

Disaster Recovery Initiative
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**Louisiana Office of Community Development,
Division of Administration**

Louisiana Recovery Authority

**Action Plan Amendment Number 8 – Changes to the Small Firm Loan and Grant and
Long Term Loan Guarantee Programs**

February 9th, 2007



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1. Introduction

Action Plan Amendment Number 8 proposes modification to programs originally detailed under Action Plan PL 109.148 and Action Plan Amendment Number 2, which outlined four economic development recovery programs. This Action Plan Amendment proposes changes to the Small Firm Loan and Grant program which helps small firms with 50 employees or less recover and grow. These modifications include an increase in the amount of funding available for this program from \$38 million to \$143 million. The other modification will include a change in eligibility requirements to allow certain single-employee businesses the ability to apply for this program.

The Action Plan Amendment also seeks to modify the Long Term Recovery Loan Guarantee Program to allow businesses with more than 50 employees to be eligible for this recovery program in special circumstances on a case-by-case basis. It also changes the amount of the Long Term Loan Guarantee program to \$68 million.

| Amendment 8 Program Modifications | Program Total Prior to Amendment 8 | Modifications Proposed in Amendment 8 | Program Total Upon Approval of Amendment 8 |
|-------------------------------------------|-------------------------------------------|----------------------------------------------|---------------------------------------------------|
| Small Firm Loan and Grant Program | \$ 38 million (Amendment 2) | \$105 million increase | \$143 million |
| Bridge Loan Program | \$95 million (First Action Plan) | Up to \$78 million decrease | Approximately \$17 million |
| Long Term Recovery Loan Guarantee Program | \$95 million (Amendment 2) | Up to \$27 million decrease | Approximately \$68 million |

2. Small Firm Loan and Grant Program

| | |
|---------------------------|-----------------------------------------------|
| Eligible Activity | 105(a)(17) |
| National Objective | Low to moderate income and urgent need |
| Activity Amount | \$143 million |

This amendment outlines proposes modifications to the Small Firm Loan and Grant Program originally detailed under Action Plan Amendment Number 2.

Program Size

This amendment will increase the amount of funding to the original program from \$38 million to \$143 million, inclusive of the cost to manage this program. This is intended to make available \$100M in grants and up to \$38M in loans to small businesses. Additional funding will be reallocated from the two disaster recovery loan programs—the Bridge Loan and the Long Term Recovery Loan Guarantee. It is anticipated that up to \$78 million will be reallocated from the Bridge Loan Program and up to \$27 million will be reassigned from the Long Term Recovery Loan Guarantee Program. These amounts may fluctuate based on available funds from these two programs in order to reach the goal of \$100 million in funds for this program.

Business Eligibility

Eligible businesses include businesses up to 50 employees. This is a change from the initial program to include certain single-employee firms. Additionally, businesses with more than 50 employees, but with individual business locations with less than 50 employees, may be eligible in special circumstances on a case-by-case basis. Decisions will be made by Louisiana Economic Development based on: demonstrated success of business pre-storm, including revenue and employment base; demonstrated viability of business with SFLG assistance, including availability of sufficient total financing and viable market; expected contribution to the economy of Louisiana going forward. Total loan proceeds per business may not exceed \$250,000.

The geographic eligibility for the grant portion of this program, in its anticipated pilot phase, will be modified to include those firms in 20 damaged parishes* that experienced both decline in revenue and tangible loss; or those businesses in towns, parishes or zip codes that sustained a specified rate of damage and a specified decline in revenue. It is intended that as more funding is made, additional businesses will become eligible. Other eligibility requirements remain the same:

- In business 6 months prior to the storms
- Reopened or with demonstrated potential to reopen
- Nonprofits that meet other requirements are eligible

Use of Funds

As under the original program outline, funds will be used for both grants and loans. In Action Plan Amendment Number 2, grant funds were able to be used for tangible losses only. This has been modified to instead cover business costs including any or all of the following items dependent on implementation: operating costs such as leases, insurance, debt payment on new equipment, utilities, or inventory.

Program Management and Monitoring

Management and monitoring of this program will follow the original program outlined in Action Plan Amendment Number 2.

