



# Chapter IV: Small Business Assistance Chapter

## Overview

Small businesses are often more financially vulnerable than large businesses in the wake of a disaster. Large businesses have significant resources, and business continuity plans to draw on to continue their operations and remain financially viable, while small businesses typically lack these resources. According to the Institute of Business and Home Safety (IBHS), approximately 25 percent of small businesses do not reopen after a major disaster.<sup>14</sup> This rate increases over time as the impacts of a disaster are not always immediately felt.

Yet, small businesses are often the backbone of a local economy, employing nearly 68 million workers, which is approximately half of all private-sector jobs in the country<sup>15</sup>. These small businesses provide essential items such as groceries, gas, childcare, and health services in the local community. Often the culture, character, and “spirit” of the town is wrapped up in the small business community where local treasures become known as multi-generation institutions. Given their importance to the local economy and the social fabric of the community, EDOs need to invest in bolstering efforts that ensure small businesses are connected to the capital and technical assistance resources available.

In a recent survey of Sandy-impacted businesses within the Rockaway Peninsula in the Borough of Queens, 300 businesses were contacted to discuss their recovery needs<sup>16</sup>. The most frequently stated issue for all surveyed businesses was the need for financial assistance to repair and rebuild their livelihoods. Of those surveyed, Hurricane Sandy had forced 90 percent of all businesses to close immediately, and almost 60 percent of those had remained closed for at least four months after the storm. Another consistent issue identified by the impacted businesses who were interviewed was their reluctance or inability to take on post-disaster rebuilding loans. This reluctance was driven by either existing indebtedness or significant doubts in their ability to recapture a lost customer base. This issue presents a significant challenge for many business assistance programs, especially federal ones, since the predominant form of post-disaster *financial* assistance only comes in the form of low-interest, deferred interest, or no-interest loans.

<sup>14</sup> OPEN for business (2007) [Brochure]. Tampa, FL: Institute of Business and Home Safety., available at <https://www.disastersafety.org/wp-content/uploads/open-for-business-english.pdf>

<sup>15</sup> U.S. Small Business Administration (2009). *The Small Business Economy: A Report to the President* [Report]. Retrieved from [www.sba.gov/advo/research/sb\\_econ2009.pdf](http://www.sba.gov/advo/research/sb_econ2009.pdf)

<sup>16</sup> American Planning Association New York Metro Chapter (May, 2013). *Getting Back to Business: Addressing the Needs of Rockaway Businesses Impacted by Superstorm Sandy* [Technical Assistance Report]. Available at <http://www.nyplanning.org/docs/APA-NYM%20Business%20Recovery%20Report%20to%20RDRC.pdf>

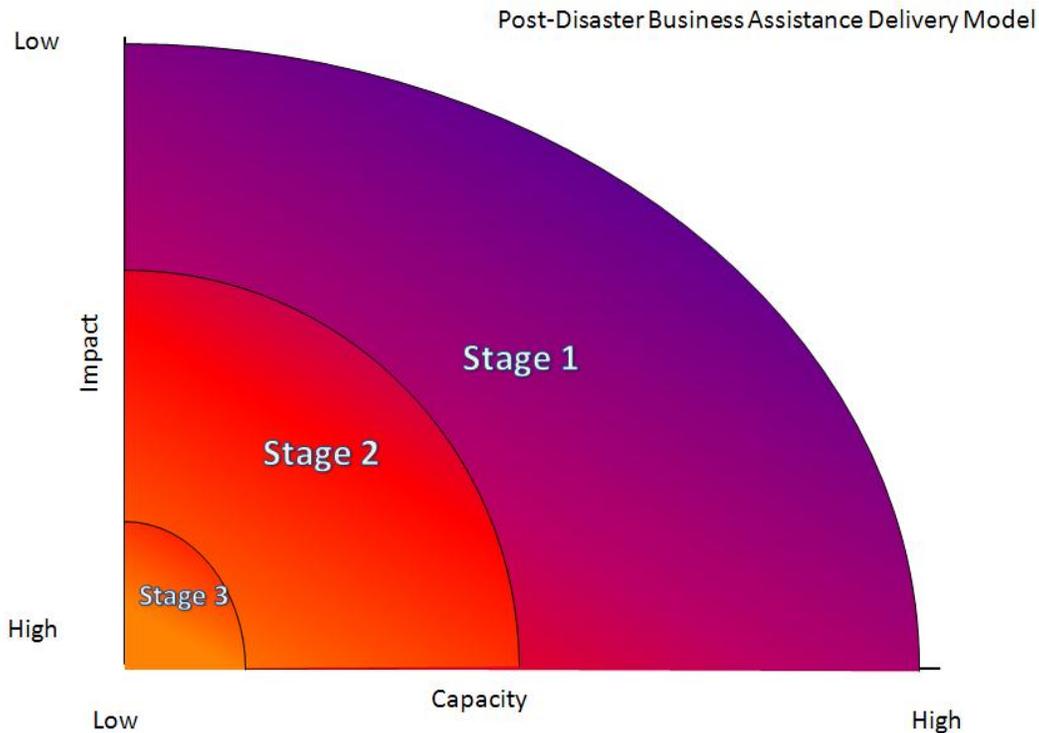


Other issues these small businesses cited included challenges working with their landlords around covering renovation and rebuilding costs, not receiving timely insurance payments for damages or being underinsured (many businesses didn't have flood insurance), language barriers that prevented an understanding of available recovery resources, and a lack of insurance on business interruption and property/inventory damage. Additional issues raised include a concern about the persistence of mold in buildings and non-working streetlights, as well as a negative perception of the area. Often false or exaggerated negative perceptions are cited as the most significant factor impacting businesses after a major disaster. Perception issues can contribute to keeping visitors, customers, or residents away from areas that are thought of broadly as "disaster areas." The irony with this phenomenon, especially for the businesses largely untouched by a disaster, is that the one thing they often *need* the most after an incident are deliberate efforts to increase customers not the opposite.

In this chapter, we discuss the measures and strategies EDOs can implement to be responsive to the small business needs in their community. Most of these strategies center around the core principle, observed in countless instances in the US that there is no "one-size-fits-all" solution for each business. Instead, an adaptive approach that can provide a range of assistance for those most impacted to the least impacted, better connect businesses with alternative forms of capital, and provide technical assistance to address business-specific issues being mindful of the scarcity of the owner/manager's time and capacity.

## Implementing an Effective Post-Disaster Business Assistance Model

A layered approach to providing post-disaster business assistance is necessary to "cast a wide net" and conserve limited resources for the acutest needs. Figure 1 below outlines the model. Included below are overall concepts of resources and techniques that can be applied and customized to reach the needs of the inevitably wide range of business recovery requirements. The sections that follow go into greater detail about the mechanics, process, and resourcing methods for these options.



