

**Mississippi Development
Authority**

**Economic Development
Program**

Amendment 4 Modification 3

February 2, 2009

Background and Scope

The Hancock County Job Generation Fund is an economic development program designed to enhance the recovery of small businesses in Hancock County affected by Hurricane Katrina. By this effort, new jobs will be created and existing jobs will be retained within the county. The Recovery Plan will be a \$3 million dollar loan program to small businesses that were located in the County prior to Hurricane Katrina and committed to remaining there for at least five (5) years, coupled with a targeted marketing plan to assist in the success of the overall effort.

Program Purpose and National Objective

Mississippi's Economic Development Action Plan provides activities for Economic Development, Community Revitalization, and Planning. This modification will allow the use of Economic Development funds for a Hancock County Job Generation Fund. The National Objective will be elimination of slums and blight, urgent need, and, in some cases, benefit to low/mod.

Available Funds

Funds for this program will come from the \$200 million Hancock County Long Term Recovery Katrina CDBG Disaster Recovery Program. There is \$15 million allocated for Economic Development in this program. \$3 million of the \$15 million will be allocated to the Hancock County Job Generation Fund.

<u>Hancock County Job Generation Fund</u>	
Small Business Loans	\$2,500,000
Marketing Program	\$ 500,000
TOTAL	\$3,000,000

Overview

The Hancock County Job Generation Fund is an economic development program designed to enhance the recovery of small businesses affected by Hurricane Katrina. By doing so, the fund will stimulate the creation of new jobs within the county, as well as help retain existing jobs in this important sector of the economy.

Prior to Katrina there were 1,665 businesses located in Hancock County, which included professional offices and small retail businesses (including home based businesses and store front shops).

On August 29, 2005, Hurricane Katrina – the worst natural disaster to ever strike the United States – made landfall. Hancock County became “ground zero” of the storm, subjecting the area to the most powerful forces of this massive hurricane. As has been well documented, the county sustained unimaginable and unprecedented destruction.

Hancock County’s businesses – including its critical network of small businesses – were not spared from the wrath of Hurricane Katrina. The extent of devastation was made crystal clear by a survey conducted of Hancock County’s businesses by FEMA from October 24 to 25, 2005. This study was designed to measure the extent of damage, assess the number of businesses which had been completely destroyed, and, for those few remaining businesses, determine what recovery plans were being put into place. It must be noted that FEMA’s survey was impacted by the utter and total devastation of Hancock County – survey teams could not locate some businesses because of the inability to identify streets and/or addresses, while other shops could not be unearthed from the piles of debris. The results of the study are as follows:

**Survey of Businesses
FEMA
October 2005**

	Bay St. Louis	Diamondhead	Edwardsville	Kiln	Waveland	Hancock Co.
Businesses Destroyed	106	34	44	6	118	308
Businesses Damaged	315	23	5	12	143	498
Businesses Open	78	82	2	59	80	301
Businesses soon to open	110	9	0	3	20	142

As of June 2007, nearly two years after Hurricane Katrina struck, total establishment-based non-agricultural employment in Hancock County stood only at 12,560, a decrease of 920 jobs from the pre-storm level. The losses were most severe in the Accommodation & Food Services sector and the Retail Trade sector. Compounding this problem were losses in the Governmental sector. As is clear from this, Hancock County's establishment based employment has not returned to pre-Katrina levels as of June 2007.

Hancock County Job Generation Fund

Under the Hancock County Job Generation Fund, \$2.5 million will be utilized to fund a loan program for those Hancock County small businesses impacted by Hurricane Katrina.

To be eligible for funding, a Hancock County small business must have:

- Suffered losses, damages, displacement, or substantial business interruption as a direct result of Hurricane Katrina;
- Been established in the county for not less than six months prior to the hurricane as indicated by a local business permit or a Mississippi Tax Identification Number;
- Returned to or are seeking to return to the county;
- Annual revenue less than \$5 million per year;
- At least one employee (a self-employed individual qualifies under this requirement) up to a maximum of fifty (50) employees (a contract worker or a part-time worker who works 20 or more hours per week qualifies toward this total);
- Developed a detailed business plan demonstrating its ability to repay the loan.

