



Chapter V: Business Retention and Expansion Before and After a Disaster

Introduction

Disasters strike with little or no warning, causing dramatic social, humanitarian, and economic consequences to local communities. Similar to their role in leading economic development and growth day-to-day, economic development organizations (EDOs) and chambers of commerce should play a leading role in facilitating, driving, and enabling both local and regional economic recovery. History has demonstrated through countless major disasters that businesses often have unique and specialized needs that can be best understood and managed through a deliberate and direct outreach effort by economic development and business development professionals.

The economic complexities posed by disasters present a unique challenge to economic development professionals. Businesses are likely to be challenged with responding to sudden and severe changes from their impacted employees, facilities, customers, and suppliers. Communication channels can become disrupted and chaotic. Existing relationships with businesses are crucial during a disaster. Local businesses are likely to call on your organization for guidance and direction, where they have trust and confidence in the organization's legitimacy and authority.

Following a disaster, the EDO and chamber staff will need multiple outreach methods to support impacted businesses, to gather information on how they've been impacted and then to analyze that information to effectively advocate for business recovery needs. The business community will look to EDO and chamber staff for information on the progress of recovery efforts and available assistance.

This chapter presents disaster preparedness steps that will greatly enhance the capacity of an economic development organization to respond to a disaster, and disaster recovery strategies for the EDO to consider and adapt to meet the particular needs of their own community. The case studies outline effective practices from the field in which strong post-disaster business retention efforts spurred local recovery. An EDO's business retention and expansion program should include disaster preparedness steps and recovery plans should the disaster occur.



Business Retention and Expansion

Business retention and expansion (BRE) is one of the key services of any EDO. The primary objectives of a BRE program are to

- Understand the needs of specific local firms, especially those firms that are at risk of closing or relocating;
- Respond to those needs using a wide variety of services, such as technical assistance, workforce development, financing, and building new markets; and
- Address local issues that detract from a healthy business climate in which local businesses can prosper and grow.

Either through personal visits, surveying, focus groups, going door-to-door or other methods, an economic development professional will seek to understand the needs of local businesses and respond to those needs. BRE efforts build strong relationships with businesses and develop a deep understanding of their opportunities and challenges they face.

Since the BRE program is intended to provide a wide range of services to address the individual needs of businesses (whether they're expanding or retracting), their application in pre-disaster resilience and post-disaster recovery can become very useful. At a minimum, it creates a trustworthy communication network that can provide time-sensitive information about the community outlook off of which businesses need to make decisions. The timeliness of this information is particularly important since many businesses (of all sizes) will be forced to make decisions about their opening, re-opening, closure, or relocation whether or not they know all the facts about what trajectory the community recovery is headed. EDOs play a pivotal role in advocating for the needs of businesses and relaying pertinent information about resources, restoration timetables, and recovery plans. It is far better for a business to make their decision (regardless of the outcome) having all the facts about what is going on around them than to stay without it.

From a well-established network in a BRE program, economic development professionals have the knowledge of local business needs to provide the most appropriate suggestions of private and public resources – either at the local, state and federal level. When a disaster hits, those organizations with existing relationships can facilitate better communication with impacted businesses and elicit trust that the organization will deliver on pointing them in the right direction for recovery resources.

BRE: Disaster Preparedness & Resiliency

Using a BRE program to build capacity for pre-disaster preparedness and post-disaster recovery can be an effective and flexible way to build the EDOs capacity to be relevant post disaster. The BRE program can be effective in several ways, depending on the needs and capacity of the community. The Disaster Preparedness chapter of this toolkit (chapter III) presents many ways in which an EDO can engage the local business community in disaster preparation. These strategies enhance the community's capacity for recovery, build off



the business network of the BRE program, and strengthen the EDO's BRE program. These types of activities that the EDO will want to consider are to:

- Encourage businesses to develop business continuity plans with measures such as providing business continuity and risk management workshops to small and midsize firms;
- Build an economic response/recovery team from a core team of engaged business leaders, and anticipate and strategize what needs might arise from a disaster event;
- Establish a business recovery fund, so there is an existing vehicle for channeling donations or assistance for business recovery.