### Stage 1 Assistance (Passive)

Stage 1 Assistance is characterized by those resources widely available across a large geography (i.e., multiple regions). While labeled “passive”, it is anything but in terms of level of effort. This layer of assistance prioritizes the promotion and integration of existing resources for a wide audience. The best approach tends to be one that is available on an integrated public website that allows the user to self-eliminate non-applicable resource options to narrow the list to those resources most relevant. Additionally, depending on the program (such as SBA Disaster Loans), those agencies establish extensive field presence to disseminate the assistance in the disaster-impacted area. Some examples of the types of assistance include:

- Federal Financial Assistance
  - SBA Disaster Loans
  - CDBG Disaster
  - “Steady-state” Loan Funds (e.g., EDA Revolving Loan Funds, USDA Business and Industry Loans, SBA guaranteed loans, CDFI Lenders, etc.).
- Best practice Information - (e.g., business continuity planning guides, insurance guides)
- Information Resources - (e.g., IRS tax record retrieval, information about federal, state, local, private/non-profit resources)

### Stage 2 Assistance (Regional)

Stage 2 Assistance is characterized by resources often focused regionally to support businesses and business associations (to create a multiplier effect). Some examples of the types of assistance include:

- Access to Capital Events – multi-jurisdictional, multi-organizational events intended to integrate many resource partners into a single venue/event to enable local and regional stakeholders access to what



resources exist. Resource partners often include (but aren't limited to) Department of Commerce, Small Business Administration, US Department of Agriculture, Federal Deposit Insurance Corporation, Federal Reserve Bank, State economic development agencies, Community Development Financial Institutions, community banks, Chambers of Commerce, Small Business Development Centers, etc.

- Peer-to-Peer Events – often occur along industry lines, where industry leaders with disaster recovery experience present lessons learned and facilitate recovery planning efforts with their counterparts in the impacted area.
- Business Assistance and Risk Management Presentations – are targeted outreach efforts to provide business assistance and risk management information at existing business association meetings. These presentations are intended to leverage existing meetings and complement a wide range of meetings and agendas.

### Stage 3 Assistance (Active)

Stage 3 Assistance is characterized by direct, targeted technical and financial resource assistance for impacted businesses. Some examples of the types of assistance include:

- Business Disaster Case Management – a focused effort, often led by a SBDC or Chamber, that provides direct business counseling to impacted businesses to assist them in completing loan applications, retrieving vital records, and re-designing business plans. This effort has been employed through local centers and “virtually” through mobile business counselors. The impact and local culture will dictate the best model for an impacted community.
- Business Disaster Help Desk – a resource made available to businesses to call to receive direct assistance for specific issues/questions. The help desk employs many of the same resources available through business disaster case management but lacks the ability to conduct follow-up activities. The effort relies heavily on well-informed referral networks and is typically resourced at the State or NGO-level.

## Establishing a Business Recovery One-Stop Center for Business Assistance

Immediately following a major disaster, a business recovery one-stop center should be established to meet the pressing needs of local businesses, particularly when a large number have been affected. These centers should be set up to provide an integration of local, state, and federal resources available to businesses – often small and medium-sized firms - after an incident to help them recover. They serve an important role in assisting impacted businesses with critical recovery information and resources, such as financial and business counseling services and information on utility restoration. They are often guided by trained business counselors who have the information or dedicated commitments from a broad suite of assistance resources.

As noted by numerous economic recovery practitioners, one of the first objectives following a disaster is to help impacted businesses return to operations as soon as appropriate<sup>17</sup>. This is particularly important for small businesses that often lack capital reserves and resources to weather lengthy business disruption. Business

<sup>17</sup> Consideration needs to be made of the changes to the local market each business is targeting. A premature push to reopening for some could spell an untimely end for many firms. For example, a small retail shop (a flower shop or diner) located in a central business district that was largely destroyed will likely be unable to attract customers. After all, most people aren't drawn to patronize businesses amongst rubble and debris piles.



retention efforts should be high on the priority list for all economic development organizations, chambers of commerce, business improvement districts, business councils, trade associations, SBDCs, and other organizations providing support services to the local business community. The business recovery one-stop also serves as an important post-disaster focal point for these multitude of economic recovery stakeholders to integrate their business assistance services in a single vehicle to avoid duplication of effort and conflicting or confusing guidance to area businesses.

The one-stop can also serve to facilitate the flow of critical restoration communication as these staff are typically informed with up-to-date information on disaster response and recovery information and/or have a staff member that is connected with the community's Emergency Operations Center (EOC) to get access to this information. They also are directly communicating with the business community and can facilitate the exchange of information back to government officials. See the Crisis Communications chapter for more information on communication and outreach strategies. More advanced efforts to implement the one-stop center concept include initiatives that seek to establish *pre-disaster* capabilities that integrate business assistance resources during "peace time." The value with this effort is that it builds a day-to-day familiarity and trust between the business community and the EDO (often through the business retention and expansion program). That familiarity and trust can be powerful influences to enable more businesses to take advantage of the available resources and establish mechanisms to improve upward and downward communication.

The one-stop center design *must* be responsive to the needs of the business community. For this reason, EDOs need to build a clear understanding of what approach will be most effective. For example, should the one-stop have a "brick and mortar" footprint where business owners/managers go to for assistance? Or should the one-stop be virtualized where the business counselor comes equipped with the technology, information, and connectivity to go door-to-door engaging local businesses? Also, which services should be integrated as a service offering? Will there be dedicated connectivity with any one of a wide range of resources covering legal, taxation, zoning, permitting, capital access, workforce, or relocation assistance?

### Who Is Involved?

An economic development professional often takes responsibility for establishing the center, in cooperation with local, state, and federal partners, so that representation includes the local small business development center (SBDC) and SBA representation. In some states, SBDCs might take this leadership role. For more rural areas, the U.S. Department of Agricultural (USDA) is likely to have representation at the center (see Greensburg, KS example).

Business recovery one-stop centers are typically staffed by representatives of the SBA in partnership with banks that are SBA lenders and the local small business development center (SBDC). Other representation may include other type of alternative lenders such as the CDFIs, SCORE, specialized technical assistance counselors, chambers of commerce, workforce development entities, and other local organizations that provide financial or technical assistance to small businesses.



## Steps for Establishing a Business Recovery One-Stop Center

The steps for establishing a business recovery one-stop center are outlined below. Ideally, a community will have conducted some pre-disaster preparation activities and talked about the process and lead agency for establishing a BRC.

### **Step 1: Gather resources for financial and technical assistance.**

Begin contacting community stakeholders as quickly as possible to document what resources are available. This includes any local organization that provides financial or technical assistance to small businesses: SBDCs, community colleges and universities, local financial institutions, workforce development agencies, and resources from chambers of commerce, trade associations, and economic development organizations.

Typically, this information is collected and updated on one website, whereby all the other partnering organizations link and refer to. Hard copies of a flyer or brochure with these listed resources can distribute by hand to impacted businesses through a variety of methods such as distributing to the police or identifying other volunteers.