It is recognized that a business which received other grants or loans (such as from SBA, FEMA, Mississippi Arts Commission or Twin Districts Workforce

Recapitalization) is eligible for this program with the understanding that there can be no duplication of benefits pursuant to federal law and regulations.

The minimum amount of the loan is \$5,000. The maximum amount is \$50,000, unless the small business is located in the following geographic areas within Hancock County, in which case the maximum amount of the loan is \$150,000:

- Pearlington: Highway 90 between the intersection of Whites/ Old Lower Bay Road and The Pearl River Bridge. Highway 604 between Russ Road and the Highway 90 intersection. The entirety of Levee Street. The entirety of Russ Road.
- Ansley: Lafrance Sreet; Ansley Road.
- Highway 603/43 between Sugarfield Road and Bayou Lacroix Road; Highway 603/43 between Crump Road and Paradise Lane.
- Beach Bolouvard in its entirety.
- Washington Avenue between Chapman Road and Old Nicholson Road including Bay Marina Drive.
- Blue Meadow Road from Jordan Drive northwest to a point where the road deadends.
- Lakeshore: Michigan Street, Central Avenue (Commonly known as "Bordages Road"), Shipyard Road, Ann Street, Pleasure Street.

The purpose of the enhanced loan amount in these designated areas is to facilitate the catalyst of projects which will promote tourism and economic development along the water.

Any available collateral must be pledged to secure the loan. The term of the loan may not exceed the useful life of the collateral. Acceptable additional collateral may include, but is not limited to, fixed assets (business real estate, buildings, fixtures, personal assets with appraisal), equipment, machinery, and inventory. No equity is required, but the company may not have a negative equity position pre-hurricane. The collateral required will be only enough to cover the loan amount.

If a business receives more than a \$50,000 loan, this loan amount must represent a maximum of thirty three (33%) percent or one-third of the total project.

All loans will be made to businesses. The owner or owners will be required to personally guarantee the loan. Loan proceeds may be used:

- to repair or replace machinery,
- to purchase inventory, furnishings and fixtures,
- for working capital/operating expenses (including rent, utilities and payroll),
- for the rehabilitation of a building.

Loan funds cannot be used for:

- any establishment that has gaming or gambling as its principal business,
- any establishment that has consumer or commercial financing as its business,
- any buyout of any stockholder or equity holder by another stockholder or equity holder in a business, or for buyout or reimbursement of any family member,
- any media establishment such as a television station, a radio station, or a newspaper,
- any other business establishments eliminated under CDBG regulations,
- any illegal activity,
- assistance to any for-profit business in the form of lobbying or other political assistance,
- payment of any tax arrearages, governmental fines or penalties,
- political or religious activities.

The primary objective of this loan program is to provide much needed capital to those small businesses in Hancock County most in need which were directly adversely affected by Hurricane Katrina for the intended purposes of stimulating job growth and rebuilding in slum and blighted areas. In doing so, it will meet one or more of the three national objectives of the CDBG program by:

- Providing jobs to people in the affected area who meet the low/moderate income levels,
- Rehabilitating slum/blight area, and
- Meeting emergency/urgent needs.

It must be noted that all land in Hancock County has been declared blighted by the Hancock County Board of Supervisors.

This program will be unique in that a loan recipient will be given an opportunity to convert a loan made at the existing interest rate into a forgivable loan providing the loan recipient meets one the following qualifications:

1. Purchases a building within the county (the entirety of which is a blighted area), rehabs the building to meet current area building codes (if necessary), and maintains business operations in that building for a minimum of 5 years;
OR
2. Rehabs a building presently owned by the applicant and maintains business operations in that building for a minimum of 5 years;
OR
3. Hires a minimum of one (1) full-time employee for every \$20,000 of loan proceeds and partial increments up to \$20,000; and
 - a. At least 51% of the employee positions must, on the date of employment, meet the low/moderate income level; and
 - b. Employment of these individuals must be maintained for a period of five (5) years; or
 - c. If, during the five-year (5) period, an employee leaves from employment, a replacement employee of an identical income level must fulfill that position until the five-year (5) year period is met.

