

**WRITTEN TESTIMONY FOR THE RECORD**

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HOUSTON-GALVESTON AREA COUNCIL

AND

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GULF COAST ECONOMIC DEVELOPMENT DISTRICT

BEFORE THE

HOUSE APPROPRIATIONS SUBCOMMITTEE ON

COMMERCE, JUSTICE, SCIENCE AND RELATED AGENCIES

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Good afternoon Chairman Mollohan, Ranking Member Wolf and Subcommittee members.

Thank you for the opportunity to appear before you today and provide testimony regarding the U.S. Department of Commerce's Economic Development Administration (EDA). My name is Chuck Wemple and I am the Economic Development Program Manager for the Houston-Galveston Area Council. Established in 1966, the Houston-Galveston Area Council is the regional planning entity for the 13 county region surrounding the City of Houston and Harris County. Our region is home to over 5.7 million people and includes one of the world's largest petrochemical complexes, the Texas Medical Center, the nation's fourth largest city, one of the nation's most productive estuaries and long stretches of Gulf of Mexico shoreline. Our membership of over 100 local governments includes major urban cities, small cities and towns, and a diverse mix of urban and rural counties. The Houston-Galveston Area Council's Economic Development Program oversees a variety of community and economic development activities including the EDA-funded Gulf Coast Economic Development District (District), the Small Business Administration Local Development Corporation, and a growing portfolio of small business revolving loan funds and micro-loan programs. These combined efforts totaled over \$80 million in 2009. The Economic Development Program also provided recommendations to the State of Texas regarding the distribution of Housing and Urban Development Community Development Block Grant funding associated with Hurricanes Rita and Ike.

Mr. Chairman, I would like to convey three key points to you today. First, that EDA's performance following Hurricane Ike was exceptional and continues to play a critical role in bringing recovery assistance to the H-GAC region. Second, that EDA's funding of Economic

Development Districts is highly effective. And third, the importance of not reducing the types of funding available through EDA.

### Responding to Hurricane Ike

Hurricane Ike made landfall on Galveston Island on September 13, 2008, bringing 100 mile per hour winds, flooding, and a 20 foot storm surge to our region. Recent damage estimates top \$15 billion statewide. Many of our communities were devastated by Ike – and the short-term and long-term economic development needs are enormous. Over 200,000 homes were damaged or destroyed in our region, entire neighborhoods turned into piles of debris, roads washed away, and drinking water, waste water and electrical utilities were rendered inoperable. Thousands of businesses suffered physical damage, economic distress, displaced workforce, reduced customer base and extended periods of business interruption.

While many of our communities were dealing with the immediate needs of providing emergency services, removing debris, and grappling with the damage and destruction, the EDA Austin Regional Office tasked our District with developing a summary of projects that could be quickly implemented and assist in economic recovery. Our initial efforts identified 28 infrastructure projects totaling \$490 million. After conducting site visits with EDA staff, the list was narrowed down to 12 project applications. This upfront planning and coordination enabled the District to line up viable applications in anticipation of the regional office receiving supplemental funding to assist with the natural disaster. EDA quickly allocated \$42 million in funding to 9 meaningful, important projects that address local needs and are aligned with regional priorities. Examples include: rebuilding the water front district in the City of Seabrook;

reconstructing a biotech incubator on Galveston Island; repairing damaged bulkheads and lay down yards at the Port of Galveston; and infrastructure projects to support new economic development in the town center of Nassau Bay, interstate frontage roads of rural Chambers County, and an industrial business park in League City.

One of the most innovative and exciting projects in our region is the \$10 million Revolving Loan Funded (RLF) awarded to the District. Thousands of businesses were physically impacted by storm surge and hurricane force winds, and thousands more suffered loss of perishable inventories and sales while millions of the region's citizens were without electricity for weeks following the hurricane. These impacts have dealt a serious blow to many business owners and their workforce. Conditions are exacerbated by the erosion of savings, loss of property and loss of income associated with the storm. All of this, combined with the national economic downturn and tightening of credit in the banking sector has produced a bleak outlook for businesses seeking to rebuild after Ike. Although eager to rebuild, many business owners are unable to access to traditional lines of credit or conventional financing.

The RLF will play a major role in rejuvenating local economies and providing opportunities for business recovery, retention and expansion by providing the access to capital sorely needed by the small businesses affected by Ike. We anticipate assisting over 100 businesses within the first three years of the program, and are currently reviewing 18 loan applications totaling \$2.5 million. Preliminary estimates indicate the RLF could create or retain over 500 jobs during the first cycle of lending. The reopening of restaurants, auto repair shops, and medical offices bring hope to devastated communities and will kick start the economic recovery process.

### District Funding

As seen by the example from Hurricane Ike, even modest amounts of planning funding can allow a District to quickly respond to unanticipated changes that affect the regional economy; like natural disasters, plant closings, and large-scale economic downturns. Funding for the Districts also provides the opportunity for regions to rapidly pursue new and exciting opportunities that can transform and diversify local economies. District funding has allowed our communities to capitalize on the local food movement, identify opportunities for renewable-energy component manufacturing, and conduct economic impact analyses to determine the best mix of businesses they should pursue to improve the quality of life for their citizens.

Planning funding from EDA also allows the District to assist our communities in developing and implementing economic development projects that provide a high level of value by leveraging private resources, State and local dollars. Providing this service is especially important for our rural communities and small cities who have limited resources and staff to address economic development projects.

### The Importance of Diversity and Flexibility in EDA Funding Programs

The current mix of public works, planning, technical assistance and other eligible activities provides a robust suite of opportunities for local governments to pursue funding of projects that address local priorities and needs. Reducing the diversity of the current funding options is a step in the wrong direction. Rather than reduce access to opportunities, we strongly encourage the subcommittee and EDA to broaden the opportunities for funding by expanding the current funding portfolio to include special projects in unique economic settings. Examples of

special projects include rapid redevelopment of manufacturing facilities following plant closure, eco-tourism infrastructure, and job training in areas that experience sudden increase in unemployment. This flexibility and diversity is especially important in the tough economic times currently facing our Nation and many of our cities and rural areas. Often times the single biggest challenge for economic development is a lack of adequate infrastructure. As a result, public works projects play a unique and critical role for many of our communities. We support continued public works funding.

Increasing the flexibility in the final disposition of RLF grants would provide a win-win situation for the Districts and EDA if an RLF loses viability over time. Revolving Loan Funds provide unique opportunities and challenges. While these programs offer sorely needed capital to small businesses unable to secure conventional financing, long term viability of such programs can be weakened when access to conventional financing increases and the national economy recovers. Once revolving loan funds have completed their goal of sparking economic development and increasing the economic health of a community or region, consideration should be given to allow the funds to remain within the District and to be used for other eligible projects – such as business incubators, science and technology centers, or public works projects.

Mr. Chairman, in closing I would like to acknowledge the leadership and staff of the EDA Austin Regional Office. Their leadership following Hurricane Ike resulted in one of the smoothest deployments of federal funding that I have witnessed. We thank you for your efforts to increase funding for EDA operations and programs and express our strong support for maintaining the increased funding levels as part of the FY2011 appropriations bill. We strongly encourage EDA to also invest in additional staff and identify ways to attract the best and the

brightest to join the EDA team. This approach would be highly effective in reducing the loss of institutional knowledge and experience while increasing the sustainability of the agency. We look forward to continuing our partnership with EDA and providing much needed economic development projects to our communities.

Mr. Chairman, I would like to thank you for holding this hearing and for allowing me to testify before you today. I welcome any questions.