortgage or a lien on the assists acquired through the loan. Additionally, the Phoenix fund may require personal guarantees or another form of collateral. There is no penalty for pre-payment of the debt amount.

The Business Improvement Loan Fund

The Business Improvement Loan Fund (BILF) Program is sponsored by the City of Atlanta and the Atlanta Development Authority through funding from the Community Development Block Grant established by HUD. The BILF Program was established to aid in the renewal and development of designated business districts within the City of

Atlanta and other areas. Loan proceeds can be used by businesses within the designated business districts for the purchase, improvement of and additions to commercial, industrial and mixed-use properties, the purchase of equipment or fixtures for real estate, the purchase of inventory and office equipment, and for expenses related to the implementation of structures for the efficient use of energy resources.

Through the BILF program, applicants within the designated business districts may apply for direct loans from the City of Atlanta for funding if applicants are unsuccessful in attaining a market rate loan for a project. The interest rate on a direct loan is based upon the cash flow of the project in question, and loan payments must be repaid within seven years on a monthly basis. The maximum loan amount for a direct loan is $30,000. Loan recipients in areas where property renovation is not necessary may use a maximum of $10,000 in loan proceeds for the acquisition of inventory and office equipment.

The BILF program may also participate in larger loans ($50,000 or more) to businesses within Atlanta Census Block groups where 51% or more of the households make 80% or less than the Metro Area Median Income in annual income (Community Development Impact Areas). Through the BILF program, applicants may receive financing to meet injection requirements for loans from the Small Business Administration. The interest rate on the loan is based upon the cash flow of the project in question and the proceeds from the BILF fund cannot exceed 10% of the financing required for the project. Loan payments must be repaid within the loan terms established by the longest participating lenders with a maximum term of twenty-five years.

Loan applicants may apply for both the BILF and the Phoenix fund, but recipients are usually awarded only one of the two.

Industrial Revenue Bonds

Applicants may receive funding for construction, purchase, expansion, modification or renovation of industrial facilities through taxable and tax exempt industrial revenue bonds issued by the Atlanta Development Authority. Applicants within the City of Atlanta may receive financing through the Industrial Revenue Bonds if the facilities improved or created through the funding maintain or increase permanent employment. Tax-exempt bonds, also called Private Activity Bonds, may be used for facilities like plants, mills, factories, other properties related to the operation of an industrial concern, and may fund the purchase of machinery and equipment. Taxable Bonds may be used for facilities like office buildings, industrial parks, warehouses, hotels, retail and may subsidize the cost of research and development. Applicants may also apply for Enterprise/Empowerment Zone bonds through the ADA. Recipients may receive a maximum of $3 million through Enterprise/Empowerment Zone bonds which may be coupled with taxable or tax-exempt bonds to fund a project.

To apply for funding through the industrial revenue bond program, the total cost for a project must equal or exceed $4 million. Recipients of funding through taxable bonds are required to pay an issuer fee of 0.00125 times the original issue amount to the ADA at closing with a minimum fee of $6250. Recipients of funding through tax-exempt or Empowerment Zone bonds must pay .0025 times the original issue amount at closing with a minimum fee of $10,000. Recipients of all bond issues must pay an annual fee of 0.0004 times the original issue amount with a minimum annual fee of $1500.

Summary

In efforts to encourage economic development within impoverished communities, consideration should be given to four main tenets of renewal: the provision of sustainable employment opportunities, the elimination of spatial mismatch through the provision of jobs within the community, collaboration and cooperation with community members and the recycling and reuse of available resources. In establishing a business within the Peoplestown community of Atlanta, the Benson Project will adhere to these four tenets of economic renewal. The Project will seek to gain funding for the business through available funding resources such as the Phoenix fund, a strategic relationship with the PRC, and will take advantage of tax incentives available through the Renewal Communities program. It is clear that funding for brownfield redevelopment within state and federal coffers may not be readily available, so the Project will rely on the willingness of the PRC to aid in securing a brownfield property for the business location. Additionally, the Project will attempt to develop a close working relationship with the PRC and the residents of Peoplestown to encourage community involvement in the renewal effort. By adhering to the four tenets of renewal, the Benson Project will be successful in spurring economic renewal within the community of Peoplestown.

Exhibit 1
Tax Incentive Matrix for Urban and Rural EZs/ECs/RCs

Table 1. Tax Incentive Matrix for Urban and Rural EZs/ECs/RCs

Type of Benefit	Round I EZs	2 Round I Supplemental EZs (Los Angeles and Cleveland)	4 Round I Enhanced ECs	Round I ECs	Round II EZs	Round III EZs	40 Renewal Communities
Grants/Loan Guarantees							
$100 million SSBG grant	X						
$3 million SSBG grant		X[1]	X	X			
HUD EDI grant/Section 108 Loan Guarantee		X[2]	X				
HUD EZ grant					X[3]		
Wage Credits							
EZ Employment Wage Credit	X	X			X[4]	X	
Renewal Community Employment Credit							X[4]
Work Opportunity Tax Credit	X	X	X	X	X	X	X
Welfare to Work Wage Credit	X	X	X	X	X	X	X
Indian Employment Tax Credit	X	X	X	X	X	X	X
Deductions							
Increased Section 179 Deduction	X	X			X	X	X
Commercial Revitalization Deduction							X
Environmental Cleanup Cost Deduction	X	X	X	X	X	X	X
Depreciation of Property Used on Indian Reservations	X	X	X	X	X	X	X
Bond Financing							
Enterprise Zone Facility Bonds	X	X	X	X	X	X	
Qualified Zone Academy Bonds (QZABs)	X	X	X	X	X	X	X
Capital Gains							
Zero Percent Capital Gains Rate for RC Assets and DC Zone Assets							X[5]
Nonrecognition of Gain on Sale of Empowerment Zone Assets	X	X			X	X	
Partial Exclusion of Gain on Sale of Empowerment Zone Stock	X	X			X	X	
Other Incentives							
New Markets Tax Credit	X	X	X	X	X	X	X
Low-Income Housing Tax Credits	X	X	X	X	X	X	X

1. Cleveland only.
2. Los Angeles received $450 million; Cleveland received $177 million.
3. Subject to annual appropriation.
4. After December 31, 2001.
5. Also applicable to District of Columbia Enterprise Zone.

Exhibit 2

Atlanta Empowerment Zone Communities

Empowerment Zone Communities			
	CENTRAL QUADRANT	NORTHEASTERN QUADRANT	SOUTHERN QUADRANT
English Avenue	*Peoplestown*	*Chosewood Park*	*Butler/Auburn*
Vine City	*Capitol Homes*	*South Atlanta*	*Old Fourth Ward*
Eagan Homes	*Mechanicsville*	*Joyland*	*Grady Antoine/Graves*
Herndon Homes	*Pittsburgh*	*Lakewood Heights*	*Cabbagetown*
Atlanta University	*McDaniel Glen*	*Carver Homes*	*Reynoldstown*
Downtown	*Grant Park*	*Highpoint*	*Bedford Pines*
John Hope Homes	*Summerhill*	*Betmar LaVilla*	
Castleberry Hill		*Amal Heights*	
		Englewood Manor	

Data from http://www.aezc.com/howthe.htm

Exhibit 3
Map of the Peoplestown Community

Exhibit 4
Brownfields In Peoplestown
Inventory of Historical Uses

			Historical Use		
Address	**Owner**	**Zone**	**1911**	**1950**	**1978**
1057 Ridge Avenue	American Iron & Metal Co.	12	CA Car & Loco	Whol Plywood, Filling station	Junk W. Ho, Salvage Yard
72 Milton Ave.	Lawrence Smith	I1		Dry Kiln, Lawrence Smith Planning Mill, Sewing Cloth W. Ho, Metal W. Ho, Scrap Iron yard, Overhead Door W. Ho	Lawrence Smith Planning Mill & Coal Yard, Lbr shed & Dry Kiln
79 Milton Ave.	Fulton County	I2		Farm Implement W. Ho	Whol Plywood
1078 Washington St.	H. R. Stogner	I2		Metal Plating	
55 Milton Ave.	Peggy H. Weldon	I2		Universal Concrete Pipe Co.-Mfgs Concrete Sewer Pipe	Taxi repair, Gen'l Stge
1070 Crew St.	Charles West	C2			Auto repair, Spray painting
78 Milton St.	U.S. Plating & Bumper	I2			Bumper Repair & W. Ho, Metal W. Ho, Overhead door W. Ho
105 Ormond St.	Nat'l Tax Funding LP	C2		Laundry	
65 Weyman Ave.	Lance Roofing Co., Inc	I1			Motor repair
1039 Ridge Ave.	Atlanta Southside Community		Crown Mfg. Co., Mfgs of Iron beds & Excelsior., Michelson	Fulton Metal Bed Mfg. Co.	

