

Ethanol subsidies come to a close, may impact price at the pump

By ALAN J. ORTBALS

Ethanol tax credits ended at midnight on December 31st. As of press time, it remains to be seen what that will do to the price of gas.

The Volumetric Ethanol Excise Tax Credit, also known as VEETC, is a credit of 45 cents for every gallon of pure ethanol blended into gasoline. The credit went to the blenders, not to the ethanol producers and not to the retailers. Most gasoline sold in the United States contains 10 percent ethanol. Therefore, the credit translates into 4.5 cents per gallon of gasoline. But whether or not the consumer will see gas prices jump 4.5 cents depends on what's actually been happening to those pennies.

"I think there was some concern in the industry that a lot of it was staying at the gasoline company level and was not necessarily being passed on to the consumer," said Rod Weinzierl, executive director of the Illinois Corn Marketing Board and Illinois Corn Growers Association. "If you believe the tax credit was passed on to the consumer, then you could actually see an increase in the price of gasoline of maybe three cents or so. If you believe that it was not being passed on,

and it was just residing in the oil industry's pocket, then for the most part you shouldn't see an increase in the price of gas unless it's simply used as an excuse to raise the price of gas."

E-85, a gasoline blend that is 85 percent ethanol, is also losing the tax credit. Because of its much higher ethanol content, the impact on the price should be much greater. Weinzierl estimates that its price could jump as much as 20 cents to 30 cents per gallon.

"The price of the E-85 will probably go up some," said Weinzierl. "I would say a minimum of 20 or 30 cents. That's just a lot of pressure from the oil industry to eliminate competition in the marketplace, and they're going to feel pretty good about it. I think, from a consumer standpoint, it's disappointing that it will undermine the ability to move the E-85 out into the marketplace and breed competition for gasoline."

Congress nixed the \$6 billion tax credit last year with nary a whimper from either the corn growers or the ethanol industry. Weinzierl says they simply felt that they didn't need it anymore.

"I think the industry feels like it's time that they need to be able to compete and they feel like they can compete without it," Weinzierl said. "It would be helpful if the oil industry didn't continue to receive all of the subsidies they've received for the past 100 years and hopefully Congress will do something with that, but the ethanol industry did not feel like it was necessary in the future."

Over the past several years, hundreds of millions of dollars have been spent to build two ethanol plants in Southwestern Illinois: Center Ethanol Co. in Sauget and Abengoa Bioenergy at America's Central Port in Granite City. How will the loss of the VEETC impact that industry?

Not at all, according to Barry Frazier, president of Center Ethanol. Because the tax credit went to the blenders and not the ethanol producers, it will have no impact on his business.

"This was initially instituted for environmental reasons but also to reduce the reliance on foreign petroleum," Frazier said. "And in fact, we've now reached



photo courtesy of The Associated Press
The loss of federal ethanol subsidies may boost gas prices in 2012, according to the head of the Illinois Corn Marketing Board and the Illinois Corn Growers Association.

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Lethargic homebuilding industry will continue to wallow in limbo in 2012

By ALAN J. ORTBALS

The U.S. will see a rise in homebuilding in 2012 but not nearly enough to spark an economic recovery, says David Crow, chief economist of the National Association of Home Builders.

According to Crow, the underlying demographic need for new homes is about 1.5 million to 1.7 million per year. That's what's necessary to keep up with population growth and new household formation. But, Crow says, the U.S. hasn't seen those kind of numbers in five years.

"The chief reason that we still aren't producing at the demographic level is lack of demand," Crow said. "Folks just are not ready to come forward to establish their own household and to buy a house or to buy another house to trade up."

The fault, he says, can't be laid at one



photo courtesy of The Associated Press
New home starts continue to lag. The National Association of Home Builders predicts only 680,000 new homes will be built in 2012, less than half of the demographic need.

particular doorstep. Instead, there are multiple issues that are holding it back. It's tied to things like consumer confidence, high unemployment and tighter credit and underwriting standards. But it's also hamstrung by builders' inability to get financing which prevents them from building up the kind of inventory necessary to compete with existing homes. Plus, there are people who can't sell their homes because they're underwater on their mortgages or don't want to sell in a down market - or have gone through foreclosure and have bad credit and can't buy again. And then there's competition out there from the foreclosed and desperate sellers that causes the new home prices to be near

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IL and MO leaders say economic development takes public and private-sector agencies to work

By KERRY L. BEISER

Private-sector regional chambers of commerce/economic development organizations like the St. Louis Regional Chamber and Growth Association play a legitimate role in the process of bringing business and industry to town, according to economic development leaders and consultants.