Please refer to the Disaster Preparedness chapter of this toolkit for more detail and a full list of strategic activities to engage the business community in disaster preparedness.

Included below is a short list of some of the concepts and targets the BRE program can be effective for pre- and post-disaster.

Pre-Disaster

- Promoting business continuity planning
- Promoting hazard mitigation investments
- Encouraging business self-assessments for insurance liabilities
- Establish post-disaster recovery plans for mobilizing business community leaders
- Establishing plans and procedures for establishing business recovery centers
- Establishing the integration of business assistance resources from multiple providers
- Establishes a spatial data collection and analytic capability to capture business establishment data
- Establish plans with local utilities and emergency management authorities to facilitate the prioritization of utilities and access credentialing
- Ensure the continuity and availability of the EDO and BRE program resources after an incident

Post-Disaster

- Deploy business recovery centers (brick-and-mortar or virtual)
- Integrate multiple resource providers with traditional and alternative sources of capital
- Use spatial data to prioritize business outreach efforts
- Facilitate problem-solving for business-level recovery challenges (case management)
- Conduct post-incident impact assessment (through surveys, listening sessions, etc)
- Utilize BRE database to drive regular communication to and from business community
- Convene topically-focused workshops for area businesses related to common post-incident recovery issues

Collect Critical Emergency Contact Info from Local Businesses

When a major disaster strikes, communication channels are commonly disrupted at a time when the community needs them most. EDOs should prepare to have several different ways of contacting local businesses. Disasters can knock out electricity, which means that internet and email are inaccessible. Cell phones can also be down for a period of time, but text functions may still work in an emergency situation. Therefore, EDOs should make sure



to collect the cell phone numbers of key executives in the business community ahead of time. Collecting this information can be built into regular BRE visits by the EDO's outreach team, but be aware that this information can be considered confidential, and some companies can be reluctant to share it. Building strong relationships with businesses can facilitate sharing this confidential information.

Another way of collecting information is through an online registration system. Businesses can register online and provide basic company information and alternative contacts prior to a disaster. If the area is hit by a disaster, this information allows economic developers to contact local businesses, identify the impacts of the disaster, and determine the business community's most immediate needs. Online registration systems can also be streamlined with existing BRE software programs.

Establish Remote Server to Back up BRE Database

As part of the organization's business continuity plan, an EDO should plan for a backup office location to use in the case of an emergency as well as remote data backup for its computer network. If a BRE database is only stored at the office, the EDO may lose the ability to access emergency contact information, or they may even lose the data permanently depending on damage to their facility. More and more businesses and public agencies are backing up data in remote locations, and EDOs should do so as well. Another option is to host the BRE database in a cloud server, thus making it available from any computer with access to the internet.

Establish a Tiered System of Business Reentry

In the cases where a residents and businesses have been evacuated due to a major event, creating a tiered system for business reentry is a critical step for ensuring that your existing businesses can get access to their facility in an expedient manner so they can resolve business issues relating to the disaster. This activity is a critical step for the retention of businesses within your community.



Source: FEMA

A tiered reentry system allows a designated person within a business to get immediate or early access to the facility in order to mitigate damages caused by the event, further protect equipment or inventory, and/or to retrieve critical business systems. These efforts can help ensure that the local business is able to weather the storm and recover from a major event. Before the community comes back to the disaster-impacted area, businesses that provide basic necessities such as gas stations and grocers also need early access to the community before residents start coming back to the area.

For additional information on establishing a tiered reentry system that takes into account business and industry needs, see the Disaster Preparedness chapter within this toolkit.



Convene Local Banks to Establish a Bank Consortium

Post-disaster lending is critical in helping to retain local businesses and encourage them to rebuild following a major event. As discussed in this toolkit, federal sources of lending can take time to reach impacted businesses while private financing can be flexible and move with speed to meet local needs. It is in the best interest of the banking community to assist business and industry with access to capital in order to get the local economy back up and running.