			Furniture Co.		
1090 Hank Aaron Dr.	Murphy Wallace	I1	Foote & Davies Co., Printers, Binders, Etc.	Foote & Davies Co., Printers, Binders, Etc., Paper W. Ho, Coal Yard	Atlanta Box-Mfg Paper Boxes
1169 Hank Aaron Dr.	Encore Properties Inc.	I2		Filling station & Auto repair	Filling Station
1096 Ridge Ave.	C.B. Whitaker, Sr.	I2		Filling Station, Sign shop	Sign Shop
1078 Hank Aaron Dr.	Charles N. Dodys, et al	I1		Wine Stge.	
1158 Hank Aaron Dr.	Murphy Wallace	I1			Auto Junk Yard
1066 Washington St.	Walter L. Cooper	I1			Electrical Supplies W Ho
1101 Hank Aaron Dr.	Litho Capitol, Inc.	I2			Graphic Art Wks
1161 Ridge Ave.	Encore Properties Inc.	I2			Gro W Ho
1127 Hank Aaron Dr.	Al Mu Minun Masjid Inc.	I2			Sample Mfg
1100 Ridge Ave.	William Melnick, et al	I2			Scrap Metal W. Ho
873 Washington St.	Ryder Truck Rental, Inc.	C2			Truck repair
1155 Hank Aaron Dr.	Joseph & Dayan	I2			welding Supplies
1049 Ridge Ave.	Ridge Investments Inc.	I2	Georgia Car & Locomotive Co.	Motor Frieght Station	Salvage yard, Motor Frieght Station

Source: City of Atlanta Brownfields Initiative, The Empowerment Zone
Inventory of Historical Industrial Uses
City of Atlanta Bureau of Planning, 6/21/99

Exhibit 5
Brownfield Sites in Peoplestown that have completed Phase 1 testing

Address	Owner	Owner's Address	Zoning	Acres	Approx Sqr. Ft.	Condition
1158 Hank Aaron Dr.	Murphy Wallace	1184 Hank Aaron Dr. Atlanta, GA 30315	I2	1.005	43,793	Junk cars on lot
1169 Hank Aaron Dr.	National Tax Funding, LP	3414 Peachtree Rd. Atlanta, GA 30326	I2	0.46	20,048	Fair-needs improvement
72 Milton Ave.	Chuck Watson	72 Milton Avenue Atlanta, GA 30315	I1	6.6	290,000	Fair-needs improvement
1096 Ridge Ave.	C.B. Whitaker, Sr.	P.O. Box 93487 Atlanta, GA 30337	I2	0.17	7,438	Vacant Lot
1100 Ridge Ave	William Melnick, et al	P.O. Box 4722 Atlanta GA 30303	I2	0.27	11,900	Gutted brick structure; waste and debris
1161 Ridge Ave.	National Tax Funding, LP	3414 Peachtree Rd. Atlanta, GA 30326	I2	0.74	32,100	Fair-needs improvement
1057 Ridge Ave.	American Iron & Metal Co.	P.O Box 16451 Atlanta, GA 30321	I2	4.5	3,000	Old building w/ scattered debris

Benson Douglas Packaging LLC

Robert Earl Benson Jr.

Chief Executive Officer

Executive Summary

In accordance with the four tenets of economic renewal, the Benson Project will establish Benson Douglas (BD) Packaging, LLC within the Peoplestown community in Atlanta, Georgia. Through this business, the Benson Project will provide sustainable employment opportunities to the residents of Peoplestown and spur economic development within the community. The Company will be a practical application of the four tenets; the Company will offer employees sustainable wages, the business will be located within the target community, thereby eliminating the problem of spatial mismatch, the business will be established on refurbished brownfield property, and the Project will involve community stakeholders in decision making processes.

Benson Douglas Packaging will begin operations in Peoplestown on January 1, 2009 under the leadership of Robert Earl Benson and Angeline Damaris Benson. The Company will manufacture folding paperboard cartons and offer custom packaging services to customers within the Southeastern region of the United States. BD will make use of new technologies to create customized packaging solutions and will make use of a direct marketing strategy to attract customers. According to financial forecasts, the Company will earn about $12 million dollars in sales in the first year and will offer about 80 jobs at living wages to the residents of the Peoplestown community. The Company will breakeven in August of 2009.

BD will work in cooperation with the Peoplestown Revitalization Corporation to identify potential employees and will make use of local resources to provide educational opportunities for them as well. By December of 2011, BD Packaging will a be profitable, thriving business within the Peoplestown community and will be a practical example of the application of the four tenets of economic renewal.

Business Description

Benson Douglas Packaging (BD) will be formed as an independent, folding paperboard manufacturing company and custom packager that will create custom packaging products and provide packaging services for dry foods, frozen foods, pharmaceutical and cosmetic products, and other durable goods. BD will manufacture a variety of packaging designs, working with customers to create packaging to fit their packaging and advertising needs. BD will be formed as a Limited Liability Company with two initiating members: Robert Earl Benson Jr. functioning as Chief Executive Officer and Angeline Damaris Benson functioning as Chief Financial Officer. The officers will seek to expand membership within the Company throughout the first three years of operation.

BD will provide packaging products to customers on a just-in–time basis, and provide outstanding customer service throughout the design and packaging process. BD will provide service over the internet, allowing customers to order products on a just-in-time basis by specifying their required features. Customers may also express their packaging needs over the telephone to a trained sales representative, or they may actually visit the premises for a face-to-face discussion of their packaging needs.

BD will maintain an advantage over competitors because of its excellent business model. By combining the manufacture of paperboard packaging solutions with custom packaging service within an electronic just-in-time model, BD intends to capitalize on the growth of the custom packaging industry and become a leader in customer service within the traditional paperboard industry. Through this model, BD will induce customers to outsource their packaging needs and provide them the flexibility to make necessary changes to their packaging plans with speed and ease.

BD will be located in the Peoplestown community in Atlanta, GA. This location is desirable because it offers direct access to the city's North-South connector, I75/85, is eight miles from the nearest airport and is bordered on the east by the Southern A&WP railroad. This proximity to transportation venues will be beneficial to the just-in-time business model. Additionally, this location is approximately three miles south of the Atlanta business district, which will enhance business opportunities and contacts. The Peoplestown community is also home to many unemployed people with few marketable skills who would provide the employee base for the company.

BD will serve as a medium to encourage economic renewal within the Peoplestown community. BD will work in conjunction with the Peoplestown Revitalization Corporation to provide employment opportunities to the residents of the community. BD Packaging will make a commitment to creating a positive work environment for employees, and will seek to provide opportunities for their personal development and growth. Additionally, BD will be an active participant in community events to facilitate a positive working relationship with the community. Official business hours will be from 8:00 am to 6:00 pm Monday through Saturday. The business will be closed on Sundays and certain holidays out of respect to community members and respect for the religious practices of employees.

Industry Overview

Paperboard

The paperboard containers and boxes industry is composed of manufacturing companies that convert purchased paperboard into packaging units. These packaging units are manifest in a variety of applications including folding boxes, setup/rigid boxes, corrugated boxes, and food containers. Within the industry, paperboard packaging manufacturers are usually differentiated as either folding paperboard manufacturers or corrugated container manufacturers.

Paperboard is the raw material employed to produce both corrugated and folding paperboard boxes. Paperboard is produced at paperboard mills where wood pulp is processed or Old Corrugated Containers (OCC) are recycled and processed to produce paperboard units to be sold to packaging companies. The use of the paperboard in a variety of grades produces a variety of packaging options. For instance, foodboard is single or multi-ply paperboard used for food packaging, and corrugated board is two or more grades of paperboard sheets with a medium placed between used for heavy duty packaging.

Paperboard products are divided into two main categories: containerboard and boxboard. Containerboard is generally used to make corrugated containers for packaging purposes and is composed of two forms of paperboard: corrugated medium and linerboard. Linerboard forms the outside of corrugated containers and is usually made of a mixture of wood pulp and recycled fibers. However, 18% of linerboard capacity in the US is dedicated to the production of linerboard made from recycled newspapers. Corrugated medium is a material that forms in middle of corrugated containers and is usually in a fluted form comprised of pulp and recycled fibers. Boxboard is generally used to make folding packages for a variety of consumer products like food, liquids and other products. Folding cartons are often composed of solid bleached sulfate board (SBS), unbleached kraft boxboard, or recycled boxboard. SBS products, the premium grade of the three, has lost market share in past years due to the rise in ecologically friendly recycled boxboard and plastic substitute products.

The United States is the largest producer of paperboard in the world; North America is the largest consumer of corrugated packaging, followed closely by Japan and Western Europe. Industry analysts predict that Asia will show the greatest growth potential of other continents in consumption of the product. Folding paperboard manufacturing is the next largest component of the industry, with demand for units depending mostly on consumer spending. In recent years, the beverage industry is the largest consumer of folding paperboard products, using paperboard crates to package and transport liquids. The consumption of these products has seen major growth as manufacturers have developed printing processes that allow the products to be used as a medium for advertisement while serving their packaging function.

