

# Creative Financing for Economic Recovery

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INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL



# Small Business Financing – “No small Job”



# Small Business Financial Challenge

- Small business owners will do anything to remain independent
- They'd prefer to deplete their personal savings, borrow from family and friends, take out second mortgages on their homes or max out credit cards to stay afloat
- They'd love a grant

## THE FACTS:

- What's most available are loans
- If they don't get some financial help they may fail.



# Example: Communities creating their own financial vehicle

- **Bastrop County, Texas** – pop. 75,000
- Thousands of acres burned in wildfires in 2001, 2015, then floods and a tornado
- Began working with United Way, then set up a 501(c)3 to raise money that could be used to help residents and small businesses.
- Opened a recovery center in Oct. 2015
- Created a website where people could donate, volunteer or get information about recovery efforts  
<http://www.bastropcountylongtermrecovery.org>



# Grants & Loans

- Government usually can't give money to existing businesses, but can create "forgiveable loan"
- One of the best options is a "gift" from a foundation
- But most foundations don't give money to businesses
- You can set up a local foundation specifically for disaster recovery



# Small Business Financing

- Approximately 81,000 businesses in Louisiana were damaged by hurricanes Katrina and Rita.
- Although 75% have since reopened, around 19,000 businesses closed permanently.
- Small Business Association approved 92,971 disaster loans for over \$6.5 billion to businesses affected by Hurricanes Katrina and Rita



*What are some creative ways to help finance business debts after a crisis?*



# Small Business Financing

## Forgiveable Loan

- Loans are forgiven if a business reopens within 12 months of receiving the loan
- Businesses must have already obtained a disaster loan from the SBA, or another federal- or state-chartered financial institution



# Example: Small Business Financing

## Forgiveable Loan Programs

**Louisiana** has a program to help small landlords repair or improve affordable rental housing.

Since 2007, the program has paid \$400 million+ to assist in the rebuilding of over 8,500 rental units.

The screenshot displays the Road Home website interface. At the top, there is a navigation bar with three main sections: "General Information" (orange), "HAP Homeowner Assistance Program" (blue), and "SRPP Small Rental Property Program" (green). The "SRPP" section is highlighted. Below the navigation bar, a prominent red-bordered box contains "Important Information" with links to "Maximum Rent and Tenant Income Tables" and "Tenant Selection and Occupancy Requirements". The main content area is titled "Small Rental Property Program Overview" and includes a paragraph about the impact of Hurricanes Katrina and Rita on rental properties. Below the text is a "Before and After" photo of a two-story house. To the right of the photo, there is a description of the program's goals and a note about the total funding since 2007. On the left side of the page, there is a vertical menu with links for "Program Overview", "About Us, FAQs", "Forms, Guides, Publications", "Status Reports", "Secure Borrower Login", and "Contact Us".

See: <https://www.road2la.org/srpp/>



# Bridge Loan

## LA Bridge Loan Program

- A bridge loan provides no-fee financing with flexible terms so that businesses can have quick access to working capital without losing their equity
- Should be made available within the first few weeks

The screenshot shows the Community CDC website. At the top, there is a navigation bar with the logo, contact information (713) 457-1650, and a search bar. Below the navigation bar, the main heading reads "Bridge Financing and the 504 Loan Program". A prominent banner features the text "10 YEARS | OF MAKING BUSINESS DREAMS COME TRUE!" above an image of a bridge. A "Get Started" button is visible on the right. Below the banner, the article title "07 Bridge Financing and the 504 Loan Program" is displayed, along with the author "By Jenri Smith" and a list of tags: "504 Loan Program, 504 Loan, bridge loan, interim financing". On the right side, there is a "Learn More At Our 504 SCHOOL" button and a "Blog Categories" section listing: "504 Loan", "7(a) Loan", "About Community CDC", "Interest Rates", "Property Ownership", "SBA Loan Process", and "SBA Loan Programs".

This CDC for Texas and Louisiana has approved more than 200 loans totaling over \$150M, and created over 2,300 jobs:  
<http://www.communitycdc.com/blog/bridge-financing-and-504-loan-program>



# Small Business Financing

## Revolving Loan Fund (RLF)

- Funds often established to provide alternative financing to businesses that wouldn't qualify for loans by private financial sources
  - RLFs can be established using federal funds or by local and state funds

*Do you have an RLF?*

*Can you explain how it is used?*





# Federal Sources for Community Assistance

## Community Development Block Grants for Disaster Recovery (HUD CDBG-DR)

- Presidentially-declared disaster areas and low-income communities
- The grants can be used for a variety of functions, including housing, economic development, infrastructure, and prevention of further damage