### **Step 2: Select a physical space that is centrally located. The location should be separate from FEMA's disaster recovery center (DRC).**

Communities typically establish a physical business recovery center in the most impacted area to provide close access to affected businesses. After being struck by a major hurricane in 2004, Polk County identified a mall location that was un-impacted to locate their center. Economic development and chamber staff, SBA loan officers, SBDC representatives, and other organizations providing complimentary services were co-located in this central setting. Examples include conference space of a local business, vacant retail space in a mall, a temporary trailer, etc. The method for employing a virtualized model is slightly different where the location of the "home base" is less relevant than the mobility, connectivity, and training of the business counselor.

Since many small businesses have their personal property (e.g. home) linked with their businesses assets, it will often be important for the EDO to work with the state office of emergency management and FEMA to ensure appropriate referrals are being made to business owners who come to a DRC first as a homeowner but will likely need business assistance as well. EDOs should also be prepared to equip and maintain a business recovery one-stop center at varying levels of intensity over a flexible period. Often many businesses encounter rebuilding barriers long after many local assistance centers have long since shutdown. This leaves them without a clear direction to focus their efforts to address their rebuilding and recovery challenges.



### Case Study: Understanding & Addressing Business Needs in Joplin, MO

Following an EF-5 tornado destroying almost one-third of the city in 2011, the regional chamber immediately sprung in the action to connect with local businesses in a direct and personal way. Within a week of the tornado, the chamber staff walked the streets to reach business owners, to console, as well as let them know the chamber would provide recovery support in their time of need. By circling the destroyed area day in and day out, staff made contact with all 530 employers within three weeks. While many business owners were too shell-shocked to share their plans to stay and rebuild, they appreciated the personal outreach and most stayed in close contact with the chamber. Knowing that they were not alone, that someone cared, and that someone was in charge with a recovery plan made employers more willing to rebuild.

This direct outreach was followed up by the establishment of a one-stop shop for business recovery needs: The chamber immediately set up a business recovery center at its offices, where the Small Business Technology Development Center office and a business incubator already were located. They invited representatives from relevant groups – such as the SBA and IRS, which have disaster assistance programs for businesses – to set up there as well. The center was able to offer technical business advice including how to prepare an SBA loan application and provide the appropriate supporting financial records as well as redirecting them away from financial products they didn't need.

For more information on Joplin's recovery, see [Case Study Appendix 1](#).

### Step 3: Identify resources to increase staff capacity for business recovery center operations.

Providing sufficient staff capacity for a business recovery center can be an intimidating barrier for many EDOs during “peace time,” let alone after a major disaster. After a disaster there will likely be immediate demands for staff time, responses required to inquiries from all levels, and EDO staff themselves might be personally impacted. Despite these challenges, there will be a need to staff these resources in order to respond to businesses' immense recovery needs.

One way EDOs have been successful in meeting this demand is looking at the stand-up of the business recovery center to be an extension of their existing mission. By folding this responsive capability into their existing mission it often becomes more plausible to engage in pre-disaster planning, building resource-sharing partnerships, and establishing recovery networks.

As an example, following Hurricane Katrina, a number of EDOs and chambers used the DOL's National Emergency Grants (NEGs) through the Workforce Investment Board (WIB) to fund temporary staff for a center. While traditionally used for cleanup activities, these grants also help provide financial assistance for additional staff to work on humanitarian efforts. It is recommended that you contact your state's Department of Labor (DOL), federal agency representatives at U.S. DOL, or your local workforce investment board to find out if there are plans for what temporary positions might be targeted if an NEG grant is received in the future.

**Step 4: Setup a hotline for business recovery.**

It is recommended that a hotline for businesses be established so that individuals can call with their business concerns. This is discussed in further detail in the Crisis Communications chapter.

**Step 5: Start marketing the services to local businesses through both traditional and grassroots methods.**

It is recommended that the lead organization develop a marketing and promotion campaign to advertise the business recovery center's location and services. Consider traditional methods, such as a reference on your organization's website homepage, making presentations at community and local industry association meetings, as well as local media channels such as radio, print newspaper and TV advertisements.

It is also recommended to consider promoting key information through more alternative promotion methods, such as: canvassing flyers directly to impacted businesses and distributing flyers to local chambers, business organizations, city hall and other local government officers to further dispense.

**Step 6: Prepare the paperwork.**

Provide business recovery materials and loan/grant applications in relevant languages to assist major demographic groups in your community. In a Florida community, for example, the business recovery center also provided documents in Spanish and French. If there are common forms or loss documentation required by major local insurers, responsible parties, or others to receive assistance, the center should become intimately familiar with the requirements and parameters for how to assist others in completing the necessary paperwork. The most common reason for disaster loan application rejection is inadequate documentation.

**Step 7: Train staff to be sensitive to mental health needs.**

Consider holding a brief training session or offering mental health services to the counselors providing services for center staff. The psychological impacts of disaster can be great – especially if there is a large social and humanitarian component. It is important that business counselors learn to pay attention to the needs of others, identify the warning signs that may appear, and connect those individuals with adequate mental health care workers who can assist. Often the most important resource referral a business counselor can make to the business owner after a disaster is to crisis counseling assistance. Also, it is important that those managing the center monitor their staff as well. The level of effort, trauma of the incident, and steady flow of working with impacted business owners can rapidly cause harm to business counselors themselves. Building in staff rotation schedules, externally forced time away from front-line duties, and offering simple, supportive elements (like light refreshments) can be critical to sustaining center activities for the duration needed.

**Step 8: Plan for the long term.**

Depending on the nature and magnitude of the disaster, communities should have the BRC up and running within a week of the event. In some cases, communities have quickly established them just a few days after the



event. Jefferson Parish, a community adjacent to New Orleans, established their “One Recovery Center” within two weeks after Hurricane Katrina with the help from community partners. Approximately 5,000 businesses were served over the year in terms of counsel on how to apply for SBA Disaster Loans or connecting with other sources of financing and technical assistance.

Be prepared to keep the center open in a way that is flexible to the demand of the businesses in the community. For some disasters/communities, establishing a brick-and-mortar center is critical in the first four months after a disaster, after that a virtualized option may be the most effective. Consider applying for state, federal, and foundation/non-profit grants to fund center staff and operations.

### **Establishing a Business Recovery Center in Hancock County, MS**

Hancock County is the southernmost county in Mississippi with a population of approximately 43,000 with the county seat of Bay St. Louis. Hurricane Katrina ravaged this county, causing the deaths of 200 people, devastating 75 miles of beachfront, destroying thousands of homes and businesses, and cutting off the community in terms of transport and communications with damaged bridges and downed power lines. Approximately 1,800 businesses were impacted by the storm, with over 50 percent severely damaged or destroyed. Long-term business owners found themselves having to start from scratch in a post-disaster environment plagued with rising insurance and construction costs.

Despite reduced capacity, the Hancock County Chamber of Commerce quickly acted and emerged as a key provider of business assistance. With help from the Mississippi Development Authority (MDA), the Chamber established the first Business Assistance Center on the Mississippi Coast, bringing all of the resources for small businesses together under one roof. According to the Chamber president, Tish Williams, the Chamber “served as the ‘window to the world’ for [their] businesses and residents--- providing access to the internet, and phone and fax services”.