One solution to consider is the creation of a bank consortium whereby private lenders pool financial resources together into one fund balance and discuss flexible and affordable terms for impacted businesses. The bank consortium seeks to discuss disaster loan terms in advance of a catastrophe instead of the chaotic environment following an event. As a preparedness measure, economic development professionals are encouraged to convene banking leaders to discuss the possibility of creating a banking consortium. For more details on creating this type of consortium, see the Small Business Assistance chapter.

The Importance of Engaging Banks in Planning Efforts

Economic development professionals must include financial institutions in the planning process and implementation, if they are to be partners in recovery. After a disaster, financial institutions may be concerned that investments they make will not be recoverable. Including them in the planning process ensures that they are aware of the steps being taken to help get the economy on track.

Prepare Media Messages and Communication Channels

A breakdown in communication is one of the most difficult barriers to overcome for the business community after a disaster. In this environment, rumors and bad information spread quickly and hamper the post-disaster recovery process. Telecommunication and power outages may be widespread, or there simply may be confusion regarding the status of recovery efforts and where to access help.

Economic development organizations can devise a communications strategy ahead of time to anticipate these problems. EDOs should update their staff contact information and identify a system for communicating with staff after a disaster as part of their business continuity planning effort. They should also collect emergency contact information for local businesses such as cell phone information (as aforementioned). Finally, they should be concerned about the perception of their community after a disaster by what the local, regional, and national media communicates to their audience. EDOs and chambers can craft a press release in advance to be used and updated in the case of a major incident.

Increasingly, economic development professionals in areas impacted by disasters point to the essential role that social media has played in their communication strategies. In the immediate aftermath of a disaster, Facebook and Twitter can disseminate information to constituents, and as the recovery stages set in, these channels can be used to communicate with national and international audiences. Furthermore, when mobile phones' calling features do not work due to downed towers, there is still a possibility that smart phones will be able to access



the internet. For further details on preparing effective media communication, see the Crisis Communications chapter.

Strategies for Retaining Businesses after a Disaster

Even if an EDO has engaged in pre-disaster planning activities, a disaster creates a chaotic environment. Many businesses and very possibly the economic development organizations are unable to immediately access their offices, the extent of damages is as yet unknown, and suppliers and customers are holding or looking for shipments that cannot access warehouses and stores. The workforce cannot get to work, may have damage to their homes, and may soon start to have concerns about lack of a paycheck. Businesses will be trying to assess damage, determine insurance coverage and processes, find bridge financing to cover loss of production, and determine their options for getting back into business. The needs are great, and resources stretched in every direction.

The economic development organization has the resources and knowledge for effective business recovery and retention. After a disaster, EDOs must quickly locate recovery information, financial, technical assistance, and planning resources, and determine the best method to deliver its services to businesses. Clear and organized support from the economic development organizations will most quickly return stability to the business community in the aftermath of a disaster. Key services for business recovery and retention are to:

- Establish a Business Recovery Center, a central location for business recovery information and support;
- Provide services for case management;
- Communicate and reach out: both gather and disseminate information for the business community;
- Survey businesses immediately to start essential tracking of damage and recovery efforts;
- Deliver business recovery workshops;
- Provide short-term and long-term financial services; and
- Ensure targeted and appropriate incentives for the local business community.

A disaster-impacted community will also need to develop a long-term vision for how it will rebuild its economy. The community will require extra care to recover from the losses and to address long-term resiliency. It takes time, leadership, and resources – all of which will be in short supply – to develop an economic recovery plan with buy-in from community stakeholders. Yet, a post-disaster strategic plan provides the opportunity to reevaluate economic objectives in light of vulnerabilities and establish strategies and action steps to make progress toward long-term recovery.

Establish a Business Recovery Center

Within the first couple of weeks after a disaster, a community should establish a business recovery center to meet pressing needs in the business community. A business recovery center (BRC) is a one-stop shop set up to provide local, state, and federal resources to businesses after a catastrophic event. The BRC can also carry out a number of communication and outreach strategies. Because the center's services are tailored to address business needs, it is typically established separately from FEMA's disaster recovery centers to avoid confusing



individuals who need social services. It is important to tailor the services and service delivery of the center to be most applicable and relevant to the community. For example, for some communities establishing a physical place business owners or managers go to for assistance works quite well. For other communities (especially those with a downtown corridor or with several pockets of development,) a mobile center is the best answer. With a mobile center a trained business counselor essentially works door to door meeting the businesses “where they’re at” to discuss their needs and has with them the technological resources to connect them with the needed assistance.