# Example: Use of CDBG funds used to transform damaged Gulf Coast Communities

- After Katrina, Gulf Coast Communities used CDBG funds for beautification projects to attract people back downtown
- **Ocean Springs, MS** used a \$4.6M CDBG grant to fund downtown landscaping, sidewalks, paving, curbing and lighting



# Example: Use of CDBG funds to transform damaged Gulf Coast Communities

- **City of Gulfport** used post-storm money to inject new life into the downtown with facades, landscaping, public park and infrastructure improvements





# Federal Sources for Small Business Financing

## USDA's Rural Development Disaster Assistance

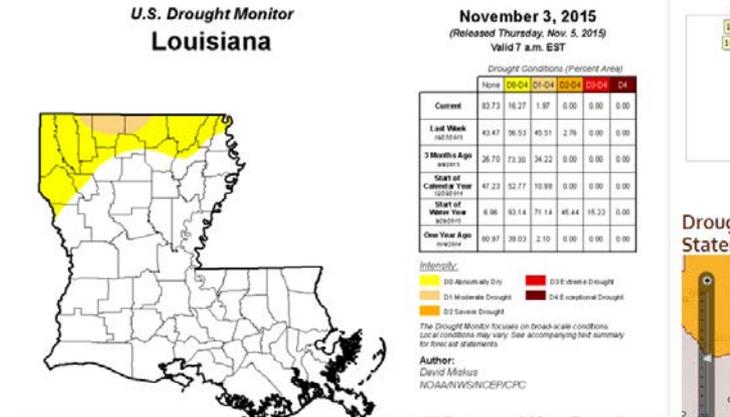
- For post-disaster community economic recovery purposes that fall within three categories of business programs:
  - revolving loan funds
  - technical assistance
  - commercial lending
  - energy programs



# Federal Sources for Small Business Financing



For more complete drought information for California, see the California Regional Drought Early Warning Page



USDA Rural Development also provides guaranteed loans to enhance the “economic climate” of rural communities by generating or maintaining employment





# Federal Sources for Small Business Financing

## U.S. Small Business Administration (SBA)

- Low interest loans to homeowners, renters, businesses of all sizes, and private, nonprofits
- Loans for repair or replacement of property, machinery, equipment, inventory -- business assets damaged or destroyed in a declared disaster



# Federal Sources for Business Financing

## U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund

- The CDFI Fund offers 2 funding options :  
Technical Assistance awards and Financial Assistance awards.
- They can be used to promote economic development, job creation, and development of businesses and commercial real estate





National  
Emergency  
Grant

## Federal Sources

# Department of Labor's Employment and Training Administration's National Emergency Grants (NEGs) for Disaster

- Funding for workforce support:
  - Single company layoff of 50 or more
  - Multiple company layoffs, where 50 or more workers from each company are dislocated
  - Industry-wide layoffs
  - Layoffs affecting an entire community where there are multiple small dislocations (50 workers or less)



# Use of National Emergency Grants (NEGs) after Hurricane Isaac

- In 2014, Louisiana received \$1.1 million in grant funding to continue Hurricane Isaac recovery efforts in Louisiana. This was in addition to \$2.2M received in 2012.
- Out of work citizens were paid to help with the cleanup, easing employment pressures when businesses were shut down
- 55 of the state's 64 parishes were eligible for Public Assistance



# Federal Sources to help ease military closures

## When the economic disaster is due to Military Base Downsizing

### Defense Conversion Assistance Programs

- Broad range of activities to implement defense conversion strategy
- Funded through the authority of three EDA programs
  - Title I Public Works
  - Title IX Economic Adjustment Assistance
  - Title II Technical Assistance
- Grants range from several hundred thousand dollars to several million dollars
  - require 25% match from community



# Military Bases in Louisiana \$9 B impact

- Louisiana benefits from nearly 83,000 jobs attributable to defense, according to a summary of an [economic impact analysis](#) commissioned by the state.
- Therefore, base relationships are critical
- Understand how to work with federal resources in the event of downsizing or closure.





## Federal Sources to help the community

# Defense diversification resources

- Office of Economic Adjustment planning assistance
  - Economic impact of defense reduction must be significant
  - Must be a direct and significant economic effect
    - 2,500 jobs for a Metropolitan Statistical Area (MSA)
    - 1,000 jobs for a non-MSA area
    - 1% of the area labor force



When the  
issue is  
Major  
Industry  
Losses

Support is often available  
from these federal  
agencies:



# Federal Sources for Small Business Financing

## IRS: Assistance and Emergency Relief for Individuals and Businesses

- Taxpayers affected by a presidentially-declared disaster can get tax relief
  - Postponement of tax filing
  - Claim losses on previous year taxes
  - Businesses in a federally declared disaster can get a faster refund by claiming losses related to the disaster on the tax return for the previous year, filing an amended return

*Questions?*