Their organization looked to provide all of the business support services in one central location – housing



### Case Study: Business Recovery in Polk County, FL

Polk County realized that it needed to establish a one-stop shop for business assistance services to retain businesses and prevent business closures or relocations following three successive hurricanes in 2004. As the storms impacted mostly the eastern section of the county, the Economic Recovery Team determined to locate the center in that area. The business recovery center was set up in the Eagle Ridge Mall, in a separate storefront from FEMA's disaster recovery center. Lake Wales Chamber of Commerce and the mall provided assistance in setting up. Small Business Administration (SBA) loan officers and the SBDC were co-located at the center as well.

And out of the ashes, the phoenix rises. Hancock County has proven itself resilient in terms of redeveloping two downtowns, establishing a main street program, rebuilding businesses, homes, bridges and beachfront, attracting 200 resident artists to the area, and developing increased capacity at the Chamber's new 501(c)3 foundation to provide ongoing financial and business counseling services.

For a copy of a business recovery center plan for the community of Hancock County, MS, which was the first county in Mississippi to establish a business recovery center following Hurricane Katrina in 2005, visit <http://restoreyoureconomy.org/wp-content/uploads/2013/02/Model-for-Business-Recovery-Center.pdf>

The proposal for the Center of Excellence for Business and Community Recovery in Hancock County, MS is included in [Resources Appendix 7](#)

### Resources for Business Recovery Centers

The U.S. Department of Housing and Urban Development's **Community Development Block Grant (CDBG)** program can help fund capacity after a disaster. CDBG disaster grants target cities, counties, and states in 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.

The U.S. Economic Development Administration's **Economic Adjustment Assistance** program can provide flexible funding to hire staff resources, planning assistance, and even construct a facility to support long-term economic development and recovery. In addition, this program can also fund the capitalization of a Revolving Loan Fund (RLF) that can provide additional capital resources for impacted businesses.

The U.S. Small Business Administration's network of **Small Business Development Centers** receives regular funding from SBA, the state, and often a higher education institution where they're hosted. Any one of these funding sources, including SBA, have increased funding levels or allowed for adjustments to existing funding to provide additional business assistance resources to support a business recovery center.



## Mobile Assistance Resources

A business recovery center is a great means to have a one-stop shop for disaster recovery resources. Often after a disaster though, business owners time is consumed with short-term recovery priorities, and they may not have the extra time to visit a resource center. This is where mobile business recovery resources can assist. Having a mobile unit of disaster recovery resources allows business owners to stay in place and have the services brought to them. This is especially helpful in rural areas where driving times can be a prohibitive cost to businesses. Bringing a mobile unit to a rural town can save multiple business owners/managers time and allow them to remain at their business.

For those communities that are not able to develop a mobile unit, a case management team system is a service approach that can address the needs of the businesses. Case management programs can be established within the first few weeks of a disaster. Whereas a BRC carries out disaster recovery functions through a centralized physical location (or several locations), the case management approach involves dispersing recovery staff to individual businesses. Similar to BRE site visits, case management allows a business to receive assistance on its timetable and its turf. Each case may last up to several years, and case managers follow through with each client until the recovery plan is completed.

The following three case studies are examples of how communities went out to the business to provide support outside the business recovery center.

### **New York City Restoration Business Acceleration Team**

The City of New York has established the NYC Restoration Business Acceleration Team (RBAT) to assist businesses affected by Superstorm Sandy by coordinating the services, permitting and inspections needed to reopen as soon as possible. RBAT builds upon the expertise of the New Business Acceleration Team (NBAT) which has helped more than 1,000 businesses employing more than 10,000 people open more quickly.

Learn more about the NYC RBAT in [Resources Appendix 8](#).



### Case Study: Tailoring Assistance to Meet Local Business Needs in Cedar Rapids, Iowa

After the 2008 floods in the Midwest, business stakeholders in Cedar Rapids, Iowa, spearheaded an initiative to help businesses recover. The initiative, Business Long Term Recovery (BLTR), grew from the Small Business Recovery Group, which was formed by the Cedar Rapids Chamber of Commerce and the local small business community. To support this initiative, the Small Business Recovery Group secured \$750,000 over two years in CDBG grants and private donations. BLTR launched about 18 months after the flood with “a mission to ensure the survival and growth of flood-affected small businesses and the jobs associated with them.”<sup>1</sup>

Under the BLTR model, case managers worked directly with businesses to connect them to resources that helped with immediate operational needs and positioned their business for the long term. Case managers were seasoned business owners and managers who came from media, accounting, finance, and human resources backgrounds, and most had over 20 years of experience in their respective fields. Other than brief consultation with SCORE and SBDC, the case managers received no training other than their personal business experience.

The early-stage efforts of the business case management team focused on building databases and developing an initial assessment tool for one-on-one meetings. The team developed a comprehensive list of flood-affected businesses and contact information using Microsoft Business Contact Manager (BCM). After generating contacts, case managers quickly developed a “Needs Assessment” form to document damages and priority needs of each business. Within the first three weeks, case managers conducted meetings with 29 business owners in their place of business to test and refine the initial assessment process.

The case management team developed a larger business recovery network by forming partnerships with SCORE, the Small Business Development Center and the Safeguard Iowa Partnership. This collaborative effort helped to widen the services and resources offered to flood-impacted businesses. A great deal of the work done by case managers involved funding advocacy, especially getting funding assistance through the federal JumpStart 2 program. There were also monthly recovery and growth workshops that addressed business topics such as sales, marketing, tax planning, and disaster planning.

Over two years, the case managers reached out to 1,230 businesses to assess their flood status and recovery needs. About 85 percent of the companies contacted took advantage of in-person appointments. After working with hundreds of companies, however, it became apparent that grant assistance and funding advocacy were most needed. The State of Iowa advocated and received a total of \$85 million in grants from Congressional appropriations. The business recovery fund for Cedar Rapids totaled approximately \$6 million, with contributions from local and state sources.

The case management approach employed by Cedar Rapids contributed to improved business survival rates. The Cedar Rapids post-disaster survival rate for businesses was 82 percent after years, almost double



the national rate of 45 percent. While the initiative ended in 2011, five case managers are still working on Post-Katrina, the mobile unit worked with over 350 businesses and after Hurricane Rita, an additional 150 businesses received business recovery services. Three years later, after hurricanes Gustav and Ike, the mobile unit assisted an additional 200 businesses. The mobile classroom deployed yet again after the Horizon Deepwater Oil Spill. The mobile unit continues to provide business recovery services and information after each hurricane and the LBTC works daily to make businesses more resilient to disasters.

### **Case Study: The Louisiana Business & Technology Center Mobile Classroom**

The Louisiana Business and Technology Center's (LBTC) mobile classroom at LSU is a converted semi-trailer that seats up to 24 entrepreneurs and business owners. The mobile unit hosts workshops in leadership development, entrepreneurship training, marketing in the 21st century, basics of federal contracting, basics of lean manufacturing and how to grow businesses using e-commerce. They seek to provide services to Louisiana's businesses and entrepreneurs in more rural populations by traveling to rural parishes to present various programs.