An EDO often takes responsibility for establishing the center and engages the participation of community stakeholders. Most disaster-impacted communities should have the BRC up and running shortly after the immediate lifesaving and life sustaining activities are completed. . See the Small Business Assistance chapter for more details on how to establish a business recovery center.

Deliver Retention Services through a Case Management Approach

A case management approach to business assistance involves providing individual business assistance to impacted businesses. The case management effort has been particularly effective in connecting with small and midsize businesses. Skilled staff can assist with navigating permitting needs, sorting out the myriad of operational challenges, and access to financial assistance.

The economic development organization may find it cost-effective to deliver case management at its business recovery center. Some economic development organizations reassign staff from their small business development center (SBDC) to the case management effort. Generally an EDO offers some sort of business development service, whether from the Service Corps of Retired Executives (SCORE) or another outreach agency. These professionals are excellent case managers as they are skilled in business planning and can help navigate a business back into operation while strategizing for long-term viability. Case managers also often talk about how their visit and continued assistance creates an impact simply by making businesses “feel like someone cares.” See the Small Business Assistance chapter for more details on the case management approach.

The case management approach provides the economic development organization with valuable insights that may guide and support their advocacy on behalf of the business community.

Communication and Outreach

Communication is often challenging in a post-disaster environment. To bolster that effort, EDOs play two important roles in communicating with businesses in a post-disaster situation; as a relay and a transmitter. The first is listening to businesses to understand their needs. The listening part is critical to understand the issues faced by the business community (and those that might serve as barriers in the recovery process). It also provides the EDO with a primary source of information to then relay the business community needs to local, regional, state, and federal officials. This insight can be key in determining the kinds of business support that is allocated post disaster. The second role is quickly disseminating relevant information to businesses regarding available resources and service providers who can help. In a post-disaster environment, communication to



businesses should be frequent, consistent, and provide meaningful and actionable information to help businesses and other economic recovery stakeholders to rebuild.

Step 1: Establish a Business Recovery Hotline

Establish a hotline number that business owners can call to get information about the center and its services. Make sure everyone working with the BRC knows the hotline number and that everyone answering the hotline knows what the local, state, and federal government can and cannot do. Businesses will need access to critical information for their own recovery, such as when utility services will be restored. In addition, they will need to know the city's inspection and rebuilding requirements, a list of local- and/or state-licensed contractors, how to select and pay a contractor, how to work with insurance companies, and more. Businesses, particularly small businesses, also need information on how to navigate local, state, and federal government assistance programs such as those of the U.S. Small Business Administration.

Step 2: Develop Online Web Portal

The EDO should establish an online web portal to facilitate communication between local government, recovery agencies, and businesses. A web portal can be a critical source of recovery information for businesses in addition to a business recovery hotline. The website can also allow displaced businesses to provide updated contact information.

Step 3: Establish an Outreach Campaign for Priority Businesses

An outreach campaign is an important effort for assessing the recovery needs of the business community, connecting businesses with resources, and engaging in major business retention efforts for identified at-risk businesses. Having reliable executive cell phone numbers and other backup contact information is critical. Depending on the type of disaster, economic recovery stakeholders may want to consider reaching out first to businesses that are critical economic anchors in the community and businesses that provide essential services in the local community (such as gas stations and grocery stores).

Following the flood in 2008, the Cedar Rapids regional economic development organization, Priority One, instituted a three-tiered business call program to contact the region's major employers. The three tiers represented different levels of impact that local businesses experience, including: those directly impacted, those indirectly affected, and those whose suppliers or customers were affected. See case below for more details. After Hurricane Gustav, Louisiana Economic Development called the top 1,000 employers in the state in order to learn how they could assist major employers and help mitigate potential job losses.

As businesses express their recovery needs during an outreach campaign, an EDO should advocate for quick response from the city to expedite utility services, reentry, and other issues. For example, Priority One staffers served as a liaison between businesses and the city to expedite the city's emergency personnel response.



