

# Creative Financing to Support Businesses & Build Back Better

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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

- In the case of the 2008 floods in Cedar Rapids, businesses took on an excess of \$120 M of new debt, while experiencing revenue decreases of more than 40%



# Small Business Financing

## Bridge Loan Program

- A bridge loan provides no-fee financing with flexible terms so that businesses can have quick access to working capital
- Should be made available within the first few weeks



# 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 Program

- Iowa created the Jumpstart Iowa Small Business Assistance Program to provide short-term financing
- Financed via \$20 million from the State of Iowa, provides forgivable loans up to \$55,000 per business



# 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 any of 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** 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





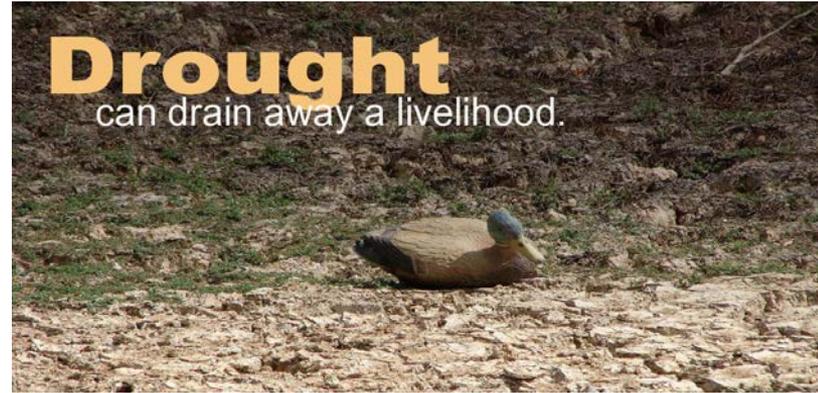
# Federal Sources for Small Business Financing

## 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



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 Mississippi - \$5.7B impact

- Most every part of the state has a military installation. Therefore, it's critical to have relationships with base management.
- Understand how to work with federal resources in the event of downsizing or closure.
- Remember that impact is not only direct employment, but also military contractors and manufacturing to support Defense, as well as retail.
- The last military base to close in Mississippi was Naval Station Pascagoula.





## 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?*