The topic is a timely one, as the St. Louis RCGA just named a new CEO in mid-December and as discussion continues over whether the state of Illinois' economic development arm - the Illinois Dept. of Commerce

and Economic Opportunity - needs revamping or possibly disbanding. The RCGA also came to the fore last month in dialogue by St. Louis Mayor Francis Slay, who is advocating eliminating the RCGA's economic development activities and letting St. Louis City and County take over them.

Bob Lewis, principal at Development Strategies Inc. in St. Louis, says that by their very nature, public and private economic development agencies partner with, rather than duplicate, each other in the highly competitive task of luring

companies to the metropolitan area.

"For all intents and purposes, the public economic development entities, such as Madison County and St. Clair County, are looking out for their political jurisdictions," said Lewis. "That's their role, to attract businesses and jobs into that particular jurisdiction. Private-sector regional organizations such as the RCGA have different motivations. Their job is simply to get the leads. Because they're private, they can do a lot of things outside the radar to generate leads to get them into the metropolitan area. Then, as

the conduit, the RCGA directs the lead to Edwardsville, for example, or to Granite City."

Public-sector economic development leaders sit on the Greater St. Louis Economic Development Network, a body that meets six times a year, according to Lewis. That network is vitally important because it's the overlap of communication between public and private organizations. The network not only briefs fellow members as to what's

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Federal Reserve Report: St. Louis district economy lagging behind the nation

By ALAN J. ORTBALS

If you think that things are getting worse instead of better, you may be right. The Eighth District of the Federal Reserve System (encompassing metro St. Louis) is the only one of the 12 districts across the country that showed a decline in economic activity, according to the Fed's November 30th Beige Book report.

The Beige Book is a summary of economic information from across each district that is gathered by each Federal Reserve bank. The information is compiled from reports from bank and branch directors and interviews with key business contacts, economists, market experts and other sources. The Eighth District includes eastern Missouri, Southern Illinois, Southern Indiana, Western Kentucky, Northern Mississippi and all of Arkansas.

"The economy in the district as well as the nation continues to be weak," said Ruben Hernandez-Murillo, an economist with the Federal Reserve Bank of St. Louis. "It is improving at a slow pace. The exception is northwest Arkansas, where Walmart is located. It has always tended to be a bright spot. It's always pretty active in the district."

According to the report, "The economy

of the Eighth District has slowed since our previous report. Manufacturing activity has declined, while reports of activity in the services sector have continued to be mixed. Retail sales in September and October declined slightly over year-earlier levels, and auto sales increased over the same period. Residential real estate market activity has continued to decline, while commercial real estate market conditions have been mixed. Overall lending at a sample of large District banks was unchanged during the three-month period ending in October."

None of this should come as a surprise. A couple of years ago, the East-West Gateway Council of Governments issued a report called *An Assessment of the Effectiveness and Fiscal Impacts of the Use of Local Development Incentives in the St. Louis Region*. According to the report, over a 15-year period going back to the early 1990s, the St. Louis metro area invested more than \$2.5 billion in economic development incentives through tax increment financing and other types of development districts. Most of that money went to support retail developments which generated a

small number of net new jobs paying low wages.

In fact, according to the report, 80 percent of that investment had been focused on projects that include retail developments. Despite this massive investment of economic development funds, a mere 5,400 net new retail jobs had been created. Meanwhile, since 1990 the region generated 200,000 jobs in the service sector while actually losing 35,000 goods-producing jobs. Overall, jobs grew at an anemic annual rate of just 0.8 percent over that period.

The report also looked at retail sales and retail sales per capita of population - the idea being that if the region invested \$2.5 billion in retail development, there should be a corresponding increase in retail jobs and retail sales. No such correlation was found, however, leading to the conclusion that what has, in fact, been going on is that retail sales and sales tax dollars have simply been moving from one place to another.