Survey Local Businesses

The economic development organization should survey local businesses as soon as reasonably possible after the disaster to gain baseline information for tracking the disaster's impact. Gathering this information should be subsidiary to providing timely and real support services in the immediate aftermath of the disaster shock. Supplemental congressional funds and additional federal agency resources may be supplied to a region if the community can demonstrate significant business damage. In many cases, devastated communities are unable to provide the federal government with reliable data on business impact. Surveys can also help in assessing businesses resource needs such as access to capital and technical assistance.

The EDO should work with its partners to disseminate an outreach survey for local business owners to complete in order to gather intelligence. The method of communication will depend on which communication lines are most reliable and may include direct mail, telephone (landline and cell), website, email, town hall meetings, conferences or workshops, surveying at the business resource center, local media, or door-to-door canvassing.

Survey Resources

There are several resources for developing such a survey:

- Executive Pulse created a survey for pre- and post-disaster assessment of businesses in the community. (Available in the [Resources Appendix 9](#))
- Synchronist created an emergency response form in cooperation with Louisiana Department of Development's BRE group and later made it free to any existing user on the Synchronist system. (Available in the [Resources Appendix 10.](#))
- The University of Wisconsin compiled a survey to assess the impacts of the 2008 floods in Milwaukee on area businesses (Available in the [Resources Appendix 11](#))

Going Beyond the Survey - Focus Groups, Personal Visits and Other Methods

While information gathering is a key component of any BRE efforts, surveys, focus groups, and business outreach must be used judiciously after a disaster strikes. Distributing surveys to distraught business owners in the wake of a disaster can come across as callous. Laith Wardi, President of ExecutivePulse, a BRE software company, explains that there needs to be multiple open doors to care for, assist, and gather information in the wake of a disaster. He explains that, in many cases, surveying may not be the best way to understand the situation and provide assistance.¹⁹

After a disaster, it may be more appropriate to meet with business owners face to face. When conducting visits to businesses after a disaster, owners and employees can be in an emotional state. Dale Wheeldon, President and CEO of the Economic Development Association of British Columbia, who assisted businesses following the 2013 floods in Greater Calgary explains that he prefers using the tactic of personal business visits and focus groups. He suggests that economic development officials listen with compassion, and emphasizes the importance of "listening and then acting".²⁰ Interviewers can keep in mind questions they would like answered,

¹⁹ Wardi, L. (April 16, 2014). Personal communication.

²⁰ Wheeldon, D. (April 16, 2014). Personal communication.



and take notes to be entered into a database, but after a disaster, short business visits can become emotional. Bringing in crisis counselors and financial planners can be a helpful resource.

He also advocates for interviewers to work in teams. After a disaster, business owners may be frustrated and angry with local leaders and staff. Conversely, they may be experiencing emotional events such as injury or loss of an employee or family. Working in teams can help interviewees to bear the emotional burden, and process their experiences.

Another method of information collection that Wheeldon suggests is convening larger groups, a tactic that typically results in more focused and strategic discussions than the business visits. These groups are able to discuss the immediate issues and challenges, and start planning for preparedness in the future. Additionally, the larger groups boost morale, as people do not feel as alone, and can share their experiences with others who had been similarly impacted.

Case Study: Business Retention Efforts in Cedar Rapids Flooding

In 2008, Cedar Rapids, Iowa experienced the worst flood in its history. Flood waters rose for over a month, spanned over ten miles of the city, and covered downtown businesses and public buildings. Although the local media tried to provide updates on response efforts, the information did not come quickly enough or include what was critical to businesses. Priority One, the region's economic development organization, saw this gap and immediately launched a communication effort targeting the business community. They began by collecting cell phone numbers of the affected businesses, and they contacted businesses according to three tiers of priority:

- First Tier: Businesses that sustained physical damage from the flood.
- Second Tier: Businesses that sustained economic damages.
- Third Tier: Suppliers and vendors to first- and second-tier businesses.

