



Louisiana Business Recovery Grant and Loan Program

INTRODUCTION

The Louisiana Business Recovery Services division of the Louisiana Economic Development Department (LED) was created to manage two recovery programs related to Hurricanes Katrina and Rita, in partnership with the Louisiana Recovery Authority (LRA) and the Louisiana Office of Community Development (OCD).

The Business Recovery Grant and Loan Program (BRGL) and the Technical Assistance to Small Firms Program (TASF) are federally funded (HUD) initiatives to provide financial assistance to the small businesses in Louisiana negatively impacted by Hurricanes Katrina and Rita. Both programs are implemented through community-based intermediaries located throughout southern Louisiana.

The initiative is made possible by Community Development Block Grant (CDBG) funds, provided by the federal Department of Housing and Urban Development (HUD).



Louisiana Business Recovery Grant and Loan Program

BRGL OVERVIEW

The first phase of the BRGL began in early 2007 and provided nearly \$100M in grants and loans to over 3,500 businesses across the storm-impacted region.

The second phase of the program began in June 2008 and will provide an additional \$80M in grant and loan packages to over 700 small businesses.

Despite the success of BRGL Phase I in delivering significant assistance to thousands of businesses, there were setbacks and delays caused by a variety of reasons:

- A process that was expedited to get funds to the businesses quickly
- Communication between the different agencies and intermediaries that was inefficient
- Guidelines that were too rigid to assist all businesses
- Shortage of compliance staff and lack of formal written procedures
- Changes to the guidelines during and after the application period



Louisiana Business Recovery Grant and Loan Program

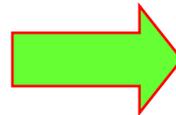
BRGL OVERVIEW CONT.

The resolution:

Phase I

Guidelines

- Zone A and Zone B
- Must be opened 6 months before storm
- 1 to 50 employees
- 1 employee must sell tangible goods
- Must have 30% revenue decline
- No minimum annual revenue



Phase II

Guidelines

- One zone only
- Must be opened before storm and currently open
- 1 to 100 employees
- No tangible goods requirement
- Must have at least one:
 - 20% revenue decline and/or
 - \$20,000 asset loss
- Must have >\$25,000 annual revenue

Award Structure

- \$10K - \$20K grant
- Up to \$250K 0% loan

Award Structure

- 20% grant / 80% loan packages of \$10K to \$100K*
(e.g., \$10K grant + \$40K loan = \$50K package)



Louisiana Business Recovery Grant and Loan Program

BRGL OVERVIEW CONT.

Other key changes were made in operations, including:

- The addition of seven new staff members to the LED team, including a compliance manager and four compliance analysts
- The improvement of communication between OCD, LED and LRA, including the establishment of a weekly conference call
- The development of a program manual which contained all program materials and written updates for all intermediaries and government agencies involved with the program
- The development of a comprehensive compliance plan
- The establishment of mandatory training for all intermediary staff involved with the program
- The involvement of the Louisiana Legislative Auditors (LLA) in the planning process for Phase II
- The inclusion of CDBG regulations in the guidelines for Phase II
- The monitoring of program files was moved from post-invoice to pre-invoice



Louisiana Business Recovery Grant and Loan Program

BRGL PROGRAM STRUCTURE

The BRGL program is managed by LED and implemented through nine community-based intermediaries. The intermediaries' responsibilities are:

- Providing outreach and information to potential applicants
- Making initial determination of program eligibility of each applicant and maintain all pertinent documentation
- Performing loan underwriting, review and closings for each applicant
- Providing reports to LED as required
- Submitting to performance monitoring by LED and/or OCD as required
- Providing written responses to monitoring letters from LED and/or OCD and provide follow-up corrective action
- Maintaining appropriate program files and records
- Following proper CDBG procedures and ensure applicant compliance with CDBG requirements



Louisiana Business Recovery Grant and Loan Program

TASF PROGRAM OVERVIEW

The Technical Assistance to Small Firms program delivers technical assistance to small businesses and nonprofits in the 20 parish area affected by Hurricanes Katrina and Rita through 19 community-based organizations and other service intermediaries. The goal of the program is to help stabilize and grow small businesses in a changed market environment. LED sought proposals from Technical Assistance Intermediaries ("Intermediaries") to provide a comprehensive and varied program to address the multiplicity of needs of small firms and nonprofit organizations.

Technical assistance includes, but is not limited to, services such as business management, strategic planning, business plan preparation, loan application and preparation services, accounting, insurance, marketing and legal. This assistance takes a variety of forms including workshops, one-on-one counseling, distance coaching in a structured program, and diagnostic assessments.

The program has assisted 3,929 unique clients. Some of these were existing businesses and some were working to start a new business. Of the total number of clients 34%, or 1,322, were planning to start a new business.



Louisiana Business Recovery Grant and Loan Program

BENEFITS/CHALLENGES

Benefits of using intermediaries:

- Capacity to establish relationships with small business community
- Ability to service all geographic areas
- Expertise in specific industry sectors
- Ability to conduct multiple outreach and information sessions
- Capability to perform loan underwriting

Key challenges:

- Oversight of numerous intermediaries requires sufficient staff
- Assurance that communication of program updates and changes reaches all intermediary staff can be challenging



Louisiana Business Recovery Grant and Loan Program

LESSONS LEARNED/SUGGESTIONS

- The action plan should address CDBG objectives and target a specific segment without being overly restrictive
- Guidelines should reflect the target group but must also include a procedure for handling exceptions to the rules
- Proof documentation for each requirement should be clearly stated
- Intermediaries should demonstrate previous experience with program responsibilities
- Each government agency involved should assign a contact person that is easily accessible and willing to provide assistance
- A program manual containing all program documentation and contact information is a must
- Program files should be monitored prior to funds being released



Louisiana Business Recovery Grant and Loan Program

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