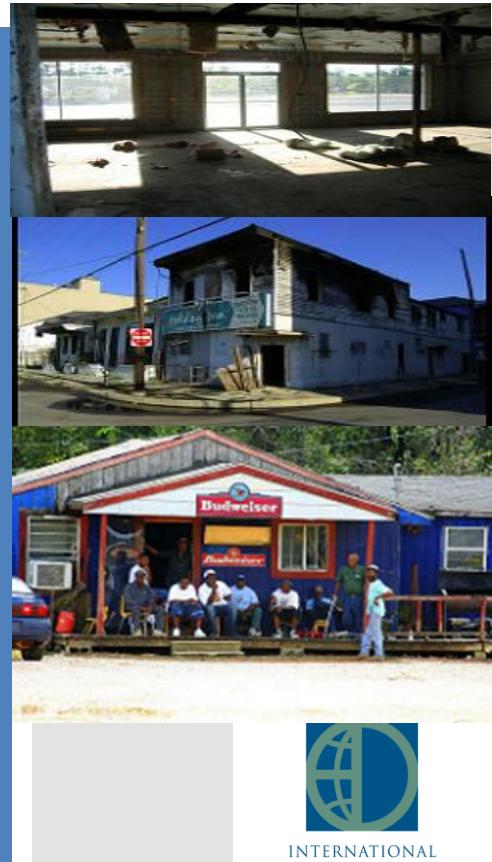


# Creative Business Recovery Financing Strategies



INTERNATIONAL  
ECONOMIC DEVELOPMENT  
COUNCIL



# Small Business Financing – “No small Job”

# Small Business Financial Challenge

- Small business owners will need access to capital – gap financing
- They will deplete their personal savings, borrow from family and friends, take out second mortgages on their homes or max out credit cards to stay afloat
- They'd love a grant

## THE FACTS:

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

# Grants & Loans

- Government usually can't give money to existing businesses, but can create "forgivable loan"
- An option could be a "gift" from a foundation, but foundations don't have experience or mechanism to directly assist businesses
- Local/community foundations can be source of support

# Small Business Financing

## Bridge Loan Program

- A bridge loan provides no-fee financing with flexible terms so that businesses can have quick access to working capital
- FL, LA

# Small Business Financing

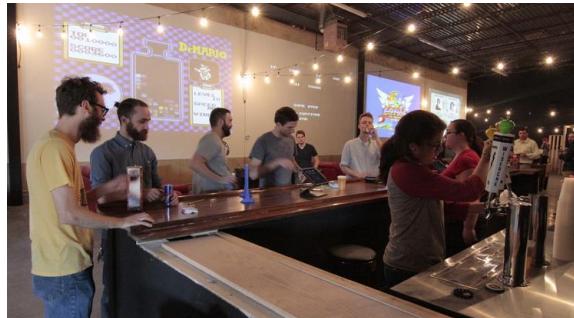
## **Forgivable Loan**

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

# Example: Small Business Financing- Grand Forks, ND

## Forgivable Loan Program

- 1997 flood, more than 80% city submerged. Major fire followed.
- \$2 B damage
- Utilized CDBG funds to create GF Growth Fund and loans for bridge or gap business financing
- 25 % of loan forgiven for those that stayed in city 3 years



Memphis business that received a forgivable loan.

<http://www.bizjournals.com/memphis/news/2015/09/02/edge-finance-committee-approves-inner-city-loans.html>

# Small Business Financing

## Revolving Loan Fund (RLF)

- Provides alternative financing to businesses that wouldn't qualify for loans by private financial sources
  - RLFs can be established using federal funds (EDA, CDBG, USDA) or by local and state funds



# Example of how to package federal funds from multiple agencies

- Jefferson (La.) Economic Development Corporation obtained funds from EDA and HUD's CDBG-DR for a \$50M Revolving Loan Fund (RLF)
- RLF provided critical assistance in form of loans and grants for small businesses after Katrina



# Case Example: Vermont Farm Loan

- January 2011, Pete's Farm catches fire
- Pete donates the funds to the Center for an Agricultural Economy (CAE) to start the Vermont Farm Fund
- August 2011: Hurricane Irene
- CAE delivers interest free loans to impacted farmers 3 weeks later.
- Additional individuals and organizations donate funds to Vermont Farm Fund



# Small Business Financing

## 501(c)3s Supporting Recovery

- Allows for donations from the private sector
- Can be created in advance in preparation for a disaster
- Can partner with an existing foundation to receive donations.
- Can provide grants to small businesses

# Case Example: Northland Foundation

- June 2012: Over 10 inches of rain causes river to crest in Northeastern Minnesota
- Much of the area is not flood-prone so businesses did not have insurance.
- Community foundation used knowledge of economic development and grantmaking to assist small businesses.
- Developed the Business Flood Recovery Fund and raised \$364,010 in six weeks.