The LBTC got its start in 2005 after Louisiana State University received a mobile unit to deliver business support, technical assistance, and entrepreneurial training to rural communities in Louisiana. The "Incubator on Wheels" would literally bring entrepreneurial education and technical assistance to underserved areas in Louisiana. This plan, however, was temporarily put on hold when hurricanes Katrina and Rita made landfall and devastated the area. After the hurricanes hit, the LBTC shifted gears and used the mobile unit to deploy the immediate and critical resources necessary for successful business recovery operations.

In addition to providing power and internet, the mobile unit brought business experts to hurricane-impacted businesses in rural Louisiana. The unit was staffed with five trained counselors and six MBA graduate students who provided a number of necessary business triage and advisory services. Faced with distressed business owners, the staff conducted needs assessments, helped clients develop business recovery plans, and connected businesses with relevant experts.

In order to enhance the quality of services and resources offered, the LBTC fostered strategic partnerships with local, regional, and national organizations. One of the key partners was Louisiana Economic Development who provided \$75,000 in funding to purchase laptops, produce materials and hire additional counselors for the program. Moreover, Louisiana Economic Development provided additional business experts to assist the mobile team. Other strategic partners were the Louisiana State University Agricultural Center, Small Business Administration, and the IEDC.



## Financing for Small Businesses

Immediately following a disaster, businesses face the need for working capital to meet payroll, replace damaged inventory and equipment, and fund other operational costs. Yet, small businesses are the ones with the most limited amount of resources. They are often in the position to need financing in the most expedited manner, and yet they struggle with capital access due to a host of reasons including lack of financial documentation, collateral, credit issues, and being perceived as not bankable. In the immediate weeks and months following a major crisis, these small businesses are in desperate need of working capital to get back up and running. Bridge loans provide quick financing to enable firms to start working on rebuilding efforts.

Long-term financing helps businesses rebuild property, purchase equipment and inventory, and reorient their business around new markets (if needed). As long-term recovery sets in, a small or mid-sized firm 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. A local EDO, chamber of commerce, bank, or CDFI can manage these programs to ensure that the program has the capacity to continue in the long run and continues to meet local business recovery needs as they evolve.

It is not uncommon for small business owners to deplete their retirement and personal savings, borrow from family and friends, take out second mortgages on their homes, and max out their credit card borrowing limits in order to stay afloat.

In the case of the 2008 floods in Cedar Rapids, businesses took on an excess of \$120 million of additional debt load, while at the same time experiencing revenue decreases of more than 40 percent. Furthermore, in the current recessionary climate and extended credit crunch, small businesses faced with a major disaster today would likely heavily rely on government assistance in accessing capital and other resources they need to get back on their feet and start the rebuilding process.

The following section will discuss various sources of short and long-term financing mechanisms for business recovery, highlight case examples, and discuss efforts to adapt to meet the specific needs of impacted businesses following a disaster.

### Programs for Short-term / Gap Financing Needs

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 a small business. There is much that EDOs and chambers of commerce can do to help local small and mid-sized businesses secure appropriate short-term financing as discussed below.



### Establishing a Bridge Loan Program

Local, state, or federally funded emergency “bridge loans” should be distributed to impacted businesses within the first few weeks after a disaster. A bridge loan is designed to provide no-fee financing with flexible terms so that businesses can have quick access to working capital.

The bridge loan serves as a short-term cash-infusion, which allows businesses to defray short-term expenses and survive until they can be paid back after receiving longer-term financing. Small businesses often use this “gap financing” to assist in their initial recovery efforts including cleanup, rebuilding of damaged property, covering payroll, or replacing destroyed inventory.

After they can rebuild their property and reopen, a second wave of urgent need is the cash flow to cover rent or mortgage, payroll, inventory and other medium-term expenses. Financial assistance to address more long-term needs often includes sources that require more paperwork and authorization. Sources could include insurance claims, local banks, federal loan programs such as SBA, USDA, CDBG, or EDA, renewed profits or other sources of income.

While states like Florida and Louisiana created state emergency bridge loan programs and New York provided a combination of business grants and short-term loans post-September 11th, the majority of states have not set up this structure nor do they have the mechanism for rapidly distributing these funds to businesses.

### Establishing a Business Grant Program

A business grant program targets particularly devastated businesses that are not interested in applying for a conventional loan because of debt concerns. A grant or forgivable loan can help speed recovery when a business is uncertain about rebuilding and incurring more debt. Funding for this program typically comes from local, state, or federal sources such as HUD’s CDBG-DR program.

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 provides forgivable loans up to \$55,000 per business. The loans are forgiven if a business reopens its doors

### Florida’s Bridge Loan Program

The most well-known bridge loan program was established in 1992 in the aftermath of Hurricane Andrew. The Florida Small Business Emergency Bridge Loan Program is activated by the Governor of Florida only in their emergency declaration. Providing an expedient cash flow to disaster-impacted businesses, loans are made interest-free, and range from \$1,000 to \$25,000. Eligible applicants are small businesses with less than 100 employees in counties impacted by the disaster. Loans must be repaid within 12 months.

The program has been activated 13 times since. To date, the program has made over \$27 million in total loans to 950 small businesses. Repayment either comes in the form of profits from a revived businesses, payment of insurance claims or long-term loans provided through public or private sources. The fund is supported by General Revenue funds from the state.



within 12 months of receiving the loan. The requirement also included 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. Other provisions common to forgivable loan programs include claw-back provisions<sup>18</sup> and requirements to meet certain employee retention targets or relocation limitations.

### **Establishing a Revolving Loan Fund (RLF)**

Another important role of EDOs is to establish financial programs that provide critical recovery funds to impacted businesses that cannot access traditional sources of financing. Revolving loan funds (RLFs) are well structured for long-term financing since the repayment of old loans can be used to finance new loans. RLFs can be established using federal funds (EDA, HUD's CDBG-DR, USDA) or by local and state funds such as the Louisiana Revolving Capital Fund. These funds are often established to provide alternative financing to businesses that wouldn't qualify for loans by private financial sources.

Disaster-impacted communities have been creative to combine together funding from a variety of sources including federal agency sources and other public and private resources to create revolving loan funds to meet their recovery needs.

The EDA Revolving Loan Fund Program awards competitive grants to local and state governments and other development organizations to establish RLFs. HUD's CDBG program can also be used to fund RLFs. They typically target job creation specifically for low and moderate-income individuals.

As an example, JEDCO in Jefferson Parish, Louisiana (next to Orleans Parish) applied for supplemental funds from both U.S. EDA and HUD's CDBG Disaster Recovery program to further support their existing revolving loan fund (RLF). It is estimated that over 70,000 businesses were displaced in Louisiana as a result of Katrina. Within two weeks of the storm, EDA quickly provided them \$2 million in new RLF funds with favorable terms to assist businesses.

