

**Overview Assessment of Fundamental Challenges:  
Helping with Business and Economic Development Recovery and Growth Plans  
in the Katrina/Rita Affected Gulf Coast Region  
(Louisiana and Mississippi)**

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Note: The purpose of this information is to provide a general guide for volunteers going to either Mississippi or Louisiana who do not have any “on the ground” experience in the region to facilitate being prepared to maximize their use of their knowledge and expertise. The emphasis is on “general” meaning that one may encounter divergent conditions depending on the area to which you are sent.

**Pre-Hurricane**

- Financial institutions are primarily local community and regional. The national presence in the New Orleans and surrounding area is only Chase and in the Hancock and Harrison County, Mississippi is very modest Wachovia. CapitalOne is pressing for a presence in both states but less from a brick and mortar stand point. The regional banks are headquartered throughout the region ranging from Texas to Florida. The purpose of this information is to be aware that initiatives and development products through the Community Reinvestment Act have not been and are not prevalent. The other challenge, in fairness to the community and regional banks, is a case that their spirit is truly committed to making major new investment and reinvestment but the wherewithal is not necessarily there because they are small and medium size businesses faced with their own recovery and growth issues especially with keeping in line with the federal banking agency or agencies regulating them.
- There are not enough institutional tools such as CDFI's, SBIC's, SBA Intermediaries, etc. and those that do exist have not had an aggressive presence in the hardest hit areas of the Gulf Coast. JEDCO in Jefferson Parish, Louisiana is an example of a nonprofit corporation already in place with an especially strong relationship with the SBA. St. Tamany Parish also has one with a decent base as well. The biggest challenge for such EDO's in the current circumstances is the demand for their resources. In Mississippi, there is a decent network of Small Business Development Corporations through the University system. However, overall, the institutional designation tools useful for drawing more funds into the region are not as strong as they need to be.
- This is a strength and challenge circumstance in that many of the small and medium size businesses reflect second, third, and even fourth generation family ownership having sustained success through face to face, family to family, and generation to generation relationships and very little reliance on borrowing in the traditional forms through financial institutions or federal resources such as SBA. The deep roots are an asset in recovery but there is a reality that Katrina/Rita has not only radically altered the physical landscape but also this deep rooted successful business model; and there

is a considerable challenge among such entrepreneurs in moving to a different model involving “state of the art, best practice” 2001 economic and business development models.

- In various parts of the region, federal government programs and resources were not being aggressively accessed. For instance, along the Mississippi Gulf Coast, many areas have been eligible for USDA grants to set up revolving loan programs and finance community development projects tied to economic development but any interaction with the department was nominal. Similarly, the EDA programs, Treasury CDFI, EPA Brownfield, etc. have not been aggressively engaged. It is readily evident that all departments with resources are committed to affected Gulf Coast region but a key challenge is that established pipelines are few and far between with institutional history and experience through which to channel the funds.

## **Post-Hurricane**

- It is likely that every person with whom a volunteer interacts be it a small or medium size owner, EDO staff, or others will still be grappling with the personal side of having lost completely or partially a home, having lost a loved one or a close friend or business associate, have children who they are trying to restore as quickly as possible some semblance of a normal childhood, plus untold and unfathomable personal tragedy and challenge. In trying to work in such a tough environment, it will be impossible to not include attention and discussion and support for the personal side and need to have any possible chance at being of help on the recovery and growth side for business and economic development.
- Shelter needs first and foremost. Resources and institutional attention, especially nonprofit, that can be channeled either to housing or economic development (i.e. CDBG) can reasonably and necessarily be expected to have an absolute priority focus for the foreseeable future on the housing side because of the unfathomable loss and damage to entire neighborhoods throughout the region. However, the challenge for economic development is to recognize the preeminent need for housing development but to maintain a presence in the overall recovery strategy to assure there is a balance between the creation of new homes and restoration of employment. A primary challenge for volunteers is to become even more creative and adaptable in accessing a diminished pool of resources and institutional support for a sustained period of time.
- Crystal ball and accepting a changed economic environment are outcomes from Katrina/Rita that could never be anticipated in any text book recovery model. Both EDO's and businesses are still grappling with the loss of employees, skilled or certainly at least with the historical knowledge, resulting from being relocated, lured to higher short term wages from FEMA related contractors, or injury or loss of life. There is also the parallel obstacle for many businesses, especially service oriented, of wondering if business to business customer base will return. The foremost question is whether the population will ever come back to some level akin to pre-Katrina/Rita or

will it for a long period of time remain far lower. If the latter is the case, then the underlying question being faced by EDO's and businesses is how do they adapt to such a sustained, immediate long term change with their successful operating model to regain a sufficient, customer/client base.

- Entire business districts in many parts of the affected Gulf Coast were obliterated by Katrina/Rita. In other parts, they were seriously damaged. More a tug at heart strings rather than what may seem to be a tug of war is seeking to come to grips with how to rebuild and the role of the business entrepreneurs that had been there with however the rebuilding takes shape. It is very emotional driven by a sense of urgency from deep commitment to recover but torn between a sense of a unique opportunity to start fresh with a new approach and perspective, versus restoring what was there.
- Infrastructure continues to be challenge for business recovery and economic development. It is a component for which there has been appreciable recovery during the past year but from basics of water and sewer to greater needs such as transportation, power, and communication, a great deal of work remains. The foremost challenge for both the public and private sectors in restoring and rebuilding the infrastructure is, again, the impossibility of being able to gauge or forecast the impact that the Hurricanes would have and had, or, in fact, be able to trace and track and locate all sources and results of such devastating damage. What this means in terms of offering expertise and planning is, again, one should not make any presumptions on even fundamentals.
- Local governments are still in the recovery mode. Some times lost in the mix is the reality that city, parish and county governments throughout the region were hit badly as well. Indeed, some are still operating out of temporary city halls and still trying to restore full complements of staffing. One of the foremost realities being asked of these municipal institutions is to sustain critical essential services while trying to recover from the direct devastation with a tax/revenue base that, itself, has been considerably adversely affected. The same message here for economic development professionals is that one needs to account for the survival recovery mode of local governments when looking at recovery, rebuilding, and growth strategies.