Priority One's five staffers had existing relationships with businesses and quickly became advocates on their behalf. They requested updates from firefighters and building inspectors on the status of facilities and were able to keep businesses informed of the progress. They also connected with the chamber of commerce representative in the Emergency Operations Center (EOC) and made sure emergency response information flowed to businesses as well. Priority One's intermediary role meant it not only delivered information from city officials to businesses, but it also pushed for faster response from the city's inspection and cleanup crews.

A few years after the disaster, Priority One reflected on a few key lessons learned. First, communication channels are chaotic in the wake of a disaster. The most reliable communication is by cell phone. In fact, it



will usually take several days for communication channels to come back to normal. Second, economic development organizations need to connect with critical response personnel like the Emergency Operations Center staff, utilities, law enforcement, public and private cleanup crews, and so forth, to deliver the most value to businesses. Third, EDOs should pursue media channels – television, radio, newspaper, and media websites – to make sure they include information relevant to businesses. Although recovery is costly and slow, having a strong communications plan can make the difference for a business impacted by disaster.

A full case study is available in the [Case Study Appendix 3](#).

Deliver Business Recovery Workshops

An EDO can hold workshops to address both common and unique recovery issues to local businesses. Workshop speakers should include representatives from local, state, and federal agencies and organizations such as the SBA, IRS, USDA (Rural Business Program), SBDC, SCORE, the local permitting office, and other local professional service advisers such as tax preparers and lawyers. These representatives should be invited to make presentations and answer questions from impacted businesses. It is also important to engage other economic recovery partners (other EDOs, business districts, chambers of commerce and municipalities) in order to create a more extensive network of resources and marketing channels.

The workshops can be implemented on a relatively small budget and can serve local businesses on a local or regional basis. Local government facilities can serve as meeting space, and EDOs and their partners can advertise through existing communication channels. In the Bay Area of Greater Houston, the regional economic development organization, Bay Area Houston, conducted a business recovery workshop shortly after Hurricane Ike (2008). They partnered with eight of the local governments in their jurisdiction to market to local businesses throughout the region. Police walked door-to-door to businesses with flyers advertising the workshops. The workshops were well received and well attended by impacted businesses seeking recovery assistance.

More information and examples of workshops can be seen in Chapter IV Small Business Assistance

Providing Financial Services in Short- and Long-term

Small businesses are often more financially vulnerable than large businesses in the wake of a disaster. Small businesses typically lack the significant resources and business continuity plans that large businesses can draw upon to continue their operations and remain financially viable. Thus, EDOs and chambers need to provide additional assistance to small businesses, particularly in terms of capital and technical assistance needs.

After a disaster, small businesses may face the need for working capital to meet payroll, replace damaged inventory and equipment, and fund other operational costs. These funds are crucial to provide within the first month in order to get the business back up and running. As long-term recovery sets in, a small or medium-sized business may have to adjust to a changed local or regional market, and thus may need to reorient its product or



service, train its workforce with new skills, find new customers, and seek out new vendors. Thus, short- and long-term financing mechanisms need to adapt to the specific, timely needs of businesses.

Short – term / Gap Financing

There is much that EDOs can do to help their small and medium-sized businesses secure financing and technical assistance. Traditional loans are considered risky for small businesses in the immediate aftermath of a disaster. In the short term, small businesses need access to gap or bridge financing with low interest and flexible terms. This gap financing provides businesses with working capital until they can secure funds from other sources, such as insurance claims and other long-term financing sources. These funds are typically made in smaller amounts than long-term financing – often ranging from \$5,000 to \$25,000 for small businesses.

Establishing a Bridge Loan Program

A bridge loan program provides working capital to businesses after a disaster but before the business is able to secure funds from other sources such as SBA disaster loans, insurance claims, renewed profits, or other sources. A bridge loan is typically paid back soon after the businesses has received other sources of funding. For example, the Florida Small Business Emergency Bridge Loan Program is activated by the Governor of Florida only in case of a disaster. Loans are made interest-free, and range from \$1,000 to \$25,000, but they must be repaid within 12 months. The program was established in 1992 after Hurricane Andrew, and it has been activated 12 times since. To date, the program has made over \$27 million in total loans to 950 small businesses.