Ed Hillhouse is the executive director of the East-West Gateway Council of Governments. Hillhouse says in an effort to get the region focused on real economic development, the EWGCG is

working on two studies. One is a freight study that will look at every type of business transport including river, rail and truck. It should be completed within the next year.

The other is a study of "sustainable" development. The effort there, Hillhouse says, will be to try to understand what each part of the metro area can do to promote sustainable development and not just move checkers around the checkerboard.

"We all need to be working together instead of one wants credit for this or one wants credit for that," Hillhouse said. "I don't care who gets credit for it. Let's pull together and let's try to create what we need."

One of the metro area's hurdles, however, according to Hillhouse, is Lambert-St. Louis International Airport. The problem is that the term "international" is a bit of a misnomer, he says. Ever since Lambert ceased to be a hub, it's been very difficult to get to and from St. Louis. The problem arose when InBev bought out Anheuser-Busch.

"When they took over and they were trying to get all of their top administrators and top officials into St. Louis," said Hillhouse, "they said they had no idea travel would be that difficult."

Hillhouse says he isn't sure how that problem can be solved, but he is sure that the region will not solve it or any of its other problems if parties are working at odds with one another.

"Regionalism. We tout it. We like to talk about it. We like to say we're regional in outlook, but we get pretty parochial when it comes down to it at times," Hillhouse said. "I believe in that bumper sticker: Lead, follow or get the hell out of the way."



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Year in Review 2011: Southwestern Illinois

IBJ recognizes region's successes with 2011 Year in Review edition devoted to Southwestern Illinois

Welcome to the January 2012 edition of the *Illinois Business Journal*. It's our privilege to take you on



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an editorial tour of just some of the successes that companies across Southwestern Illinois can claim from year 2011.

No doubt it was another rough year in terms of the economy. Nevertheless, sheer hard work and determination of Southwestern Illinois business owners and their employees pushed through the obstacles, refined and sometimes shifted their business strategies to grab hold of where their specific market took them and managed to make the best of continued period of uncertainty.

In the pages that follow (pages 3 through 10), you will see examples of innovative architectural design, creative construction, resourceful use of public funds and more.

On page 15, you'll notice a full page devoted to literally billions of dollars of development projects that began,

finished or were ongoing during 2011. Stretching from Alton south to Waterloo, the list is an impressive example of how Southwestern Illinois' economy is buoyed by industrial mega-projects at ConocoPhillips' Wood River Refinery expansion and construction of the Prairie State Energy Campus in Washington County.

This region, its employers and their people were called upon - as they've been the past four years - to work harder, longer and more creatively for less to make things happen. And they have. The sampling of stories which follow are a humble testament to Southwestern Illinois' inspiring collective work ethic.

May 2012 be an easier year for all of us, and may we all continue to work together as we work through it all - undoubtedly emerging stronger than ever before.

Alton Memorial completes oncology services expansion, new medical office building in 2011

By **KERRY L. BEISER**

On Thursday, Feb. 9, the public will have a chance to see Alton Memorial Hospital's newly consolidated and expanded oncology services up close when the hospital welcomes visitors to its newest medical office building via an open house.

The \$6 million, 33,000-square-foot building, located adjacent to the hospital's existing medical office structure on the northwest corner of the Alton Memorial campus, was completed in late 2011.

Last year marked another year of capital investment for the hospital, as 2010 brought the opening of the \$43 million Duncan Wing, a high-tech patient wing featuring 76 private rooms.

Year 2011 focused on expanding cancer treatment to be able to accommodate more patients at a time and bring the care closer to home to increase patients' quality of life in the process. Stacy Ballard, manager of Oncology Services at Alton Memorial Hospital, says the new building - combined with the adjacent Cancer Care Center, where radiation therapy already occurs - provides residents and their caregivers a one-stop destination for treatment. The department is now known as the AMH Outpatient Cancer

and Infusion Center.

Hematology Oncology Consultants, comprised of Dr. Thomas Ryan and Dr. Mark Woodson, have relocated their practices from the Saint Clare's Hospital Professional Building to the new building at Alton Memorial.

The new medical oncology suite has its own registration area exclusively for oncology patients as well as its own labs so testing can be done on site. Chemotherapy has now been moved from the hospital's second floor to the new medical office building.