About 80% of corrugated paperboard manufacturers house paperboard mills and paperboard manufacturing processes within the same company. Most developed economies make great use of corrugated packaging, hence, manufacturing plants can be found in many countries around the world. Competition in the industry is thus based on price, and the ability to cut production costs through innovative production or packaging ideas or technological breakthroughs.

The industry has faced some threats from lawmakers and citizen groups that are concerned about the impact of production processes on the environment. Packaging is one of the largest sources of waste in the world and has been banned from many US landfills. Additionally, the use of trees and forest products in production is a concern to many environmentalists as well. To stem the criticism of environmentalists, most manufacturers use OCC and recycled paper in their products, although the quality and life span of such products is far inferior to those made singularly with wood pulp and other natural products. Additionally, manufacturers have made efforts to create innovative packaging products which protect against damage and spoilage and associated disease transmission, and ultimately reduce the world's solid waste stream. Prices on OCC have increased rapidly in recent years as recycled products became the raw material of choice within the industry. Manufacturers also face high costs for shipping their products, and have established box plants near major customers to decrease these costs. Manufacturers are also threatened by other industries that produce other packaging options. For instance, manufacturers of plastic containers have attracted many former paperboard packaging customers because plastic products are reusable, durable and water resistant.

Within the paperboard packaging industry, innovations in technology provide some competitive advantage. Manufacturers that are able to provide specialized packaging solutions for customers instantaneously have grabbed the majority of market share. For instance, Riverwood Holding Inc. created packaging machinery and installed the machinery in customer plants to provide onsite, quick, customizable packaging options. Because of this innovation, Riverwood now controls 50% of the US beverage carrier market.

The American paper and paperboard industry began a decline in late 2000 due to the slump in the national economy. According to the American Forest & Paper Association (AF&PA), paper and paperboard companies saw about a 2.7% decline in revenues in 2001, and high fixed costs caused net income to fall 58.9% due to the fall in revenue. The US dollar was strong, resulting in lowered demand for paper and paperboard exports and high energy costs raised expenses for businesses within the industry dramatically. These issues resulted in low demand and prices for the industry. In 2001, the total US output of paperboard and paper decreased 5.8% according to the Pulp and Paper Week. Additionally, paper and paperboard companies reduced production capacity for the first time ever by 1.3%. However, the AF&PA estimates that the industry should see growth in capacity of 0.4% from 2002 to 2004 and further increases in the future if the economy begins to improve in 2003.

Folding Carton Manufacturing

According to the Paperboard Packaging Council, folding carton manufacturing within the United States is an $8.5 billion industry that employs about 51,000 people annually. According to the Council's Industry Outlook and Market Data Report, "the primary end-users of folding cartons are the consumer non-durable goods industries . . . [which] account for about 20% of Gross Domestic product" (ix). The growth of folding cartons is therefore based largely upon the growth of consumer non-durable goods. Non-durable goods are items like food products, pharmaceutical products, cosmetics, sporting goods, paper products and other goods. The consumption of non-durable goods usually lag behind the growth in GDP, but in the past three years, the sector has surpassed recessionary GDP growth. For example, in 2001 non-durables grew 1.8% while GDP grew by 1.2%. Despite the growth of consumption of non-durable goods in the United States, the amount of non-durable goods produced and packaged within the country has grown at a slower rate of 0.6%. As such, the American packaging industry has been greatly affected by the growth of imported products and the slowing growth of exports due to the strength of the dollar in international markets.

The folding carton industry has faced pressure from the recessionary American economy which has contributed to decreased consumer spending on non-durable goods. The weak economy also drove many retailers to decrease capacity and floor space to cut costs. This decrease in demand for packaged products further decreased growth within the folding carton industry. The current economy is plagued by worries concerning conflict in the Middle East and terrorism. The American folding carton industry must await an economic recovery and the resolution of these and other issues to experience increased growth rates. An economic recovery within the United States should be preceded by growth in the folding carton industry as consumer spending increases and carton shipments increase to fulfill inventory requirements. Because many producers manage inventories according to Just-in-Time inventory policies and thus have minute resources during periods of low demand, folding carton shipments should grow rapidly with the improvement of economic conditions and increased consumer demand.

According to Jerome T. Van de Water, president of the Paperboard Packaging Council, “the challenge of every carton converter is profitability.” To achieve profitability and compete effectively, most carton manufacturers compete on price and the ability to cut costs through technological improvements and decreases in expenses for labor and materials. However, Mr. Van de Water is convinced that "growth opportunities within the industry come from adjunct services to the industry." In recent years, contract packaging has emerged as a profitable and rapidly growing adjunct to the folding carton industry.

Contract packaging

Contract packaging is the process of outsourcing packaging processes to independent packagers. The capital costs necessary to provide this service are low and as such this new service has been very profitable in recent years. Through this process, a packager contracts with a local consumer goods company to package and/or assemble a product and deliver it to a distribution center. Contract packaging services vary dramatically by customer and industry. Packagers can provide a wide variety of services including: shrink wrapping, blister sealing, filling, repackaging, sorting and other functions. Often, customers may provide custom machinery to contract packagers to facilitate the packaging process. According to a representative from the Contract Packagers Association, this industry has seen rapid growth and profitability within recent years due to the growing inclination of companies to outsource non-core activities to cut overhead costs. However, the Association is unable to report statistics on the industry due to its diversity and recent development.

Contract packagers base the price for their service on operating costs and base production on a production schedule established by the customer. The production schedule indicates the amount of packaged product desired for a designated period of time. After the packaging process is complete, the packaged products are then shipped to the customer's distribution center. Tom Hook, the Vice President of Friendship Industries, a non-profit contract packaging business in Harrisonburg, Virginia, describes contract packaging as a profitable business because of its low operating costs:

> "Contract packagers don't function as a turn-key business. [They are] not responsible for ordering supplies, [they are] only are responsible for that portion for the converting. All of the supplies come in from the customer. . .so we don't have the capital outlay for these specific supplies. We bill for labor . . . there's room to make money there. . ."

Contract packaging also provides a wide variety of employment opportunities for people with low marketable skills. Many of the processes involved in the business require basic skills like filling, stacking and counting. Friendship Industries takes advantage of this attribute of the industry to offer sustainable employment to many people with disabilities. According to the company website, Friendship Industries "employs 90 -100 persons with mental and/or physical disabilities per day" and "operations bring more than $1,000,000 into the community, where it is earned, spent or banked." Contract packaging processes may also require employees to use machinery. For example, Richmond Manufacturing Company (RMC) in Richmond, Virginia creates "hotbags" for the Reynolds Metals using machinery owned by the metal company. However, Tim Jordan, Vice President of RMC, claims that the use of machinery only requires basic skills: "We don't have to do major training because the machines do most of the work."

Company Products and Services

Product Description

BD Packaging will create folding paperboard cartons to package non-durable goods produced by pharmaceutical, cosmetic and grocery manufacturers. BD will also provide contract packaging options to customers, combining the creation of the packaging medium with the service of packaging the actual product. BD will create a variety of tube and tray style cartons and will also create secondary packaging options to hold multiple pre-packaged products (see Appendix A). BD will also offer a variety of packaging services including shrink wrapping, blister sealing and product assembly to contracted customers. BD packaging will price each work order individually to provide customers with competitive and fair prices for each work order. Generally, BD will seek to earn a 70% markup over operating costs for services rendered to manufacture cartons and for the assemblage and packaging of customer's products.

Sales Rationale

By offering both the manufacture of packaging solutions and the service of contract packaging, BD Packaging will provide a bundled service that caters to all of the customer's packaging needs. Customers may choose to purchase only one of the services available; however, BD Packaging will market both services individually and as a bundled product to potential customers. The unique combination of these two services will allow the Company to attract and retain customers. According to Nick George, Vice President of the folding carton division of the Rock-Tenn Company, offering contract packaging as a complimentary service to folding carton manufacturing will provide BD

Packaging with a substantial competitive advantage in the Atlanta packaging market: "You can get in through custom packaging, where you have a capability that your competitor doesn't."

Production Process

Customers may indicate their packaging needs to BD Packaging over the Company website or contact a sales representative directly over the telephone to create a work order. Customers will then discuss their product needs with a design specialist if necessary. BD Packaging will design folding cartons using Computer Aided Design (CAD) workstations to create packaging solutions to the customer's satisfaction. This digital design process will allow the graphic artist to transfer potential package designs to the customer electronically or swiftly alter the box design to fit slight changes in packaging needs.

