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info@ibjonline.com

(618)465-5572

Price of electric nearly cut in half by new Illinois Power Agency

By ALAN J. ORTBALS

Consumers hit a home run with electric rates this spring as the new Illinois Power Agency was able to reduce the price of power by 42 percent from that set by the reverse auction in 2006.

Because the IPA was only buying about 30 percent of the area's power needs, the actual reduction will be about 12 percent - and this applies only to the power portion of the bill, not the delivery charge. Eventually, the IPA will be responsible for procurement of 100 percent of the power needs of residential and small business customers.

In January 2007, electric rates in Illinois hit the roof as utility deregulation took effect. Those rates were set using a "reverse auction" process and set off a consumer outcry that led to the passage of the Electric Rate Relief Law of 2007. That law put an end to the reverse auction process; empowered the Illinois Attorney General to negotiate rates on some electric contracts; left some contracts alone; and created the IPA to negotiate future rates. Because of the staggered structure of the contracts, the IPA will gradually negotiate

the price on more and more power as the old contracts expire, culminating in 100 percent by 2013.

The rate set by the reverse auction in 2006 was about \$65 per megawatt hour. The IPA was able to bring that price down to just \$32 for Ameren customers. According to Jim Chilsen, spokesman for the Citizens Utility Board, the utility companies claim that price reduction was due to the poor economy and reduced demand. But Chilsen doesn't buy that explanation.

"When the economy slumps, there's less of a need for electricity and that does reduce the price," Chilsen said. "There's no question, that helped. But, in New Jersey, where they still use a reverse auction process very similar to what Illinois got rid of, their auction resulted in June 1 prices that are staying the same or even increasing slightly, despite the drop in wholesale electricity prices and despite the faltering economy. New Jersey consumers aren't enjoying any savings," he added.

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Percentage of power to be procured by Illinois Power Agency

source: the Citizens Utility Board

Year	Ameren Load
2009-2010	30.42%
2010-2011	52.61%
2011-2012	51.44%
2012-2013	70.99%
2013-2014	100.00%

The new Illinois Power Agency began procuring power for residential and small business consumers this year, reducing the price by 42 percent.



Photo by Alan J. Ortvals

The only model home in Caseyville's Forest Lakes development stands empty and unfinished. The project has stalled and is waiting for a turnaround in the economy.

Massive Caseyville development stalled, waiting for turnaround in the economy

By ALAN J. ORTBALS

The George E. Chance Parkway stretches west from Illinois Rte. 159 in Caseyville for 1.6 miles, complete with sanitary sewers, storm sewers and water lines - but the only signs of life in the 500-acre Forest Lakes development are the sales office, A to Z Pediatrics and an unfinished, boarded-up model home. According to mayor George Chance, the project is on hold until the economy turns around.

The Caseyville project was the brainchild of California developers Glen Hierlmeier and Mike Egan. Hierlmeier has more than 20 years' background in real estate consulting; as head of Calif.-based Castle & Cooke Homes Inc. and Castle & Cooke Development Corp., he led the development of five master-planned communities in Arizona, California and Florida.

Egan's background is in the turf farm business, having developed 13 turf farms across the U.S. He currently holds four patents and has three pending.

The village created a tax increment finance district in 1998 hoping to develop a residential/golf community, but that project fell through. Hierlmeier and Egan approached the village in 2003 with a massive development proposal covering 500 acres and stretching from Rte. 159 to Illinois Rte. 157. The two created a limited liability company called Caseyville Sport Choice LLC in 2003 to carry out the project and worked with the village to amend and expand the tax increment financing district in 2004.

The Forest Lakes project was to

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Costello working to buy time for American Bottom residents, businesses

By ALAN J. ORTBALS

U.S. Rep. Jerry Costello (D-Illinois) is once again seeking relief for the people of the American Bottom in regard to the Federal Emergency Management Agency's re-mapping process. Without such relief, many property owners in the area will be forced to purchase expensive flood insurance next year.

FEMA has issued preliminary maps designating the entire American Bottom a high-hazard flood zone. When this designation becomes official, all owners

of real property in the area that have federally-backed mortgages will be required to buy flood insurance, and the price of that insurance will nearly quadruple from current rates. Late last year Costello, U.S. Rep. John Shimkus (R-Illinois) and Sen. Dick Durbin (D-Illinois) negotiated a deal with FEMA to forestall the designation until the Missouri side of the metro area caught up.

At that time, it was estimated that it

could take three years to complete that re-mapping process; but this spring, FEMA put the Missouri side on a fast track because there was no evidence of past deficiencies with its levees. Because of this action, the Missouri side is expected to be completed next year, triggering the insurance mandate for the Illinois side.