Alton Memorial's Cancer Center, which opened in 2005, has finalized an agreement with Siteman Cancer Center and Washington University that will provide services to AMH's center, beginning in 2012. Ballard says the center is in the process of hiring a radiation oncologist who will be a member of the teaching faculty at WU.

In addition to the medical oncology services, Alton Orthopedic Clinic has also moved to the new medical office building, with more physicians planning to move in during 2012.

2011 was also a year of recognition for Alton Memorial Hospital, as the campus



Alton Memorial Hospital's second and newest medical office building, which welcomes the public to its open house on Feb. 9, houses a consolidated, expanded Oncology Services department.

received a national ranking and several national excellence awards.

In mid-August, *U.S. News & World Report* ranked AMH and its Digestive Health Center among the top hospitals and departments, respectively, in the St. Louis area. BJC hospitals accounted for six of the top 15 hospitals in the magazine's St. Louis metro rankings, with AMH ranked 11th.

In May 2011, Alton Memorial Hospital and three of its departments won a total of five prestigious honors in the Professional

Research Consultants National Excellence in Healthcare Awards.

PRC's 5-Star Awards went to AMH for its Outpatient Overall Quality of Care; the Human Motion Institute for its Outpatient Overall Quality of Care; and Obstetrics/Labor Delivery for its Inpatient OB/GYN Overall Quality of Care. AMH was named a 4-Star Award winner for its Inpatient Overall Quality of Care while the Emergency Department also earned a 4-Star Award for Overall Quality of Care.

Port District adopts new name, continues work on South Harbor to cut transit times

By **KERRY L. BEISER**

What was known for decades as the Tri-City Regional Port District officially changed its name in May 2011 to America's Central Port to more accurately reflect the entity's role as the hub of the nation's transportation infrastructure.

Executive director Dennis Wilmsmeyer says the rebranding effort came about because the "tri-cities" moniker was popular in the area back in the 1950s and 60s (for businesses in the vicinity of Granite City, Venice and Madison) but gradually become used less and less with fewer people identifying with it. With the 1,200-acre, multi-use facility's new name is also a brand-new logo reflecting its multimodal services of rail, river and road. The new logo, Wilmsmeyer says, not only reflects where the Port is located but also what it does.

Year 2011 proved to be another critical year of development for America's Central Port with regard to federal grant dollars. On the heels of receiving an initial \$6 million in Fall 2010 TIGER I or Transportation Investment Generating Economic Recovery Program Grant, part of the federal stimulus funding, America's Central Port learned in October that it received an additional \$8.5 million from that same round of TIGER grant funding, according to Wilmsmeyer.

The initial \$6 million enabled the Port to start phase one of the South Harbor project, installing new levee relief wells and 9,600 track feet of new main line rail that will serve



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the new harbor facility. The additional \$8.5 million has made it possible for the Port to hire a contractor to build a clay cut-off wall, a U.S. Army Corps of Engineers requirement, on the water side of the levee from four feet to 20 feet or deeper to limit and block any underseepage from occurring. Wilmsmeyer says this portion of the project is already under way and must be completed before construction of the South Harbor can take place. Since the South Harbor construction work is very dependent upon river levels, he anticipates construction will begin next winter with an estimated completion in 2014.

The South Harbor's location, below Locks and Dam #27, when completed, is expected to cut transit time to the south, says Wilmsmeyer. Abengoa Bioenergy Corp., which invested \$250 million in its adjacent ethanol plant two years ago, looks to immediately use the harbor to transport dry distiller grains and ethanol. The South Harbor rail loop will allow the Port to bring in unit trains and other new commodities that it's not handling today. Approximately 75 acres will be available adjacent to the South Harbor for manufacturing/distribution and other types of development, according to Wilmsmeyer.

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Year in Review 2011: Southwestern Illinois

Carpenters consolidate Locals in move to heighten efficiency, strengthen workforce

By ALAN J. ORTBALS

After expanding its reach all the way to the Colorado border in 2010, the Carpenters' District Council of Greater St. Louis and Vicinity went to work on streamlining its organization in 2011.

In 2010 the national office of the United Brotherhood of Carpenters decided to redraw the map and added the western half of Missouri and the entire state of Kansas to the Carpenters' District Council of Greater St. Louis and Vicinity.