Amount of Loan Request	Employment Requirement for Forgivable Loan:	Number of Employees Who Must Meet Low/Moderate Income Requirement
\$5,000 to \$20,000	1	1
\$20,001 to \$40,000	2	2
\$40,001 to \$60,000	3	2
\$60,001 to \$80,000	4	3
\$80,001 to \$100,000	5	3
\$100,001 to \$120,000	6	4
\$120,001 to \$140,000	7	4
\$140,001 to \$150,000	8	5

If an applicant maintains compliance with aforesaid program qualifications for the full five-year (5) loan period the loan principal will be forgiven and no interest will

be charged. Effectively, at the end of the five-year (5) period, the applicant has no obligation to repay the loan.

The non-profit that is administering the loan program will be responsible for monitoring each loan (forgivable and non-forgivable) to insure that the applicants are meeting all requirements of the loans.

The second aspect of this program is to provide five hundred thousand (\$500,000) to promote and market Hancock County small businesses. These funds will be provided to a non-profit and must be utilized specifically to implement a marketing plan for its targeted purpose. The expenditure of the \$500,000 must be completed within five (5) years after the award date. Such a marketing plan will significantly increase the chances of success of this program by attracting business patrons to the area, thus stabilizing existing small businesses and enhancing the potential for further job creation.

Amendment on Program Income

MDA's Economic Development Action Plan that was approved by the HUD on December 9, 2006, stated that all program income generated as a result of the Katrina Community Development Block Grant funds must be returned to MDA. MDA requests that this program income requirement be amended to allow local governments to keep the program income if the local governments agree to spend the program income in accordance to all of the applicable rules, regulations and waivers

Waivers

MDA requests that waivers received from the original Economic Development Program Amendment 4 be considered effective for the \$3 million modification.

MDA requests that the provisions in 42 U.S.C. 5305 (a) and 24 CFR 570.489 (f) be waived to the extent necessary to make the use of \$500,000 for assistance for promotion of a community retail shopping areas, provided the assisted activities are designed to support economic development for the most impacted and distressed areas related to the consequences of Hurricane Katrina. The retail shopping areas of Hancock County were heavily damaged by the hurricane and this money will be used to promote events focused to getting shoppers back into

the commercial areas of the county. Local governments depend heavily on sales tax collections from retail establishments and these numbers have been down considerably since Katrina.

Investigation and Mitigating Occurrences of Fraud, Abuse and Mismanagement

MDA will work with all Federal agencies to investigate and mitigate instances of fraud, abuse and/or mismanagement of any CDBG funds. The Auditor for the State of Mississippi has an investigative team assigned to investigate suspected instances of fraud.

Complaint Referrals

Complaints alleging a specific violation of a statutory or regulatory requirement, received by HUD at the Headquarters, Regional, or Field Office level will be forwarded to the appropriate State Office for a response.

Substantial Amendment

Adding or deleting an activity or planned beneficiaries of an activity will constitute a substantial change and require additional public comment and approval by HUD.

Citizen Participation

This proposed Amendment 4 Modification 3 was officially posted for public comment to the website www.msdisasterrecovery.com on February 10, 2009 with the public comment period ending February 23, 2009.

Comments on the plan can be sent via mail to MDA, Post Office Box 849, Jackson, MS 39205, Attention: Disaster Recovery, or sent via facsimile to (601) 359-4004. Comments can be accepted via email at disasterrecoverycomments@mississippi.org

Public Comments

The public comment period closed on Monday, February 23, 2009 and no comments were received.