"What FEMA is saying is in the areas where there is no documentation that there are problems, they have notified

the local levee jurisdiction or the local levee districts that they have two years to provide certification - that their levees meet the 100-year minimum protection, which is what FEMA requires. In areas where there is documentation over a period of time where there have been problems with the levees, they are proceeding; and in our case, that is exactly what the Corps and what FEMA

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E-mail: info@ijbjonline.com

Illinois Business Journal
P.O. Box 1070
Alton, IL 62002

P.O. Box 248
Edwardsville, IL 62025

President/CEO:
Kerry L. Smith
ksmith@ijbjonline.com
618-465-5572

Vice President/COO:
Alan J. Ortals
aortals@ijbjonline.com
618-659-1997

Staff Writers:
Kate Geno
Laura Reed
Angela Shultis

Cartoonist:
Gary McCoy

Contributing Writers:
R.W. Hafer
Julie Hauser
Joe Henchman
Jeffrey Nemeth

MLB All-Star Game July 10-14 in St. Louis to make healthy economic impact on region

By KERRY L. SMITH

The 2008 All-Star Game in New York created an estimated \$148.4 million economic impact for the Big Apple, according to the city's economic development corporation; the 2009 All-Star game, to be hosted by St. Louis July 10-14, is expected to make a \$60 million economic impact on the bi-state region.

"An estimated 230,000 people will attend the All-Star summer events including Major League Baseball All-Star FanFest, the State Farm Home Run Derby and the All-Star Charity Concert benefitting Stand Up To Cancer, a free concert under the Arch," said Ruth Sergenian, chief economist for the St. Louis Regional Chamber & Growth Association. "Out-of-town visitors are expected to account for 49 percent of overall attendance. Direct spending by visitors - dining, retail and hotels - and Cardinals operations will be \$33 million. The indirect impact of that spending in the region will be \$27 million," she added.

The positive economic impact of this month's MLB event in St. Louis is also reflected in hotel occupancy just across the Mississippi River in Southwestern Illinois. Stacy Cutler, general manager of the Doubletree Hotel Collinsville, says the facility's bookings continue at an energetic pace.

"Since we're just a 10-minute drive to downtown St. Louis, our rooms are filling up as quickly as those in Missouri," Cutler said. "The difference between the All-Stars event and the World Series is that all teams are participating. We're getting reservations from people all over the U.S."

Typically with this type of event, Cutler adds, area hotels and motels will require a minimum-length stay of at least three or four nights. But since the 236-room Doubletree Hotel Collinsville recently underwent a \$12 million renovation, All-Star guests are only required to book a minimum of three nights. Cutler says typically hotels increase their rates for stays during major events such as this one, but that the Doubletree Hotel Collinsville hasn't for the MLB game. "The majority of hotels do that," she said, "but we aren't fluctuating the rates at this time because we're still trying to get the Doubletree name out there. We're also expecting the newly remodeled Porter's Steakhouse, adjacent to our hotel, to attract a good number of visitors."

Cutler predicts that hotel occupancy will max out first in downtown St. Louis, then in the Collinsville area, but eventually in markets such as Fairview Heights and O'Fallon, Ill., as well as west of St. Louis.

Jo Kathmann, president of The Tourism Bureau of Southwestern Illinois, says hotels in Southwestern Illinois have adopted differing strategies in conjunction with bookings for All-Star week. Hotel room rates in the region are varying anywhere from \$99 to \$189 per night for July 10-14.

"Some hotels have reduced their prices, while others have raised theirs," Kathmann said. "It's all over the board for a major event like this. Normally for events of a magnitude like the All-Star Game, when they're held in St. Louis we calculate the average economic impact

to be about \$119 per person per night. Putting this in perspective, the average per person per night economic impact of a kids' soccer tournament, for example, is an average of \$89 a night."

According to statewide figures, Kathmann says hotel occupancy to date in 2009 is down about 10 percent. "Occupancy-wise, in Southwestern Illinois we're not getting hit as hard," she said. "And statewide, in terms of overall tourism dollars, we're up 3 percent over last year. Across the country, Illinois is holding its own right now - our state is 7th-best. It's very heartening. A national tourism event like the All-Star Game is great for our region because it enables our hotel industry in Illinois and Missouri to work reciprocally to accommodate visitors...both sides of the river definitely benefit from it."

The actual All-Star Game will be played on Tuesday, July 14. It's the 80th Midsummer Classic between the All-Stars of the American League and the National League. The last time St. Louis hosted the MLB All-Star Game was 1966, the inaugural season of the previous Busch Stadium.