In contrast, the CDBG-DR funds took approximately two years to establish after the storm. There were numerous changes to terms and audits caused delayed deliverables. Finally, in the second phased of the program, three years after the storm, they were able to construct a program with less complexity. Over the period of several years, JEDCO's RLF distributed approximately \$50 million in loans to hundreds of small businesses that critically needed the funds for recovery. Their business recovery center served businesses in not only Jefferson Parish but also many in the city of New Orleans.

### **Outreach and Working with Local Financial Institutions**

EDOs and chambers should reach out to a variety of lending sources such as local banks, credit unions, CDFIs, and other alternative financial institutions to identify available lending products, financial terms, and the

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<sup>18</sup> Claw-back provisions are requirements in the loan that commit the recipient to meet certain requirements during a fixed timeframe or the loan will be required to be paid back in a shorter time period. Typically this is intended to serve as a deterrent to fraud, abuse, and local firms using these funds to relocate out of the local market.



reasons behind funding gaps. This information can prove useful in educating local businesses on the various sources of local funding available to them as well as determining if there is a need for additional alternative sources of funding.

It is recommended that chamber and EDO leadership hold discussions with decision makers at local banks about potential solutions to the lending challenges that small businesses are facing. Local banks are unlikely to want to take on high-risk loans with small businesses that do not appear bankable on paper – particularly in a post-disaster environment where local markets may not be functioning properly.

### **Case Study: Creative Revolving Loan Funds in Grand Forks, ND**

In Grand Forks, North Dakota, following their 1997 flood, over 80 percent of the city was submerged in water, including the downtown. A major fire followed suit. In total, the flood and fire caused nearly \$2 billion in damage. The city quickly established inter-departmental groups and identified a business recovery task force as one of the areas of focus. Consisting of business leaders and local government officials, the business recovery task force identified economic assistance to small businesses and business retention efforts as two initial priorities.

Grand Forks received CDBG-DR funds, which were used to establish a Grand Forks Growth Fund (GFGF) which provided three things: bridge financing of up to \$20,000 until an SBA loan could be approved; funding for disaster-related needs not fully covered by an approved SBA loan; and assistance to businesses that were declined in receiving and SBA disaster loan. This working capital loan had a partial forgiveness feature. If the business recipient remained in business in Grand Forks for three years, then the program would forgive 25 percent of the loan.

These GFGF loan amounts of up to \$20,000 could also be used to back SBA funds, which enabled a larger number of impacted businesses to get access to low interest loans that they normally wouldn't have the collateral to qualify for. SBA approved approximately 1,889 loans totaling \$85 million for both the physical and economic losses of small businesses in Grand Forks. City administrators indicated that federal officials looked to craft flexibility in their programs in order to help impacted businesses.

The city's economic development department also established a \$2 million revolving loan fund (RLF) from the U.S. Economic Development Administration. Both RLF programs served to complement each other.

*For more information about Grand Forks, see [Case Study Appendix 6](#).*

Private banks ought to consider creative options for lending that enable taking an equity position in the business in exchange for the business receiving a low-interest or forgivable loan. This equity stake in a small to midsize business would provide an appropriate incentive for a small business owner to repay the loan, so the funds would continue to circulate in the local economy.



A precedent for this type of post-disaster small business assistance program was established by the private sector after the 1992 Rodney King riots in Los Angeles. Bank of America developed a \$25 million small-business rebuilding program for locally owned businesses combining the best characteristics of loan and equity investments.

Local businesses suffering physical damage from the riots received up to \$100,000 in loans at below-market interest rates in exchange for Bank of America entering into equity partnerships with these merchants. These loans provided terms specifically for destroyed businesses, and the underwriting and credit analysis was flexible to distribute money quickly. The loans required repayment in five years or the business had to give up equity. The bank had a high repayment rate because small business owners did not want to lose equity in their business.

### **CDFI and other Alternative Financing**

Private and nonprofit community development financial institutions (CDFIs) and other small business assistance providers can play a critical role in nimbly and quickly deploying funds, but they have limited resources with which to do so. With the appropriate capital, loan loss and operating support, these private financial partners can assist small businesses through the lingering effects of a catastrophic event, particularly at a time when the market is unwilling to invest with so many unknowns.

### **Creating a Bank Consortium**

Before a disaster strikes, EDOs can bring local banks to the table to discuss the possibility of creating a bank consortium to provide a pool of funds for business recovery in the event of a future disaster. It is in the best interest of the banking community to help the local economy to recover so they can maintain a healthy source of banking customers. They don't want to see customers default on their current loans or demand for financial products dry up. The best time to discuss financial products, terms, and limits for lending to disaster-impacted businesses is during "blue sky" periods. Bankers can look to evaluate how to develop affordable, flexible terms to businesses while not breaking the bank.

Post-disaster lending is critical in helping the local economy get back on its feet, and private financing plays a key role in that process. While federal loans and grants are invaluable sources of financing when a local community or region has exhausted local sources, they are insufficient in meeting local needs. Federal lending programs can take a long time for funds to be appropriated and come with a number of strings attached in terms of federal requirements. Furthermore, communities may have to wait months for these funds to come through and thereby waste valuable recovery time. Private financial institutions can meet local business needs in a quick manner.

In Galveston, Texas, the lead economic development organization, the Galveston Economic Development Partnership (GEDP), met with local banks shortly after Hurricane Katrina in 2005 to discuss how these lenders could pool funds to assist local businesses if a hurricane were to strike the barrier island. At the time, local officials and bankers were unaware that Hurricane Ike would devastate the barrier island and surrounding area.



just three years later. The end result was a multi-million dollar fund to provide local businesses with working capital (cleanup and emergency repairs) after a disaster.

The pro-active measure of creating a bank consortium helped contribute to the resiliency of Galveston businesses. After Hurricane Ike struck Galveston in 2008, the fund was deployed immediately to assist small and mid-sized firms with pressing capital needs. While not all local businesses qualified, many had access to needed working capital.

## Federal Sources for Small Business Financing

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

SBA's Disaster Loan Program serves as a major source of business recovery assistance after a disaster. The SBA Office of Disaster Assistance's mission is to provide low interest disaster loans to homeowners, renters, businesses of all sizes, and private, nonprofit organizations to repair or replace real estate, personal property, machinery and equipment, inventory and business assets that have been damaged or destroyed in a declared disaster.

SBA's disaster loans are the primary form of federal assistance for the repair and rebuilding of non-farm, private sector disaster losses. For this reason, the disaster loan program is the only form of SBA assistance not limited to small businesses.

With upgrades in its technology and reforms in its processes, the SBA has shortened the distance between application submittal and the time to approve from two months after Hurricane Katrina to approximately two weeks recently. To learn about SBA in your area please visit <https://www.sba.gov/about-sba/sba-locations>.