Establishing a Business Grant Program

For particularly devastated businesses, a grant or forgivable loan can help speed recovery when a business is uncertain about incurring more debt. Funding for this program typically comes from local and/or state resources. For example, the State of Iowa created the Jumpstart Iowa Small Business Assistance Program to provide short-term financing to small businesses before an anticipated \$85 million CDBG grant was scheduled to be disbursed. The Jumpstart program was financed through \$20 million from the State of Iowa, and it makes forgivable loans up to \$55,000 per business. The loans are forgiven if a business reopens its doors within 12 months of receiving the loan. The requirement that businesses have already obtained a disaster loan from the SBA, or another federal- or state-chartered financial institution, ensures that grants only go to viable businesses.



Case Study: Louisiana Revolving Capital Fund

The Jefferson Parish Economic Development Commission (JEDCO) in Jefferson Parish, LA, established the Louisiana Revolving Capital Fund (LRCF) using leftover funds from the Louisiana Small Business Grant and Loan Program implemented after Hurricane Katrina. LRCF provided loans of a minimum of \$25,000 to help businesses purchase land, buildings, equipment, working capital, or inventory. JEDCO applied for additional funds from both EDA and HUD's CDBG Disaster Assistance program for a revolving loan fund (RLF), which distributed approximately \$50 million in loans to hundreds of small businesses after Hurricane Katrina.

Grand Forks, ND also established a revolving loan fund for local businesses after the 1997 flood by using CDBG Disaster Recovery funds.

Long-term Financing

Long-term financing helps businesses rebuild property, purchase equipment and inventory, and reorient their business around new markets (if needed). Both private and public sources of financing can be made available to impacted businesses following a major disaster. Local, state, and federal sources can be pooled to create a long-term financing program. The program can be managed by a local EDO, chamber of commerce, bank, or CDFI to ensure that the program has the capacity to continue long-term and meets local business recovery needs as they evolve.

Establish or Repurpose an Existing Revolving Loan Fund

Revolving loan funds (RLF) are well-structured to provide long-term financing since the repayment of old loans are used to finance new loans. RLFs can be established using federal funds (such as EDA and HUD's CDBG program), local /state funds, a foundation or the private sector. In establishing an RLF, the EDO should not seek to replace private financial sources, but should serve businesses that cannot access traditional sources of financing.

When using federal funding sources, economic development professionals should have a clear understanding of the requirements of, and waivers for, various federal programs, as they will need to mitigate conflicts between these requirements when assembling such funding packages. They also need to understand and address Duplication of Benefits (DOB) issues. DOB prohibits federal funds from different programs to be used for the same purpose.

Repurposing an existing RLF can be an efficient way for the EDO to serve the disaster-impacted community. Established program criteria may be modified to meet the new needs, and staff can use existing program applications and processes. The EDO should consult with the funding agency for the RLF to determine its options for repurposing for disaster recovery business support.



Other Financing Sources

EDOs should reach out to a variety of lending sources to identify funding gaps as well as help to educate local businesses on the various sources of funding available to their business. This includes outreach to local banks, credit unions, community development financial institutions (CDFIs), alternative lenders, foundations, and other private organizations.

For more details on financing resources for small to mid-sized businesses, visit the Small Business Assistance chapter in this toolkit.

Effective Use of Incentives

Incentives can also be used in times of disaster to provide a boost to the most viable businesses. Typically, incentives are focused on reducing the cost of doing business, increasing the flow of capital for business recovery and growth, persuading businesses to reinvest, and prompting real estate investors to further invest in impacted areas. Local and state tax incentives related to property, equipment or investment can also be used as financing mechanisms to reduce the chance of firms relocating or closing permanently.

There are many types of incentives serving different purposes. EDOs should develop a strategy to ensure the right mix of incentives is available. EDOs can examine how other communities and states have developed or advocated for incentives to encourage redevelopment and reinvestment in disaster-impacted areas. In some jurisdictions, incentives are not an option, so more focus should be paid to private financing means, if possible.