According to the St. Louis RCGA, although St. Louis ranks 22nd out of the country's 30 pro baseball franchises in terms of market size, the city is ranked number two - second only to the Boston Red Sox - in the percentage of the TV market that views every baseball game. In addition, St. Louis ranks in the top five U.S. baseball franchises when it comes to the number of tickets sold, attracting some three million fans annually.



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IBJ Business News

Madison County nets HUD loan guarantee

U.S. Rep. Jerry Costello (D-IL) announces that Madison County has been awarded a \$3.5 million Section 108 Loan Guarantee award from the U.S. Department of Housing and Urban

Development. The funds can be used to make federally-guaranteed loans for local revitalization projects.

Marketcity welcomes Rynders

The public relations firm Marketcity welcomes Stacey Rynders as communications strategist.

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Nonprofit uses new market tax credits, HUD loan to build new facility in Alton

By ALAN J. ORTBALS

The Community Counseling Center in Alton will soon break ground on a new 35,000- square-foot facility, thanks to Madison County Community Development, the National Development Council and new market tax credits.

The CCC has offered a broad spectrum of mental health services to low-income families and individuals in Madison County since 1959. Its services include screening, assessment, counseling, psychiatric treatment, outpatient substance abuse treatment, 24-hour crisis intervention/suicide prevention, in-home services to senior citizens and their caregivers coping with depression and dementia, diversion programs in coordination with Madison County courts and assistance for families with children with emotional disturbances. The CCC has been operating in a former church and another facility, with staff split between the buildings.

"Several years ago we started to dream," said Anne Tyree, development manager of the CCC. "What could we do if we had a new building? If we wanted to build a new building, how would we do it? Where would we get the funds? So I did some research and I discovered this wonderful program called the New Markets Tax Credits Program."

The federal New Markets Tax Credit Program was enacted by Congress in 2000. It permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated Community Development Entities. Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided

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Anne Tyree
Development Manager
Community Counseling Center

to the investor totals 39 percent of the cost of the investment, and is claimed over a seven-year credit allowance period.

Earlier this year, Illinois joined a growing number of states in enacting its own New Market Tax Credit Program to match the federal NMTCs.

The CCC has had a long association with Madison County through the Mental Health Board, so Tyree scheduled a meeting with Madison County Community Development. MCCD brought in John Downs with the National Development Council.

"We came to them because we had worked with them before and said, 'Hey, what about these New Markets things? What do you guys know about these? It sounds like a great deal! It looks to us like it's free money!'" Tyree said.

The NDC had an allocation of NMTCs and agreed to provide \$5 million in credits for the CCC project, which will generate about \$2.5 million in cash.

loan those funds to the CCC for the project.

"It's very complicated, and a lot of local lending institutions do not care to get into the middle of all of the requirements that are necessary under the New Markets Tax Credits Program," said Cheryl Jouett, Madison County Community Development administrator, "so the HUD 108 loan was a more logical tool for this project."

Tyree says actual bids came in below estimates and it looks like the total project cost will be about \$7 million. In that case, says Jouett, the county will loan less - just enough to fill the gap.

The new building will be constructed right next to the existing one, and then the existing building will be razed to make room for parking. Construction is expected to begin this summer and be completed by next spring.

"It's really been an amazing process," Tyree said. "It took a long time to put together. We could never have done this without Madison County Community Development and the National Development Council. We sort of had the idea and kept being persistent, but they're the ones that helped us to realize it. Hats off to them!"

IBJ Business News

H&H Construction recognized by Metallic Building Co.

H&H Construction Services Inc. has been honored by Metallic Building Co. as Builder of the Year and as Regional Builder of the Year for the North Central Region of the United States for 2008.

Oates receives engineering council award

David Oates, president of Oates Associates in Collinsville, has received the 2009 President's Award from the American Council of Engineering Companies of Illinois.



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New loans available to existing, troubled companies, free expertise on tap for start-ups

By **KERRY L. SMITH**

Despite the fact that federal, state and local economies have been shaken by the recession and business start-ups are down, the Small Business Administration's Illinois regional office says lenders now have a better incentive than ever to lend to existing small businesses and help them recover.

Valerie Ross, branch manager for the Springfield, Ill. office of the SBA - one that covers Southwestern Illinois and beyond - says although the number of new business start-ups is way down in 2009, a loan made available through the federal stimulus package offers existing businesses - ones that may have recently launched or that have been around for ages - a shot in the arm.