After working with the customer to create or decide upon a package design, BD will create a production schedule which will indicate the amount of folding cartons needed, specify the contract packaging requirements and indicate the schedule of finished product delivery. This production schedule will aid the Company in forecasting sales, the amount of production required per month and labor requirements. After completing this process, BD will purchase paperboard, the raw material for the production of folding cartons, from Caraustar Industries and the Rock Tenn Company. Both suppliers are headquartered in Georgia; Caraustar's headquarters are located in Austell, Georgia and Rock Tenn is headquartered in Norcross, Georgia. The proximity of the headquarters of both suppliers to the Peoplestown community should aid BD in establishing a good business relationship with the companies. Caraustar mandates that paperboard be purchased in tons, and levies a setup charge of $75 for all shipments under one ton and a pallet charge of $10. On average, a two ton shipment of bending, 20x40 inch chip board with a 20 point caliper will from Caraustar's Austell mill will cost $514.99.[9] Shipments from Caraustar to the Peoplestown location will be free of shipping charge. Rock Tenn levies no setup or pallet charge for paperboard shipments, but requires a minimum order of two tons of material. Rock Tenn would ship the paperboard from its mill in Chattanooga, Tennessee to the Peoplestown location. The total cost of two tons of bending, 20x40 inch chip board with a 20 point caliper from Rock Tenn will be $960.00.[10] As such, Caraustar will be the preferred supplier for BD Packaging. BD will purchase paperboard in sheet form, on a just-in-time basis according to the specifications of each work order. The Company will make use of the Computer Assisted Manufacturing program to measure the amount of raw materials needed for design styles.

Once the supplier has delivered the paperboard to the manufacturing facility, the material will be fed into an offset lithography press called the Litherone 44SP to print the paperboard according to product specifications. The Litherone 44SP will print using water-based inks to lessen potentially negative environmental effects of the printing process. Next, the printed paperboard sheets will be fed into a flat bed reciprocal cutting press called the SP 142 CERII to cut the material according to the product design. The Company will make use of the Computer to Plate process to transfer the graphic art from

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[9]Paperboard type, caliper and size are hypothetical requirements and used to approximate average cost
Price per ton of bending chipboard: $109.51/thousand pieces
Pieces per ton: 4520 pieces
Pallet Charge: $10/pallet (one pallet per ton)
Total Cost for 2 tons: $514.99

[10] Price per ton of bending chipboard (includes shipping charges): $480.00

the CAD software to the printing and cutting machines. The use of these technologies will aid BD in creating packaging options with speed, superior quality and reliability.

After the paperboard is cut, the material will be sent to the finishing department where it will be folded and/or glued according to details of the work order using a machine called the Media 68 III. While in the finishing department, the material may also be altered to insert windows, apply protective coatings, labels, and other components as the customer demands. After the carton is assembled, the packages will either be distributed to customers or placed into a high speed packaging line where the customer's product will be inserted. Within the high speed packaging line, customer's products may also be assembled, shrink wrapped or placed within blister packaging.

Marketing Strategy

Target Market

BD Packaging will market its services to manufacturers within pharmaceutical, cosmetic, dry food, frozen food and other retail industries in the southeastern United States. Each of these sectors provides some growth opportunities for folding carton manufacturers. According to the United States Census Bureau, there are over 580 food product manufacturers, 37 pharmaceutical product manufacturers, and 21 cosmetic product manufacturers in Georgia alone.

Pharmaceuticals

The folding carton industry has seen steady growth in demand for services within the pharmaceutical industry. Consumers have steadily increased their use of over-thecounter drugs and Congress is currently debating an increase in government spending for prescription drugs for seniors. According to conjectures by the Paperboard Packaging Council, spending for pharmaceutical shipments should increase to over $85 million in 2004 and demand for folding packages should grow from 2001 through 2003 at an average rate of 3.6%.

Cosmetics and Toiletries

Consumer spending has declined in recent years for cosmetic and toiletry industries due to the economic recession and the decline in consumer spending. The Paperboard Packaging Council asserts that growth in consumer purchases of cosmetic products has slowed from its conventional 5% to 2%. However, the cosmetic and toiletry industries have identified growth opportunities through product presentation. For example, Albert-Culver has acknowledged double-digit growth in sales in 2001 for high value packaged products like Suave and other products. Additionally, the industry has identified growth opportunities in Latin America and Asia for facial, hair and dental products. As such, this industry is projected to experience an average 3.0% increase in demand for folding cartons from 2001 through 2004.

Dry Foods

The Dry Food industry is also experiencing a decline in consumption. According to the Wall Street Journal, sales for ready-to-eat breakfast cereal declined 20% from 1996 through 2001 due to competitive pressures from convenience breakfast items. The Paperboard Packaging Council indicates that ready-to-eat cereals, "account for 40% of the folding carton dry food product mix . . . [implying] an annual loss of 1.6 percent of carton tonnage shipped to this market sector." However, the Council has indicated that growth opportunities exist in products like flour, baking goods, dried fruits and dry mixes and soups that have had an average growth in sales of 3.4%.

Frozen Foods

The frozen food industry has seen rapid growth in sales recent years due to the economic recession that has caused many consumers to eat more meals at home. According to the Paperboard Packaging Council, "frozen prepared foods rose to $7.2 billion in 2001 from $6.7 billion in 2000. As such, this industry presents a growth opportunity to the folding carton industry. According to Paperboard Packaging Council projections, growth in carton demand for this industry should increase from 1.7% in 2002 to 4.5% by 2004.

Competitors

Currently, there are several major carton converters and contract packagers located within the state of Georgia. However there are only a few that combine both services within their business model and market these services to the industries that BD Packaging seeks to target. These direct competitors are: Caraustar Industries and the Smurfit-Stone Container Corporation.

Caraustar Industries

Caraustar Industries presents a formidable threat to BD Packaging. The company manufactures a variety of paperboard grades and carton styles and also creates custom packaging for customers within a variety of industries. Caraustar's target industries include pharmaceuticals, confectionary, dry foods, toys and sporting goods, pet food and household items with a primary focus on the healthcare industry. However, the company does not provide contract packaging services within the state of Georgia, which should allow BD Packaging to maintain a competitive advantage and market share. Additionally, the Company's small size will provide an advantage; BD Packaging will have the flexibility to accept jobs that may be too small for larger competitors like Caraustar to accept due to the their extensive operating costs. Caraustar Industries will be a preferred supplier for BD Packaging which should engender a good relationship between the two companies for mutual benefit. Additionally, BD Packaging seeks to attract customers in several industries outside of Caraustar's focus. Through the common focus on pharmaceutical products and dry foods BD will seek to establish a strategic alliance with Caraustar to provide opportunities for collaboration between the two companies for various packaging projects.

The Smurfit Stones Container Corporation

The Smurfit Stones Container Corporation provides contract packaging and carton manufacturing among other services to a wide variety of industries. The company has one folding carton manufacturing plant located in Stone Mountain, Georgia. However, this location does not provide contract packaging services to customers.

Therefore, BD Packaging will be able to maintain a competitive advantage and market share. BD Packager will sell scrap paperboard to the Smurfit Stones Container Corporation which should engender a positive working relationship with the company. BD will seek to leverage this relationship to seek opportunities for collaboration on packaging projects.

Advertising and Promotion

According to Nick George, Vice President of the folding carton division of Rock-Tenn Corporation, advertising for folding carton converters is usually minimal and limited to direct sales efforts: "it's a pretty tactical business." In accordance with recommendations from Mr. George, BD Packaging will undertake a variety of direct marketing efforts including presentations to durable goods manufacturers, advertising within trade journals and maintaining membership within trade associations. According to information on Kinkos.com, the Company can create flyers and documents detailing product offerings and services at a cost of $1.18 per document for orders of over 200 documents. According to Troy Mase, membership within folding carton trade associations costs on average $10,000 per year. According to a representative from the Contract Manufacturing and Packaging Association, membership within this organization costs $1500 annually.

Location and Employees

Location

BD Packaging will be located within the Peoplestown community of Atlanta, GA on a 290,000 square foot, brownfield site on 72 Milton Avenue (see Appendix B). This plot will be acquired and cleaned by the Peoplestown Revitalization Corporation (PRC). The PRC will build a 100,000 square foot manufacturing facility and rent the space to BD Packaging. Currently, the PRC has imminent domain over the site and will acquire and renovate the property as a part of a five year strategic plan to: "fuel commercial and economic expansion in the community . . . [and identify] opportunities to clean up industrial and hazardous wastes sites."[11] The Company will contribute $775,000 to the cost to construct the building.[12] Additionally, the Company will complete a Community Agreement in cooperation with the PRC in which the Company will agree to occupy the site after the building is constructed and to maintain a commitment to the community. Clean-up of the property and construction of the manufacturing facility will begin in April of 2006 and will last until December of 2008. The manufacturing facility will be evenly divided for paperboard manufacturing and custom packaging processes, with 20,000 square feet available for storage and inventory according to average dimensions supplied by Jerome T. Van de Water and Tim Jordan.

Commitment to the Community

BD Packaging will make a commitment to seek to fill job openings with residents from the Peoplestown Community before looking elsewhere for job applicants. To do so, the Company will announce job openings at monthly meetings of the Peoplestown Revitalization Corporation and will make use of resources available through the PRC to identify potential job candidates within the community.