3. Long Term Recovery Loan Guarantee Program

| | |
|---------------------------|-----------------------------------------------|
| Eligible Activity | 105(a)(17) |
| National Objective | Low to moderate income and urgent need |
| Activity Amount | \$68 million |

In addition to the reference above that proposes to reduce the available funding in the Long Term Recovery Loan Guarantee Program, this amendment also seeks to modify the Long Term Recovery Loan Guarantee Program to allow businesses with more than 50 employees to be eligible for this recovery program in special circumstances on a case-by-case basis. Decisions will be made by Louisiana Economic Development based on: demonstrated success of business pre-storm, including revenue and employment base; demonstrated viability of

business with LTLG assistance, including availability of sufficient total financing and viable market; expected contribution to the economy of Louisiana going.

* 20 most damaged parishes include: Calcasieu, Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Vermilion, Acadia, Allen, Beauregard, Iberia, Jefferson Davis, Lafourche, St. Charles, St. John the Baptist, St. Mary, Tangipahoa, Terrebonne, and Washington.

Appendix 1: Summary of Public Comments and the State's Response

This appendix summarizes the public comments received during the public comment period from December 8th, 2006 through December 12th, 2006.

A public hearing of the Joint Legislative Committee on Commerce was held on Tuesday, December 12th. Issues raised in the hearing have been addressed in the action plan amendment as they have to do with the reallocation of funds and eligibility based on the size of a business. The transcript of the Joint Commerce Committee Hearing from Tuesday, December 12th is available through the House of Representatives Commerce Committee staff.

Additional comments received by the legislators and other respondents were specific to the grant program and are being incorporated into the design of the program, which is still under development. Many of these comments had to do with ensuring an equitable distribution of dollars to areas of the state impacted the storms and to businesses continuing to experience economic loss in the aftermath of the storms.

Comments on the Small Firm Loan and Grant Program

Eligibility

A number of organizations expressed concerns about eligibility to the program based on their business size or type, geographic location and rate of physical damage and revenue decline.

Size of firm: A number of business groups and business owners argued to limit the cap of businesses to 25 but to make eligible single employee firms. Similarly, numerous groups argued that the cap should be raised to include businesses up to 50 employees who arguably suffered similar damage. Additionally, businesses with more than 50 employees, but with individual business locations with less than 50 employees, requested special inclusion in instances where they are not able to reopen due to continued issues related to the storms.

Response: The LRA has determined to include single-employee firms and to increase the cap to 50 employees. Businesses with more than 50 employees but with single locations with less than 50 employees may be eligible in special circumstances on a case-by-case basis. Decisions will be made by Louisiana Economic Development based on: demonstrated success of business pre-storm, including revenue and employment base; demonstrated viability of business with SFLG assistance, including availability of sufficient total financing and viable market; expected contribution to the economy of Louisiana going forward. Total loan proceeds per business may not exceed \$250,000.

Geographic eligibility: Concerns were raised that businesses that did not fall within specified geographic boundaries would not be eligible for grants under this program.

Response: The LRA seeks to make eligible those firms that were most damaged from the storm. These calculations are still under development but will include in the most severely damaged parishes, cities/towns and zip codes those businesses that experienced a specified decline in revenue. In the outlying parishes that were not as severely damaged, those businesses that received physical damage from

flooding or wind as a result of the storms in addition to a decline in revenue will be eligible.

Startup Firms: One business argued that new firms who began operations after the hurricanes should also be eligible for funding. This new firms argues that since the owners were laid off after the storm they should also be eligible for funding from this program.

Response: The LRA designed this program to assist those firms that were most damaged from the storm. Due to the availability of funds the LRA has placed a priority on these damaged businesses.

Use of Funds

A number of business owners and groups representing the small business community requested specific uses for grant funds for payroll and other business needs to offset operating costs.

Response: The LRA modifies the previous restrictions placed on the use of the funds received from the Small Firm Loan and Grant Program (which required that the grant funds be used for “tangible losses only”) to incorporate business costs including any or all of the following items depending on the implementation: operating costs such as leases, insurance, debt payment on new equipment, utilities or inventory.

Comments on the Long Term Recovery Loan Guarantee Program

Eligibility

A number of firms expressed concern that firms with more than 50 employees, but still suffering from the after-effects of the storms, be eligible for funds under the Long Term Recovery Loan Guarantee Program.

Response: The LRA has modified the eligibility requirements of the Long Term Recovery Loan Guarantee Program to allow businesses with more than 50 employees to be eligible for funding from this program in special circumstances on a case-by-case basis to be determined by Louisiana Economic Development.