In Madison, St. Clair and Monroe counties for FY 2009 (Oct. 1, 2008 through May 31 of this year), the number of new business start-ups totaled only 15 - compared to a total of 57 in FY 2008 and 74 in FY 2007. Ross says the 2009 statistics aren't surprising, given the state of the economy since last fall.

"During this time period in FY 2009, Madison County saw only 6 start-ups, St. Clair County 7 and Monroe County 2," she said. "In terms of SBA loan activity, the numbers have also been down so far in FY 2009 - 252 loans made versus 1,229 in FY 2008 and 1,534 in FY 2007. This really isn't surprising with the recession."

For those start-ups already in existence but wavering, the ARC Loan - a feature of the American Recovery and Reinvestment Act of 2009 - offers a deferred-payment loan of up to \$35,000 to be used for principal and interest payments on existing, qualified debt/loans.

Ross says the federal government is offering small business lenders incentives - including a 100 percent guarantee to the bank and no fees - to encourage them to participate immediately. The ARC, or America's Recovery Capital, loan program took effect June 15.

"We've heard from a lot of lenders who've never done SBA lending in the past but that are now getting involved," she said.

"The loans are 100 percent guaranteed by the SBA and have no SBA or lender fees associated with them, unless the lender must secure collateral as part of the loan," Ross said. "And there are no interest charges to the borrower. The SBA will pay the monthly interest rate - at the rate of prime plus 2 percent - to the lender on behalf of the borrower."

Ross says the ARC loans will continue to be available through SBA-approved lenders as long as funding is available or through Sept. 30, 2010 - whichever comes first.

"The SBA understands that ARC loans will carry greater risk than other SBA loans, and we expect a higher default than on 7(a) loans," she said, referring to the SBA's common form of lending assistance. "The SBA will be closely monitoring the ARC loan portfolio."

Small businesses interested in qualifying for an ARC loan should first consult with their lender, Ross says. Additional information is available online at www.sba.gov.

But what assistance is out there for a budding entrepreneur who is not dissuaded by current market conditions?

Kristine Jarden, director of the Entrepreneurship Center within Southern Illinois University Edwardsville's School

of Business, says she sees little slowdown in home-based start-up businesses; the center stands ready to support entrepreneurs with a menu of resources including business managerial assistance, technical expertise, market information and research, financial analysis assistance and \$5,000 "Challenge Award" matching dollars.

"Overall we've seen an increase in home-based business start-ups over the past year," said Jarden, "and it's really encouraging. We're seeing a good number of home-based consulting firm start-ups in association with an individual's previous job and area of expertise or as a second income. Particularly in this economy, we see individuals who are making a change in direction and opting to start out on their own," she added.

The extensive hard costs - and risks - associated with buying or leasing a building and purchasing inventory and equipment, Jarden says, are influencing more individuals to begin businesses from their homes.

"The Entrepreneurship Center and the SIUE Small Business Development Center sees 50 to 100 of what we think are high-growth-potential businesses per year over the nine-county area we cover," she said. "Although we still have Challenge Award funds available, we've seen a slight decline in applicants due to the (50-50) match requirement. But typically the true entrepreneur or small business owner takes risks and sees opportunities, no matter what condition the economy is in. They're good at seeing when that opportunity comes around."

N. Gail Weinrich, speaking on behalf of the SCORE (Service Corps of Retired

Executives)'s Belleville area activity, says SCORE has actually seen a dramatic increase in the number of entrepreneurs seeking assistance, in the greater Belleville area, so far during 2009.

"Arbitrarily using the last half of 2008 as the beginning of the downturn in the economy, the number of new clients served did not statistically vary from the two previous six-month periods," Weinrich said, "and current figures indicate that the number of new clients in the first half of 2009 will not do so, either. However, the number of entrepreneurs seeking to start a business for the first time in 2009 has increased nearly three-fold over the same period in 2008."

Like SIUE's Entrepreneurship Center and SBDC, SCORE offers professional business counseling to new and existing businesses at no cost. SCORE is funded by the SBA.

David Craig, chairman of SCORE's Southwestern Illinois Chapter (based in Godfrey), says the number of face-to-face or telephone and online visits hasn't decreased much since the economic downturn mid last year.

"This fiscal year so far (Oct. 1, 2008 through May 31, 2009), we've had 104 face-to-face and/or telephone cases and 195 online cases," said Craig, referring to SCORE's new client base. "This is compared to 154 face-to-face and/or telephone cases and 217 online cases last year during the same time period. Initially we're seeing folks who are forced into creating another career choice...they're looking at our organization to give them structure and guidance as they step out into that brave new world."

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