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[11] PRC Five Year Strategic Plan. Peoplestown Revitalization Corporation. 2001

[12] This amount is ½ a year's worth of rent. This amount will be classified as a leasehold asset and will be depreciated over 20 years. BD packaging expects to purchase the building in the future.

BD Packaging will make efforts to lessen negative impacts of industrial business upon community life. Folding carton manufacturing and contract packaging processes have little to no negative environmental impact, and as such, the surrounding community will not have to face these problems. However, the Company will make efforts to limit waste and to be responsible in the disposition and recycling of waste materials. Additionally, the Company will request the construction of an access road leading from the manufacturing facility to the I75/85 North/South Connector to minimize the amount of industrial traffic in the neighborhood. This access road should be placed alongside the Southern & A&WP Railroad to minimize its encroachment upon community property. BD Packaging will consult community members during monthly meetings preceding the construction of the manufacturing facilities to hear community concerns and suggestions concerning its presence within the community.

Labor Needs and Wage Rates

BD is dedicated to providing employment opportunities to the residents of Peoplestown at or above living wages for full-time employees. A living wage is a remuneration amount that enables full-time workers and their families to subsist above the Federal Poverty level without reliance upon social services for survival. According to the Atlanta Living Wage Coalition, the proposed living wage in Atlanta, Georgia is about $10.50 per hour or $22,000 per year.[13] BD will pay employees competitively, providing wages and benefits in accordance with industry averages. According to Jerome T. Van De Water, president of the Paperboard Packaging Council, the average folding carton facility employs about 85 to 90 people at an average wage of $16 to $20 per hour.

[13]http://www.atlantalivingwage.org/page3.html

According to Nick George, vice president of the folding carton division of Rock-Tenn Company, non-supervisory employees receive an average wage of about $13 per hour. On average, employees are divided among departments in the following manner:

Department	# of People	Required Skill Level
Design	2-3	High
Marketing/Sales	6	High
Printing Press	12-15	Moderate
Die cut	4-5	Moderate
Finishing/Warehousing/Contract Packaging	61	Lowest

BD will hire a total of 90 employees, divided among departments according to these industry averages.

Commitment to Employees

At BD Packaging, employees are integral to the success of the business as a whole. As such, the Company will commit to the creation and preservation of a positive working environment for all employees.[14] The Company will maintain an open door policy, offering all employees full access to management and executives. Additionally, the Company will encourage employee participation and input by soliciting and rewarding employee suggestions for changes in operations. Employees will also take part in planning and forecasting deliberations to provide their perspective on possible

[14] Employee policies are based on practices at the Dana Corporation and recommendations by Kevin Ohneck, Plant Manager at the Dana Corp. plant in Buena Vista, Virginia.

changes within the Company. BD will practice a promote-from-within policy in which the Company will seek to fill open positions with current employees before seeking job applicants outside of the business.

To encourage worker safety and product quality, the Company will rotate all workers on different production lines on a daily basis. Through this rotation, employees will gain expertise in a variety of areas, health problems will be limited as workers will not overwork certain muscles that may used in solidarity on certain tasks, and workers will not become bored or inattentive to their work. This rotation will also be helpful when certain workers are absent because each worker will have the expertise to fill in for each other.

BD will also make a commitment to provide opportunities for employees to develop personal and professional skills. The Company will work in conjunction with the Peoplestown Revitalization Corporation to give employees opportunities for training in technology and other marketable skills through the GATE program and the Employee Skills Training and Implementation program. Additionally, the Company will prepare employees to fill supervisory and management positions through on-site classroom training. The Company will also offer on-site training in diversity awareness and other relational skills. The Company will mandate that all employees complete at least 30 hours of training per year.

Employees are expected to act in an ethical manner while representing the Company. At the date of hire, all employees will be required to sign an agreement stating that they understand their duty to act in an ethical manner during their tenure with the Company.

Financial Plan

The operations of Benson Douglas Packaging will be financed through a variety of debt instruments and owners equity. To finance the acquisition of equipment and start-up costs, the Company will borrow $3,000,000 from the Industrial Revenue Bond Program and $30,000 from the Phoenix fund Program offered by the Atlanta Development Authority.[15] The Company will also take out take out a $4,000,000, fifteen-year loan from SunTrust Bank, and will use Company assets as collateral for this debt.[16] Additionally, LLC members will contribute $3,000,000 in equity to the business to cover the costs of operations (Appendix C).

Exit Strategy

After five years of steady, profitable growth, the officers of BD Packaging will create an Employee Stock Ownership Plan (ESOP). Through the ESOP, employees will be rewarded for good performance through a bonus of Company stock. Additionally, the ESOP will allow employees to purchase shares of stock within BD Packaging. On or before December 31, 2018, Robert Earl Benson Jr. will sell his share of ownership within BD Packaging to the ESOP trust after confirming the financial strength of the Company. These shares of Company stock will be distributed to employees based on relative pay over a graduated time period to smooth the transition of ownership. During the process of re-distribution, Robert Earl Benson Jr. will act as an advisor to the subsequent Chief Executive Officer of BD Packaging.

[15] For a detailed discussion of this program, refer to the Benson Project report under the "Financing Options" section.
[16] Terms for repayment of debt can be found in the Financial Statement Assumptions section of this business plan.

Financial Statement Assumptions

1) BD will be housed in a 100,000 square foot facility, evenly divided for paperboard manufacturing and custom packaging with an extra 20,000 square feet available for storage and inventory according to average dimensions supplied by Jerome T. Van de Water and Tim Jordan.

2) According to Jerome T. Van de Water, an average paperboard manufacturing facility produces about $12 million to $15 million in sales. For these forecasting purposes, a conservative estimate of $12 million in sales is assumed, which includes conservative estimates for sales from contract packaging services and revenues from scrap sales. According to Troy Mase, production manager at Carded Graphic, revenues from the sale of scrap paperboard average about $50,000 a year for a folding carton facility.

3)

Equipment	Cost	Description
Sheeter	180,000	Cuts sheets of paperboard
Litherone 44SP	4,500,000	Printer
SP 142-CERII	2,200,000	Cutting Machine
Media 68 III	265,000	Folder/Gluer
Contract Packaging Equipment	100,000	Shrink wrapper, Blister etc.
Other Equipment	755,000	assorted machinery and other equipment
Total Cost	8,000,000	

BD will also make use of machinery for custom packaging processes, estimated by Jerome T. Van de Water to have a capital cost of $100,000. A conservative estimate of $8 million will be assumed for the total cost of fixed assets.

4) Equipment will be depreciated over 10 years using straight line depreciation. The leasehold asset will be amortized over 20 years using straight line depreciation. As such, Net assets will decrease by $838,750 each year. (Net Assets are Equipment and Leasehold Asset less amortization and depreciation)

5) According to the RMA Annual statement studies for 2001 and 2002, on average, the lowest quartile for the ratio of Cost of Goods Sold to Inventory is 5.5 for folding paperboard manufacturers with assets of 10-50 million dollars. BD will use this ratio to reflect its Just-in-Time system and efficient customer service.

6) According to data from the RMA annual statement studies for 2001 and 2002, on average, gross profit is 25.8% of sales for folding paperboard manufacturers with assets of 10-50 million dollars. As such, cost of goods sold is about 74.2% of sales. Cost of Goods sold is assumed to include labor, overhead and inventory expenses according to the following assumptions:

COGS components	Rationale
Labor	cost of wages for all employees except officers and Marketing/sales personnel
Overhead	80% of total rent and utilities costs according to floor space used by manufacturing processes
Inventory	based on traditional Inventory calculations using COGS

7) According to the RMA Annual statement studies for 2001 and 2002, on average, the lowest quartile for the ratio of Sales to Receivables is 8.4 for folding paperboard manufacturers with assets of 10-50 million dollars. BD will use this ratio to reflect its Just-in-Time system and electronic sales platform.

8) According to Troy Mase, production manager at Carded Graphic, trade association fees average about 10,000 dollars a year for a folding carton facility. According to the Contract Manufacturing and Packaging Association, membership fees are $1,500 per year. Therefore, the total cost for trade association membership is $11,500.

9)

Occupation	# of People	Required Skill Level	Assumed Wage/Hour
Officers	2	High	$35,000 (per officer salary)
Design	2-3	High	$20
Marketing/Sales	6	High	$20
Printing Press	12-15	Moderate	$16
Die cut	4-5	Moderate	$16
Finishing/Warehousing/Contract Packaging	50	Lowest	$13

Total Payroll Expense: 2000 hours a year/employee * wage/hour = $2,370,000, rounded to 2,400,000. Therefore, BD will have a total of 81 employees.

10) According to estimates from Kinkos.com, the cost to create 5000 promotional documents is $5,900. Additional costs for travel for presentations to potential customers and to post advertisements in trade magazines are assumed to be $4100. Therefore advertisement costs are assumed to be $10,000 annually.

11) $10,000 is included for general office and administrative expenses.

12) Payroll Taxes are assumed to be 10% of total wages.