The Carpenters' Union actually got its start in St. Louis in 1883 when Peter J. Maguire organized the first citywide Carpenters' alliance. He called for the formation of a national Carpenters'

Union in the very first issue of *The Carpenter* which remains the national publication of the UBC even today.

The Carpenters' District Council was already the largest labor union in the St. Louis area before the 2010 expansion. It covered the eastern half of Missouri and, in 2001, added 33 counties in Southern Illinois. The 2010 territorial expansion added 7,000 members, bringing the total to 27,000.

The construction industry has been one of the hardest hit sectors in the recession and has still not recovered. Everyone has had to tighten their belts during this slump, and some contractors have even had to close their doors for lack of work.

The national office of the United Brotherhood of Carpenters had been consolidating Locals around the country in an effort to become leaner and more competitive. In some cases, this was done with little warning or input from the Locals.

Terry Nelson, executive secretary-treasurer of the Carpenters' District Council of Greater St. Louis and Vicinity, and his leadership team decided to take a proactive approach and make consolidations that made good business sense. Nelson says consolidating Locals would make them more efficient; allow for better sharing of resources; ensure better, more consistent communication and create a

leaner, stronger workforce.

The CDC started 2011 with 57 Locals. By mid-summer, that number had been pared down to 34.

Throughout this three-state territory, Nelson preaches his "Business 101" philosophy. Too many unions approach the labor-management relationship from an adversarial position, according to Nelson. He stresses that labor and management need to be partners in creating success. The developer, the contractor, and the union are all key components in the building process. Teamwork, according to Nelson, leads to a successful project which generates more projects, more work for labor and a more successful community.

Northeast Business District reinvestment enhances tax base for Collinsville in 2011 and beyond

By KERRY L. BEISER

In 2011, Collinsville continued implementing the city's strategic plan for reinvestment in its Northeast Business District; progress was enhanced by the Illinois Dept. of Transportation's completion of the downtown span of rerouted and widened Illinois Rte. 159.

Despite a lull in the economy, the city set a direction for development that further enables its ability to compete within the retail market, says Tax Increment Finance Director Paul Mann. The Northeast Business District includes first-tier properties along both sides of Rte. 159 (Vandalia Street) and Beltline Road. Mann says motorists can drive down either corridor and see the results of new development activity over the past couple of years.

In April 2011, a 10,300-square-foot CVS Pharmacy opened at the corner of 159 and Pine Lake Road. Taco Bell, located at the corner of Beltline Road and N. Keebler Avenue, completed a full renovation of its restaurant in 2011 - another example, Mann says, of reinvestment in the business district.

Perhaps one of the most sizable reinvestments in Collinsville's Northeast Business District can be seen in Swing City Music, a 44-year-old business that was originally located in the 1300 block of Vandalia Street. Swing City's site was destined for demolition due to the Rte. 159 widening and relocation process that turned the one-way downtown loop into what is becoming a five-lane, two-way thoroughfare. Art Risavy Sr., owner of Swing City, bought an empty Vandalia

Street car dealership on a three-acre site, converted it into the music store's new home at 1811 Vandalia and moved the business into the former Premier Lincoln Mercury building in June 2011.

The new location also houses two other businesses, Cafaye Imports and Florian's Fine Jewelry, that operate out of the current building.

Mann says despite the national recession, the city of Collinsville is dedicated to a strong local economy and continuing effort to be the preferred place to live and do business in Southwestern Illinois.

IDOT's work to widen Rte. 159 through Collinsville and change the one-way loop to two-way traffic has been divided into multiple jobs. The downtown section, a \$3.9 million job,

is essentially complete and open to the public, according to Jeff Church, District 8 project implementation engineer. It stretches from Johnson Drive on the north to Church Street. The second portion of the project, a \$9.3 million job, reaches from Church Street south to S. Morrison Avenue. The latter job is approximately 50 percent complete, Church says. Relocating existing city sewers, sanitary sewers and utilities added complexity and time to the overall project.

Church says the Rte. 159 project represents the first time District 8 has used IDOT's Context Sensitive Solutions approach to seek grassroots input during the entire course of this project from residents, business owners and community leaders.

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