### Business Physical Disaster Loans

SBA makes physical disaster loans of up to \$2 million to qualified businesses or most private nonprofit organizations that are located in a declared disaster area. The loan can be used on the following repairs or replacement:

- Real property
- Machinery
- Equipment
- Fixtures
- Inventory
- Leasehold improvements

The SBA Business Physical Disaster Loan program covers disaster losses not fully covered by insurance and provides a lower interest rate for businesses unable to obtain credit. Repayment terms can be up to 30 years, depending on the applicant's ability to repay. There are incentives if you help reduce the risk of future property damage caused by a similar disaster. For more info on eligibility and terms, visit <http://www.sba.gov/content/business-physical-disaster-loans>.



### **Economic Injury Disaster Loans (for working capital)**

There is the SBA Economic Injury Disaster Loan (EIDL) program for small businesses, small agricultural cooperatives, and most private nonprofit organizations that have suffered substantial economic injury. If small businesses are unable to meet their obligations and to pay their ordinary and necessary operating expenses, EIDLs are available to provide the necessary working capital to help small businesses survive until normal operations resume after a disaster. Currently, SBA's limits on these unsecured disaster loans, which do not require collateral, are \$14,000 for physical damage and \$5,000 for economic injury. There is discussion about raising those limits to \$25,000 for both physical damage and economic injury. Regardless of whether the business suffered any property damage, the loan amount will be based on the business' actual economic injury and the company's financial needs. For more info on eligibility and terms, visit <http://www.sba.gov/content/economic-injury-disaster-loans>.

### **U.S. Economic Development Administration (EDA)**

EDA's role in disaster recovery is "to facilitate delivery of federal economic development assistance to local governments for long-term community economic recovery planning, reconstruction, redevelopment, and resiliency. EDA offers this assistance directly to impacted communities in the form of grants for strategic planning, infrastructure, capital for alternative financing (i.e. revolving loan funds), economic development and redevelopment projects, and funding for disaster recovery coordinators. EDA regional offices work directly with local communities through an established network of economic development districts (EDDs).

While EDA is a smaller source of disaster recovery funding compared to programs like HUD's CDBG-DR, IEDC interviewees noted that EDA grants were more flexible sources of economic recovery funding because of the comparatively more limited amount of federal requirements and ease of grant compliance.

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

HUD's Office of Community Planning and Development (CPD) administers the agency's Community Development Block Grant for Disaster Recovery (CDBG-DR) program, which has served as the major source of recovery funds for most presidentially-declared disasters over the past 25 years. CDBG-DR grants target cities, counties, and states in 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. In addition to helping supplement other federal disaster recovery funding resources such as the U.S. Small Business Administration's (SBA) Disaster Loan program, CDBG-DR's main purpose is to rebuild disaster-impacted areas and provide communities with vital seed funding to begin the recovery process.

CDBG-DR funds can only be used for "necessary expenses related to disaster-relief, long-term recovery, and the restoration of infrastructure, housing, and economic revitalization." After a disaster, CDBG-DR funds have often been used to establish a revolving loan fund (RLF) or to provide forgivable loans to small businesses. In the first 18 months, grantees can demonstrate that a project or program addresses the national objective of urgent need but otherwise needs to meet that it is benefiting people of low and moderate income (LMI). For more information on federal requirements associated with the CDBG-DR program, see IEDC's publication, *Federal*



*Disaster Recovery Funding: Minimizing Roadblocks to Maximize Resources*, which is available as a free download on [RestoreYourEconomy.org](http://RestoreYourEconomy.org).

In interviews with economic development professionals that have used CDBG-DR grants after a disaster, the most frequently cited concerns are difficulties with meeting one of the three national objectives, particularly the LMI requirement, and the significant amount of compliance paperwork that the program requires. For more information the CDBG-DR program, visit [www.hud.gov/offices/cpd/communitydevelopment/programs](http://www.hud.gov/offices/cpd/communitydevelopment/programs)

### **USDA's Rural Development Disaster Assistance**

USDA Rural Development offers federal funding resources for post-disaster community economic recovery purposes that fall within three categories of business programs: (1) revolving loan funds and technical assistance; (2) commercial lending; and (3) energy programs. USDA Rural Development's assistance programs provide financing and technical assistance for setting up revolving loan fund programs, working capital loans, real estate, financing programs, economic development planning, business development, real estate feasibility analyses, construction, capital improvement, and machinery or equipment purchases.

USDA Rural Development also provides guaranteed loans to enhance the "economic climate" of rural communities by generating or maintaining employment. USDA Rural Development's energy programs focus on renewable energy, energy efficiency, biomass, biorefinery, and bioenergy projects. For more information, visit [http://www.usda.gov/wps/portal/usda/usdahome?navid=DISASTER\\_ASSISTANCE](http://www.usda.gov/wps/portal/usda/usdahome?navid=DISASTER_ASSISTANCE)

You may also visit one of the USDA offices throughout your state to learn more and find assistance with applications. You can also locate your Rural Development state office by visiting: <http://www.rd.usda.gov/browse-state>.

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

The purpose of the U.S. Treasury Department's CDFI Fund is to invest federal funds into Community Development Financial Institutions (CDFIs), which serve lower-income communities that lack sufficient access to affordable financial services. The CDFI Fund offers two funding options to CDFIs: Technical Assistance awards and Financial Assistance awards. These financial institutions work toward the following objectives:

- Promoting economic development, job creation, and development of businesses and commercial real estate;
- Promoting home ownership and affordable housing development; and
- Providing financial services for community development (e.g., financial literacy programs, alternatives to predatory lending, and basic banking services).

After a disaster, CDFIs can offer crucial alternative financing and technical assistance to local small businesses. CDFIs have become increasingly important contributors to the economic recovery process as their financial terms generally offer greater flexibility to suit small business needs. Following Hurricane Sandy, local CDFIs were able to provide bridge (or "gap") financing in the form of modified renovation loans to disaster-impacted



businesses. This alternative financing source was critical for quickly getting funds to small businesses while these businesses waited for traditional sources of disaster financing such as insurance settlements.

### **U.S. Department of Labor’s Employment and Training Administration’s National Emergency Grants (NEGs) for Disaster**

The purpose of National Emergency Grants (NEGs) is to fund “innovative strategies that assist dislocated workers, and the communities in which they live and work, recover economically from the effects of plant closures and mass layoffs. The NEG program funds one of four eligible layoff events: (1) a single company layoff of 50 or more workers; (2) multiple company layoffs, where 50 or more workers from each company are dislocated; (3) industry-wide layoffs; or (4) layoffs affecting an entire community (Community Impact), where there are multiple small dislocations (50 workers or less from each company).