13) According to estimates by the Marcus and Millchap Research Service, rental rates will be about $15.50 per square foot and should increase by 2% per year.

14)

Utilities	
Bellsouth Fast access DSL Service	$100/month
Bellsouth Telephone service	$300/month
Other Utilities	$500/month

15) According to LLCweb.com, attorney's fees for the creation of an LLC should cost about $1000. Additionally, filing fees for the Articles of Organization in Georgia with the secretary of state should cost about $125. These filing fees will be paid once a year.

16) According to the 2001 Statement of Cash Flows of the American Packaging Corp, employee benefits are approximately 30% of payroll expenses and taxes combined. This same rate will be assumed for benefits for BD Packaging.

17) LLC members will contribute approximately $3,000,000 in equity to support capital costs.

18) The interest rate on the Bank loan is assumed to be 10% or 2 plus prime (assuming prime is about 8%). The debt is assumed to have a term of 15 years. According to the Bankrate.com lending calculator, this should result in a monthly payment of about $32,239.

19) The interest rate on the Phoenix fund loan will be 6%. BD will receive the full loan amount, $30,000. The fund requires that applicants pay an issuer fee of $75 dollars.

According to the Bankrate.com lending calculator, this should result in a monthly payment of about $439.

20) The Private Activity bond will be non-taxable and will require an annual payment of $1500 to the Atlanta Development Authority and an issuer fee of $6250. According to the Bankrate.com lending calculator, this should result in a monthly payment of about $28670. This payment amount is based on a conservative estimate that the interest rate is equal to the assumed prime rate (8%) and the term is 15 years.

21) It is assumed that revenues will slowly increase over the first year of operations as demand for the Company's services increases (see cash flow statement).

22) For conservative assumption purposes, Sales are estimated to grow at the historical rate of 2.1% for the folding carton industry as projected by the Paperboard Packaging Council. After the startup year, it is assumed that demand for durable goods will increase each year by about 20% during the holiday season (November and December) and decrease by about 10% during the beginning of the year (January and February) and the summer months (June and July). During the startup year, it is assumed that demand for BD Packaging's service will increase slowly.

23) For assumption purposes, a 30 day lag is estimated for receivables and accounts payable. Each month is assumed to have 30 days.

Benson Douglas Packaging LLC

Appendix A

Carton Diagrams

Tube Style Cartons Diagram

BODY PANELS and TUCK END CLOSURE

The typical tube style carton blank when viewed <u>printed side up</u> will have the glue flap to the left, connected to the rear panel. In finished and erected form, the manufacturer's joint will be in the right rear corner and the top closure panel will hinge off the rear panel and tuck to the front. The classic design detailing of the body panels and a tuck closure is:

1. Glue Flap Taper: 10° to 15°.
2. Slit Lock Tuck/Closure Panel Width Reduction: Typically 1/32 inch or board thickness.
3. Slit Lock Tuck/Tuck Setback: Typically 1/32 inch or board thickness.
4. Slit Lock Tuck/Dust Flap Shoulder: Varies with carton size and/or board caliper.
5. Slit Lock Tuck/Primary Dust Flap Taper: Typically 45°.
6. Slit Lock Tuck/Secondary Dust Flap Taper: Typically 15°.
7. Dust Flap Setback: Typically 1/32 inch or board thickness.
8. Friction Lock Tuck/Tuck Flap Shoulder: Varies with carton size and/or board caliper.
9. Friction Lock Tuck/Primary Dust Flap Taper: Typically 15°.
10. Manufacturer's Joint Setback: Typically 1/32 inch or board thickness.

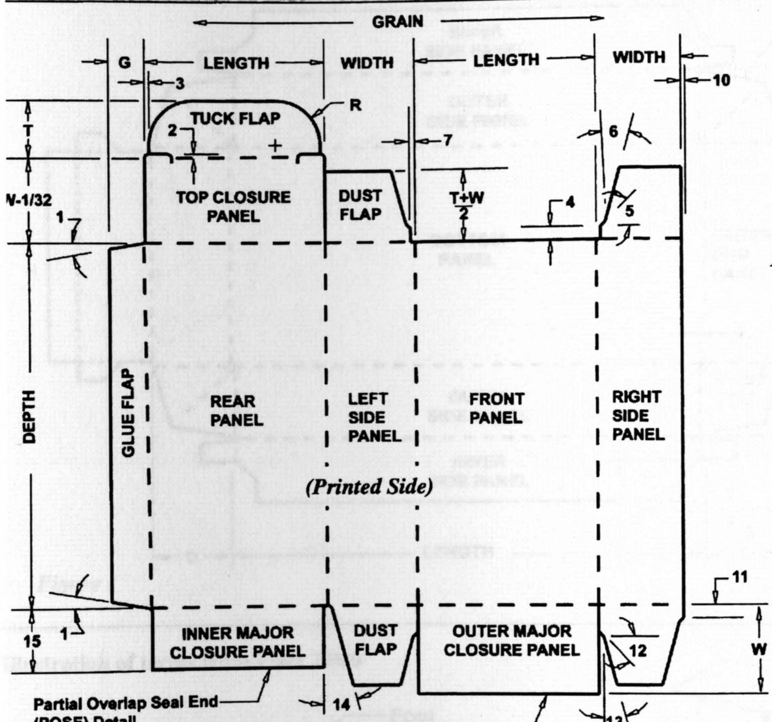


Figure 1

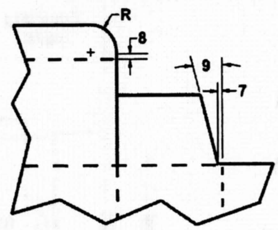


Figure 2: Friction Locking Detail

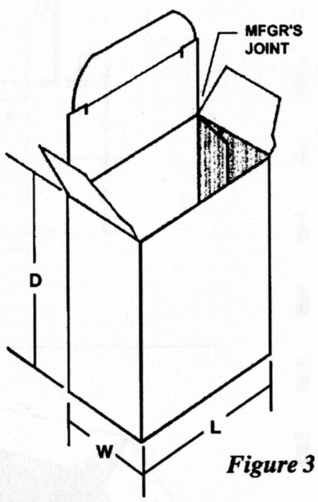


Figure 3

SEAL END CLOSURE

Two closure panel and two dust flap alternatives are shown in Figure 1. Typical design detailing for a full or partial overlap seal end is as follows:

11. Full or Partial Overlap Seal End/Dust Flap Shoulder: Varies with size.
12. Full or Partial Overlap Seal End/Primary Dust Flap Taper: Typically 45°.
13. Full or Partial Overlap Seal End/Secondary Dust Flap Taper: Typically 15°.
14. Full or Partial Overlap Seal End/Alternative Dust Flap Detail: Typically 15°.
15. Partial Overlap Seal End Only: Typically 1/2 width plus 3/8 inch.

Tray Style Cartons Diagram

TRAY STYLE CARTONS
Component Parts and Design Detailing

DOUBLE SIDEWALL/ DOUBLE ENDWALL SIMPLEX TRAY

1. Inner End Panel: Typically depth minus 1/32 inch (or board thickness).
2. Inner End Panel: Typically 1/32 inch offset.
3. Inner Side Panel: Typically depth minus 1/8 inch to 1/4 inch.
4. Outer Side Panel/Gusset Offset: Typically 1/32 inch.
5. Gusset Angle: 45°.
6. Locking Tab Angle: 45°.