# Case Example: Northland Foundation

- Businesses received grants up to \$5,000 to replace or rehabilitate tangible assets.
- Simple three-page application with actual costs shown by receipt for reimbursement or quote.
- First grant made July 1, 2012 with last grant given December 2012.



# Creative Uses of Federal Funds



Photo: Flickr/ Jon Parise

# Federal Funds and Cost Sharing

- Funding from federal government usually 50-80% of project
- Find support from other community partners or contribute own funds
- Some agencies allow cash and in-kind matching from public and private sector (volunteer time)



# Packaging Federal Funds

- Typically, organizations need to combine funding from federal, public, and private sources
- Beware Duplication of Benefits (DOB)



# Waivers

- Relax grant requirements
- Generally available for agency regulations  
(c.f. federal law)
- [www.federalregister.gov](http://www.federalregister.gov)



# Waivers Examples: HUD

- Annual Performance Review Reporting Requirement
- Citizen Participation Requirement
- Use of Sub-Recipients
- Program Income Requirements
- Eligibility — Housing Related

# Waivers Examples: EDA & SBA

- **Economic Development Administration**
  - Matching Share Requirements and Investment Rates
  - Comprehensive Economic Development Strategy (CEDS) Requirement
- **SBA**
  - Timeline Requirement for SBA Loan Increase
  - Maximum Amount Requirement for Physical Disaster and Economic Injury Business Loans
  - Federal Debt Collection Requirement



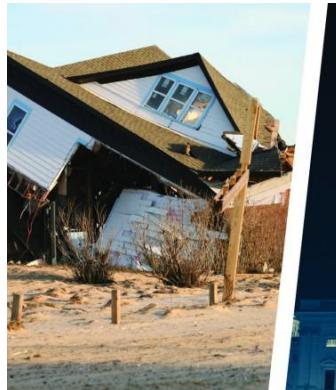
# Waivers Examples: ETA & USDA

- **ETA**
  - 6-month Limit on Employment for Disaster Dislocated Workers Grant
- **USDA**
  - Rural Area Definition Requirement
  - Limitation on Grant Amounts
  - Matching Funds Requirement for Community Facilities Program
  - Requirements for Renewable Energy Systems/Energy Efficiency Improvements
  - Requirements for Value-Added Producer Grants



# More on Waivers

*Federal Disaster Recovery Funding: Minimizing Roadblocks to Maximize Resources at:*  
[http://www.iedconline.org/clientuploads/Downloads/IEDC\\_Minimizing\\_Roadblocks.pdf](http://www.iedconline.org/clientuploads/Downloads/IEDC_Minimizing_Roadblocks.pdf)



# Waiver Example:

Building  
back better  
after a  
hurricane

## Best practice example:

- Gulfport, Mississippi was granted waivers after Katrina of HUD CDBG-DR
- Allowed \$600M expansion of Port of Gulfport
  - increases capacity for new businesses



# Compliance Monitoring: make sure it's in place

- Minimizes mismanagement of public dollars
- Critical to monitor compliance with federal regulations
- Avoid audits or repayment of funds
- Plan grant applications with monitoring in place
- Many agencies' have online public compliance and monitoring manuals

# Need more help?



- Mission Scoping Assessment
  - Will help you to identify economic recovery needs
- Recovery Support Strategy
  - Identify federal resources for economic recovery
  - Implement

More info on how to get help:

<http://eda.gov/about/disaster-recovery.htm>

# Small Business Financing

## Case Studies in Small Business Finance Following a Disaster

- Vermont Farm Fund
- Business Flood Recovery Fund, Minnesota
- Tornado Relief Fund, Oklahoma
- Revolving Loan Fund, Texas
- Operation Disaster Resiliency, Pennsylvania
- Small Business Disaster Relief Fund, Louisiana



Questions?