The Disaster NEG program provides funding specifically for the creation of temporary employment to assist directly with disaster cleanup activities for the first six months from the date the grant is awarded. As referenced above, local communities have used these grants also to help hire temporary staff to engage in business recovery activities. A state can include a component for employment-related services in its fully documented plan or modification request. Disaster NEGs are only available to state governments and local investment boards and require that FEMA has declared a disaster area eligible for public assistance. For more information or to determine if your community has access to these funds, contact your local workforce development board. For more information on the program, visit <http://www.doleta.gov/neg/>

### **Disaster Assistance and Emergency Relief for Individuals and Businesses from the IRS**

Taxpayers who are adversely affected by a presidentially-declared disaster will qualify for tax relief from the Internal Revenue Service (IRS) that includes a postponement of tax filing as well as being able to claim losses on previous year taxes. It is made possible by a special tax law provision, which is established for major disasters that have been presidentially declared. The source of a tax refund that could be mailed as soon as two months following the filing of paperwork can be an important source of financial relief as well as help small businesses with needed funds for working capital.

Businesses in a federally declared disaster area can get a faster refund by claiming losses related to the disaster on the tax return for the previous year, usually by filing an amended return. The IRS offers resources on their website including videos and audio presentations on planning for a disaster. They discuss important topics such as business continuity planning, insurance coverage, record keeping and other tips for small business owners after a disaster.

The IRS hotline at 1-866-562-5227 is available Monday through Friday, 7am to 7pm to provide explanations on filing and payment relief. <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Disaster-Assistance-and-Emergency-Relief-for-Individuals-and-Businesses-1>



## Working with Federal Requirements and Duplication of Benefits

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. Some federal requirements can be waived, but federal agencies require an often lengthy justification process in which applicants must provide detailed and formally documented explanations for why exceptions to these requirements should be made. For more information on requirements associated with federal programs for post-disaster economic recovery, see IEDC's report on [RestoreYourEconomy.org](https://www.restoreyoureconomy.org): *Federal Disaster Recovery Funding: Minimizing Roadblocks to Maximize Resources*.

They also need to understand and address Duplication of Benefits (DOB) issues. Another important issue to be concerned about when managing federal funds for disaster recovery is to understand and address Duplication of Benefits (DOB), which prohibits federal funds from different programs to be used for the same purpose. In the event of a major catastrophe, disaster assistance and programs from the public and private sector help to ensure that residents and businesses can rebuild or relocate their property.

Federal assistance programs cannot duplicate benefits provided by other sources, including those provided by other federal agencies, or this would be considered a duplication of benefits (DOB). At times, local communities, EDOs and chambers of commerce have complained about the administrative burden that is placed on local organizations in proving there is no DOB. Make sure your organization has properly researched this issue and has reporting systems in place to demonstrate your addressing any DOB issues.

## Delivering Technical Advice and Counseling to Impacted Businesses

### One-on-One Business Counseling

Businesses often need wise counsel following a major incident on critical decisions they should take to reconstruct or salvage their business operations. In the wake of a disaster, new market realities emerge, and a host of both opportunities and challenges present themselves to the impacted markets. In this unsettling environment, small business owners need counsel on navigating through the waters so they avoid pitfalls and pursue opportunities that will ensure the survival of their business.

When faced with a crisis, they need sound business advisers that can help them work through their problems and connect to the best resources given the condition of their firm. They need counsel on whether or not they should take on further debt - particularly if their financial records are not in order, they already have large debt loads, have credit issues, or they appear as not bankable due to other factors. Small businesses need business assistance in the form of business planning, market intelligence, finance and taxes, and how to further market and promote their product.



Local, state and federal funding for business support services are quite limited - and this is acutely felt by small businesses that lack the resources to hire the professional services they need. Both public officials and business leaders need to realize the importance of providing small businesses with needed technical assistance in conjunction with financial services to support the recovery of individual businesses and the overall local economy.

### **Types of Business Counseling Services**

In terms of the type of technical advice that is needed, many counselors /advisers find that small businesses will request assistance with tax and accounting preparation. Others need guidance in preparing their financial records so that they will qualify for some type of loan or grant assistance – either an SBA or USDA loan or a loan product from a private lender or CDFI.

Marketing is an extremely popular topic for all types of businesses. Some discuss the need to trouble-shoot on how to restructure SBA loans or how to request requirement waivers to federal assistance programs, while others ask for helping to resolve relocation issues. Still, business planning and accounting remain critical areas of assistance for most communities.

### **Small Business Development Centers**

The federal government provides business counseling resources by funding Small Business Development Centers (SBDC). SBDCs provide a variety of technical assistance to small businesses and aspiring entrepreneurs by providing no cost, one-on-one professional advising and low-cost training opportunities in the aforementioned subjects. They can provide much-needed technical assistance, but their trained counselors may be better suited for more general businesses. The more specialized the business, the higher the demand for highly specialized market knowledge.

### **SCORE**

Supported by SBA, SCORE is a nonprofit association of thousands of volunteer business counselors throughout the U.S. and its territories that are dedicated to helping small businesses to launch and grow. This is done primarily through mentorship and training. Businesses are matched with an expert in their field; counselors provide free and confidential business counseling either in person or over the phone. Many of the volunteers are retired professionals who have excelled in their businesses and now want to give back to the small business community. SCORE offices can be found by visiting <https://www.score.org/chapters-map>.

### **Manufacturing Extension Partnership (MEP)**

Under NIST, Manufacturing Extension Partnership (MEP) serves as a catalyst for strengthening American manufacturing. MEPs work with small and mid-sized manufacturers to help them create and retain jobs, increase profits and save time and money. They help with innovation strategies to process improvements to green manufacturing. Their purpose is to help manufacturers identify opportunities that will accelerate and strengthen their global competitiveness.



Small Business Development Centers (SBDCs), local business colleges, Manufacturing Extension Partnerships (MEPs), CDFIs and other nonprofit organizations have often partnered to develop a comprehensive list of technical assistance providers or to provide their own staff to advise small and medium-sized businesses. It is important to establish a network of these support organizations that can quickly get to work and provide sound advice with impacted businesses.

### Delivering Business Recovery Workshops

An EDO or chamber 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 Economic Partnership (BAHEP), conducted a business recovery workshop shortly after Hurricane Ike in 2008. They partnered with eight of the local governments in their jurisdiction to market to local businesses throughout the region. Police were used to walk door-to-door to businesses with flyers advertising the workshops.

The workshops were well-received and well-attended by impacted businesses seeking recovery assistance. Representatives from state and federal agencies, local government officials, and private sector firms attended to provide information on recovery resources and programs. In talking with a public official shortly after the event, the most popular official in the room was the Internal Revenue Service (IRS) representative that shared that businesses could claim tax losses as far back as three years. Businesses in a federally declared disaster can get a faster and larger refund by claiming losses related to the disaster on the tax return for the previous year by filing an amended return.

To assist local businesses following the 2008 hurricane, the Galveston Chamber of Commerce hosted a recovery expo for local businesses only a month following their event. Representatives from FEMA, SBA, small business development centers (SBDCs), chambers of commerce, insurance companies, attorneys, and companies like Best Buy came to discuss how to help affected businesses. In an environment of uncertainty and risk, over 400 local business owners were provided with information on how to navigate through different sources of assistance. This information helped them to evaluate their options and make decisions on whether or not to rebuild on Galveston. The expo served another important function of bringing the business community together to discuss how to get the community on its feet again.