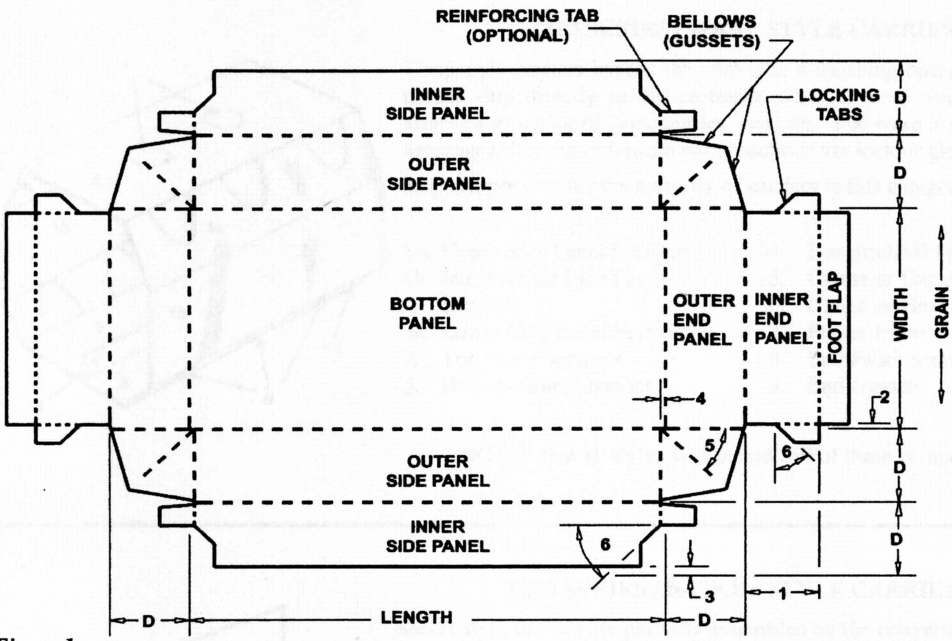


Figure 1

Illustration of terms from Plate 2.000

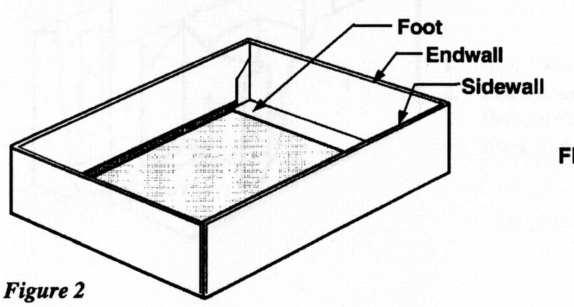


Figure 2

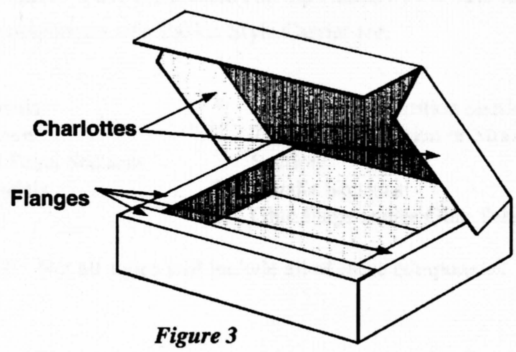


Figure 3

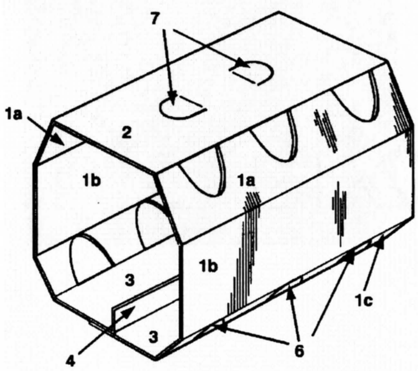
Multiple Packaging Cartons Diagram

MULTIPLE PACKAGING
Component Parts and Design Detailing

3.000

COMPONENT PARTS FOR BASIC MULTIPLE PACKAGING STYLES

The Multiple Packaging Section is comprised of four sub-sections. Plate 3.000 details Wrap Style Carriers and Basket Style Carriers.



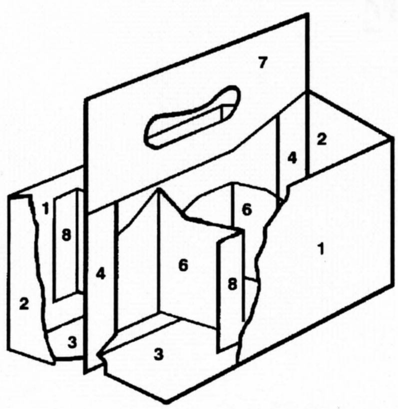
3.100 SERIES / WRAP STYLE CARRIERS

Wrap style carriers bypass the converter's finishing operation. Diecut blanks ship directly to the customer who, in turn, wraps the blank around a grouping of cans, bottles, jars, etc. The wrap is completed by securing either top or bottom panel sections via lock or glue means.

Key components for the majority of carriers in this category are:

1a. Upper Side Panel Sections
1b. Intermediate Side Panel Sections
1c. Lower Side Panel Sections
2. Top Panel Sections
3. Bottom Panel Sections
4. Longitudinal Partition
5. Chime or Cap Apertures
6. Chime or Heel Apertures
7. Finger Holes
8. End Panel Sections
9. End Gussets

NOTE: Not all styles will include all of these components.



3.200 SERIES / BASKET STYLE CARRIERS

Basket style carriers are partially assembled by the converter. They are characterized by having side, end and bottom panels, and a central (longitudinal) partition with an integral handle and transverse straps or partition elements. They are erected and top loaded by the customer.

The major components of a Basket Style Carrier are:

1. Side Panels
2. End Panels
3. Bottom Panel Sections
4. Riser Panels
5. Longitudinal Partition Sections
6. Transverse Partition or Strap Sections
7. Handle Sections
8. Glue Flaps and/or Glue Tabs

NOTE: Not all styles will include all of these components.

Benson Douglas Packaging LLC

Appendix B

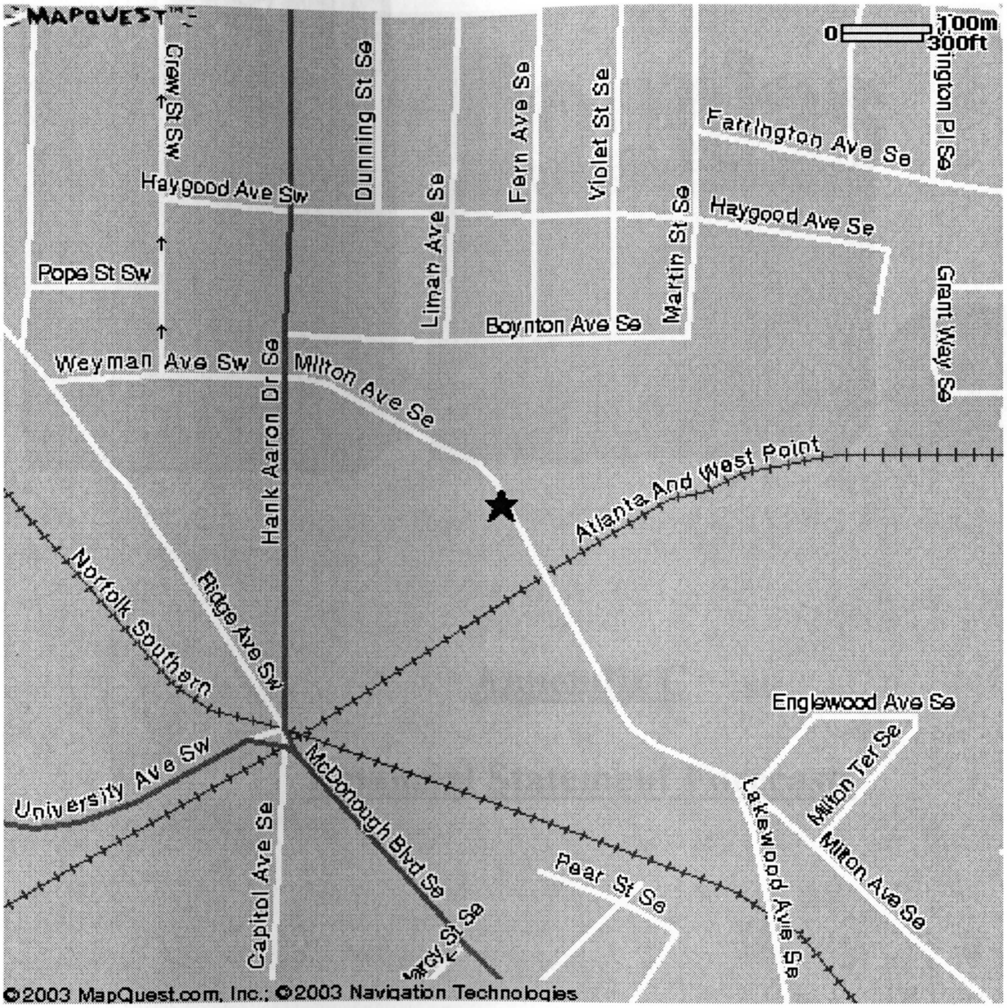
Maps of Store Location

Aerial Map of Building site

Aerial map of 72 Milton Avenue

Street Map of Building site

Street map of 72 Milton Avenue



Benson Douglas Packaging LLC

Appendix C

Financial Statement Forecasts

Benson Douglas
Packaging
Balance Sheet and Breakeven Analysis

	2009	2010	2011
Assets			
Cash & Equivalents	405,691	1,694,883	3,225,560
Account Receivables	1,451,058	1,458,571	1,489,201
Inventory	1,618,909	1,652,906	1,687,617
Current Assets	3,475,682	4,806,407	6,402,449
Net Fixed Assets	7,936,250	7,097,500	6,258,750
Total Assets	**11,411,932**	**11,903,907**	**12,661,199**
Liabilities			
Account Payables	785,696	610,335	634,162
Phoenix fund	26,444	22,669	18,661
ADA Bonds	2,892,065	2,775,171	2,648,574
Bank debt	3,878,731	3,744,764	3,596,769
Total Liabilities	**7,582,936**	**7,152,939**	**6,898,166**
Owners Equity			
Paid -in -Capital	3,000,000	3,000,000	3,000,000
Retained Earnings	828,996	1,750,969	2,763,033
Total Equity	**3,828,996**	**4,750,969**	**5,763,033**
Total Liabilities and Equity	**11,411,932**	**11,903,907**	**12,661,199**