State Incentives

After a disaster, the most vital incentives are the ones that help businesses renovate and upgrade facilities and equipment, retool for new markets, train employees with needed skills, and conduct other recovery activities. Most of the time, existing incentives can serve these functions, but new incentives can also be created to serve long-term recovery efforts. The most relevant types of incentives for post-disaster BRE include:

- **Property Improvement/Restoration Incentives:** These can be used to defer property taxes on renovations and improvements to facilities.
- **Equipment/Machinery Incentives:** This includes exemptions on property, sales, usage, franchise, or state income taxes on new building materials, machinery, and equipment.
- **Retention/Reinvestment Incentives:** These are based on saving jobs and investments of a company that may be in danger of closing.

Federal Incentives

There is a precedent for federal government action that addresses major recovery needs, such as the tax-free bonding that was implemented in New York City after September 11th and the federal tax incentives available in designated Gulf Opportunity Zone (GO Zone) communities after Hurricane Katrina.



- **GO Zone Bonds:** Gulf Opportunity (GO) Zone bonds were passed after Hurricane Katrina in 2005 to encourage reinvestment in Louisiana, Alabama, and Mississippi. GO Zone bonds are tax-exempt bonds that essentially serve as a low-interest loan for businesses that issue them. Businesses could also receive tax incentives for redeveloping property in the zone area.
- **September 11 Bonds:** After September 11, Congress provided tax-free bonding authority to New York for the rebuilding of the destroyed area. Half of the bonds were allocated by the state's governor and half by the mayor of New York City. This enabled local and state government agencies to raise more capital to fund infrastructure projects.

It is important to note, however, that these incentives (and others like it in the future) would require specific Congressional actions to be utilized for future disasters.

Summary

This chapter has outlined some of the resources, strategies and steps an EDO can take to protect and help restore its business community in the unfortunate event of a disaster. Whether reaching out to businesses, communicating with city officials, or advocating with federal agencies, the many roles an EDO serves require it to be fully engaged both before and after a disaster. Although not all impacts of a disaster can be mitigated, EDOs have proven time and again that their actions can make the difference for local businesses and push the community toward a faster recovery.

Additional Helpful Resources and Examples

Below is a list of resources and links where you can access more details and information on the topic:

Open for Business (<https://www.disastersafety.org/open-for-business/>) is a business continuity planning guide published by the Institute for Business and Home Safety.

Ready Business (www.ready.gov/business) was created to educate individuals, small businesses, and interested parties on business preparedness.

Prepare My Business (www.preparemybusiness.org) is an SBA website that provides small business resources for disaster and business continuity planning.

FEMA PS-Prep (<http://www.fema.gov/privatesector/preparedness>) is being launched by the U.S. Department of Homeland Security as a voluntary private-sector preparedness accreditation and certification program.

The Association of Business Contingency (www.acp-international.com) is the national association for business continuity professionals.

Preparing Your Small Business for a Disaster (www.bomasf.org/pdf/news/smallbizdisaster.pdf) is a resource that lists effective emergency planning activities and a list of resources.



Sungard Knowledge Center (www.sungardas.com/knowledgecenter) has free resources on continuity planning, cloud computing, and data management.

New York University's International Center for Enterprise Preparedness White Paper

(<http://www.nyu.edu/intercep/Insurance%20Incentives%20for%20Corporate%20Preparedness%2017%20Oct%2006.pdf>) is on business preparedness and insurance incentives.

The Preparing Businesses for a Pandemic course (www.eden.lsu.edu/EDENCourses/Pandemic) will assist small- and medium-sized businesses in surviving a potential pandemic.

The Florida Business Disaster Survival Kit

(<http://www.putnamcountychamber.com/docputnam/Business/FLA%20Business%20Disaster%20Survival%20Kit.pdf>) by the Tampa Bay Regional Planning Commission assists local businesses in business continuity planning, hazards analysis and response, and preparedness resources.

Community Resilience and Rapid Recovery of the Business Sector (<http://labrr.org/assets/docs/147.pdf>), by the Charleston Metro Chamber of Commerce, provides practical ideas for how business stakeholders should play a more active role in disaster recovery planning.

The State of Florida's Business Disaster Planning website (www.floridadisaster.org/business) will better prepare a business for future disasters by assisting them in creating a Business Disaster Plan.