Breakeven Analysis for 2009	
Sales	12,000,000
Variable Expenses	8,904,000
Contribution Margin	3,096,000
Contribution Margin %	26%
Fixed Costs	1,633,160
Breakeven Sales FC/CM%	6,330,078
Breakeven sales occur in August of 2009	

Benson Douglas Packaging
Income Statements

		2009		2010		2011
Total Revenue		**$12,000,000**		**$12,252,000**		**$12,509,292**
COGS						
Labor						
Payroll	$2,090,000		$2,090,000		$2,090,000	
Payroll taxes	209,000		209,000		209,000	
Benefits	689,700		689,700		689,700	
Overhead						
Utilities	8,640		8,640		8,640	
Rent & Lease	1,240,000		1,244,960		1,245,972	
Materials and Supplies						
Beginning Inventory	0		1,618,909		1,652,906	
Raw Materials and Supplies purchases	6,285,569		4,882,681		5,073,294	
(Ending Inventory)	(1,618,909)		(1,652,906)		(1,687,617)	
Total COGS		8,904,000		9,090,984		9,281,895
Gross Profit		**$3,096,000**		**$3,161,016**		**$3,227,397**
Operating Expenses						
Payroll	$310,000		$310,000		$310,000	
Payroll Taxes	31,000		31,000		31,000	
Employee Benefits	102,300		102,300		102,300	
Depreciation Expense	838,750		838,750		838,750	
Utilities	2,160		2,160		2,160	
Rent and Lease Expense	310,000		311,240		311,493	
LLC filing expense	1,125		125		125	
Issuer Fee on Debt	6,325		0		0	
Advertising Expense	10,000		10,000		10,000	
Trade Association Fees	11,500		11,500		11,500	
Administrative/Office Expenses	10,000		10,000		10,000	
Total Operating Expenses		1,633,160		1,627,075		1,627,328
EBIT		**$1,462,840**		**$1,533,941**		**$1,600,069**
Interest Expense		633,844		611,968		588,005
Net Profit		**$828,996**		**$921,973**		**$1,012,064**

Benson Douglas Packaging
2009 Cash Flow Statement

2009	Startup	January	February	March	April	May	June	July	August	September	October	November	December	Total
Sales		588,235	666,667	798,085	869,565	909,091	1,000,000	1,053,357	1,130,000	1,135,000	1,150,000	1,200,000	1,500,000	12,000,000
Cash Receipts	0	19,193	590,794	670,955	800,417	870,855	912,057	1,001,741	1,055,858	1,130,163	1,135,489	1,151,631	1,209,788	10,548,942
Disbursements														
Payroll		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Payroll Taxes		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Employee Benefits		66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	792,000
Inventory Purchases			308,116	349,198	418,035	455,476	476,179	523,797	551,745	591,891	594,510	602,367	628,557	5,499,873
LLC filing expenses	1,125													1,125
Equipment Purchases	8,000,000													8,000,000
Building construction cost	775,000													775,000
Utilities		900	900	900	900	900	900	900	900	900	900	900	900	10,800
Rent and Lease Expense		129,167	129,167	129,167	129,167	129,167	129,167	129,167	129,167	129,167	129,167	129,167	129,167	1,550,000
Advertising Expense	10,000													10,000
Trade Association Fees	11,500													11,500
Administrative/Office Expenses		833	833	833	833	833	833	833	833	833	833	833	833	10,000
Interest/Principle/Fee on Debt	6,325	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	73,594	872,953
Total Disbursements	8,803,950	488,994	797,110	838,192	907,029	944,470	965,173	1,012,791	1,040,739	1,080,885	1,083,504	1,091,361	1,119,051	20,173,251
Operating Cash	(8,803,950)	(469,801)	(206,316)	(167,238)	(106,612)	(73,615)	(53,116)	(11,050)	15,118	49,278	51,985	60,270	90,737	(9,624,309)
Financing														
Phoenix fund	30,000													
ADA Private Activity Bond	3,000,000													
Bank debt	4,000,000													
Paid in Capital	3,000,000													
Total Financing	10,030,000													
Beginning cash	0	1,226,050	756,249	549,933	382,695	276,084	202,469	149,352	138,302	153,420	202,698	254,683	314,954	0
Ending cash	1,226,050	756,249	549,933	382,695	276,084	202,469	149,352	138,302	153,420	202,698	254,683	314,954	405,691	405,691

Benson Douglas Packaging
2010 Cash Flow Statement

2010

	January	February	March	April	May	June	July	August	September	October	November	December	Total
	727,552	785,385	1,021,000	1,021,000	1,021,000	928,182	928,182	1,021,000	1,021,000	1,021,000	1,225,200	1,531,500	12,252,000
Cash Receipts	1,485,704	730,306	796,604	1,021,000	1,021,000	1,016,580	928,182	932,602	1,021,000	1,021,000	1,030,724	1,239,786	12,244,487
Disbursements													
Payroll	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Employee Benefits	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Payroll Taxes	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	792,000
Inventory Purchases	785,696	288,902	312,992	406,890	406,890	406,890	369,900	369,900	406,890	406,890	407,933	488,268	5,058,042
LLC filing expenses	125												125
Equipment Purchases													0
Building construction cost													0
Utilities	900	900	900	900	900	900	900	900	900	900	900	900	10,800
Rent and Lease Expense	129,683	129,683	129,683	129,683	129,683	129,683	129,683	129,683	129,683	129,683	129,683	129,683	1,556,200
Advertising Expense	10,000												10,000
Trade Association Fees	11,500												11,500
Administrative/Office Expenses	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Interest/Fee on Debt	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	73,594	866,628
Total Disbursements	1,296,832	778,412	802,503	896,401	896,401	896,401	859,411	859,411	896,401	896,401	897,444	979,279	10,955,295
Operating Cash	188,872	(48,107)	(5,899)	124,599	124,599	120,179	68,771	73,191	124,599	124,599	133,280	260,507	1,289,192
Financing													
Phoenix fund													
ADA Private Activity Bond													
Bank debt													
Paid in Capital													
Total Financing	0												
Beginning cash	405,691	594,563	546,456	540,558	665,157	789,756	909,935	978,706	1,051,897	1,176,497	1,301,096	1,434,376	405,691
Ending cash	594,563	546,456	540,558	665,157	789,756	909,935	978,706	1,051,897	1,176,497	1,301,096	1,434,376	1,694,883	1,694,883

Benson Douglas Packaging
2011 Cash Flow Statement

2011

	January	February	March	April	May	June	July	August	September	October	November	December	Total
	709,853	744,601	1,042,441	1,042,441	1,042,441	992,801	992,801	1,042,441	1,042,441	1,042,441	1,250,929	1,563,662	12,509,292
Cash Receipts	**1,492,374**	**711,507**	**758,784**	**1,042,441**	**1,042,441**	**1,040,077**	**992,801**	**995,165**	**1,042,441**	**1,042,441**	**1,052,369**	**1,265,821**	**12,478,662**
Disbursements													
Payroll	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,400,000
Employee Benefits	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Payroll Taxes	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	66,000	792,000
Inventory Purchases	610,335	296,742	301,982	422,774	422,774	422,774	398,216	398,216	422,774	422,774	422,774	507,329	5,049,467
LLC filing expenses	125												125
Equipment Purchases													0
Building construction cost													0
Utilities	900	900	900	900	900	900	900	900	900	900	900	900	10,800
Rent and Lease Expense	129,789	129,789	129,789	129,789	129,789	129,789	129,789	129,789	129,789	129,789	129,789	129,789	1,557,465
Advertising Expense	10,000												10,000
Trade Association Fees	11,500												11,500
Administrative/Office Expenses	833	833	833	833	833	833	833	833	833	833	833	833	10,000
Interest/Fee on Debt	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	72,094	73,594	866,628
Total Disbursements	**1,121,576**	**786,358**	**791,598**	**912,391**	**912,391**	**912,391**	**887,832**	**887,832**	**912,391**	**912,391**	**912,391**	**998,445**	**10,947,985**
Operating Cash	**370,797**	**(74,850)**	**(32,814)**	**130,050**	**130,050**	**127,687**	**104,969**	**107,332**	**130,050**	**130,050**	**139,979**	**267,376**	**1,530,677**
Financing													
Phoenix fund													
ADA Private Activity Bond													
Bank debt													
Paid in Capital													
Total Financing	**0**												
Beginning cash	1,694,883	2,065,680	1,990,830	1,958,016	2,088,066	2,218,117	2,345,803	2,450,772	2,558,104	2,688,155	2,818,205	2,958,184	1,694,883
Ending cash	**2,065,680**	**1,990,830**	**1,958,016**	**2,088,066**	**2,218,117**	**2,345,803**	**2,450,772**	**2,558,104**	**2,688,155**	**2,818,205**	**2,958,184**	**3,225,560**	**3,225,560**

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