2008 Disaster Recovery: Perspective on State of Iowa

Overview by:
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Brief History

• 2008 – State Wide Floods, Tornado
  • Impacts across the state
  • Primary impact (+90% Cedar Rapids – Iowa City Corridor)
    • Cedar Rapids alone – approximately 80% of damage assessment.
      • Exceeded 500 Year flood plain
      • Buildings in the core downtown business area 10 – 12 feet in buildings.
      • Downtown power plant taken out of service – provider of steam HVAC to core downtown area.
      • Manufacturing (Quaker Oats, Cargill, etc.) as well as service & retail.
      • Thousands of homes as well as businesses.
      • This discussion will focus on business assistance.
      • Assistance for Homeowners and Landlords was also provided, administered separately.
Initial Relief

- Local businesses and City partnered to create an immediate fund.
  - Administered by Chamber – relatively small awards, could fund start of clean up expenses
  - City provided $3M, business contributed additional funds.
  - Chamber administered with help of SCORE.
- Challenge:
  - Resources for processing applications
    - SCORE availability on a consistent basis
    - Timing of distribution and “the line” waiting for additional funds to be available.
State & Federal Funding

- September 2008
  - Both State and Federal Funding would be distributed by IDED (Iowa Department of Economic Development)
  - To COGS (multi-county Council of Governments)
  - Cedar Rapids identified as a direct recipient
  - State Funding Made Available – approx. $13M allocated to Cedar Rapids.
    - Very flexible funding, ease of administration (at onset).
  - Federal Allocations process began (NOT distribution)
  - More accurate assessments of damages also completed
Key Decisions – Cedar Rapids

- Based on estimates of Federal funding, extent of damages, etc.
  - Cedar Rapids would have available additional funding –
    - Excess of $18M
    - $3M of State Funding, Approx. $15M of FEDERAL CDBG Disaster Relief Funds.

- Due to complexity of administration
- Resource availability to manage
- Impacts of areas with much fewer businesses impacted.

- Goal to get funds out by October 1. Six month project(?!?!)
New Ground

- State of Iowa / Federal CDBG –
  - Determined all awards in the form of forgivable loans
  - Specific programs identified
    - Eligibility and Forgiveness requirements by program
    - Special programs (later) for specific situations.

- Cedar Rapids
  - On-Line application and processing
    - Balance of State – only paper processing
    - Local decision due to 1200+ businesses impacted and many more applying (not meeting eligibility requirements).
  - Case Management Process (Phase II)
Programs

- Phase I – Working Capital
- Business Rental Assistance Program
- Business Equipment (& Inventory) Reimbursement
- Flood Insurance Reimbursement
- Loan Interest Expense Reimbursement
- Commercial Rental Income Gap
- Residential Landlord Business Support
- Building Buy-Out Program
- Special Buy-Out – Flood Plain Reclassification (Phase III)
Program Detail

- **Working Capital**
  - $50K maximum
  - **CHALLENGE** – administered as State Funding.
    - After applications made, documentation collected, some funds distributed became Federal Funds.
    - “Retroactively” collecting documentation.
  - **CHALLENGE** – Building owners – equity issue
    - One entity owning 5 buildings - $50K (Entity is a single person or corporation)
    - Five entities, each owning 1 buildings - $250K (All 5 entities “owned” by same person – typically LLC’s)
Program Detail (cont’d)

- Business Rental Assistance – Maximum $50K, later expanded to include equipment replacement for new start-up tenants, etc.
  - Up to 6 months rental reimbursement
  - Required to rent in a flood affected building
  - Could include a new tenant (not there at time of flood)
  - FOCUS: Building owners filling vacant space in downtown.
  - Minimal challenges, multiple distributions

- Business Equipment / Inventory Reimbursement
  - Replace capital equipment and inventory
  - % of cost, started at 50% and $50K, expanded to 100% up to $400K
  - MAJOR Challenge: Documentation (no receipts for lost items – flood!)
Program Detail (cont’d)

- **Flood Insurance Reimbursement**
  - Originally up to $5K, one year.
  - Expanded to maximum of $30K, up to one year.
  - Best way for immediate protection of repeat disaster
  - Minimal challenges

- **Loan Interest Expense**
  - Pay interest costs for SBA or private banking loan
  - Originally $50K, 3 years, later expanded to $100K
  - Moderate challenges – amortization calculations, documentations, over time - minimized

- **Commercial Rental Income Gap**
  - Up to 12 months, max $25K per UNIT (vs. building)
  - FOCUS: Building owners
Program Detail (cont’d)

- **Residential Landlord Business Support**
  - Max. $15K per BUSINESS (Landlord)
  - Challenge – many residential landlords not set up as businesses.
  - Challenge – had many dwellings, but one business

- **Downtown Steam/HVAC System**
  - Installation of individual replacement systems
    - Downtown power plant not re-opened.
    - Electricity available, but not steam long term
      - Only on interim basis at 2 – 3x pre-flood price
    - Natural Gas, Boilers, etc. Based on business choice
    - Rate buy-down program
    - CHALLENGE!!! – calculation of two part program
      - Both done based on total costs of all participants - % Pool concept
      - AFTER work done – determined to require Davis-Bacon documentation
Program Detail (cont’d)

- **Buy-Out Program (Optional)**
  - Purchase building and land (business & homeowners) at established % of fair market / assessed value.
    - Exceeded 100%
    - Could not rebuild on the site

- **Special Buy-Out Program**
  - Businesses that were in 500 year flood plain
    - Could receive State and Federal Funding
    - Quickly rebuilt their facilities, extensive capital – typically manufacturing
    - Later re-drawn flood plains moved them into 100 year.
    - Must re-locate over time
KEY CHALLENGES

• The pace of change in program requirements
  • Impacted administration and distribution of funds
  • Impacted businesses

• State and Federal Processes
  • Using CDBG, not designed for Disaster Relief

• The “one-off” situations that didn’t fit a program
Case Management / Technical Assistance

- 3rd Party Administration Assistance
  - Designed to assist businesses with application and paperwork processing
  - Became increasingly extensive with program changes
  - Staff of 25 processing the paperwork (in-house).

- Chamber Small Business Council
  - THE CRITICAL COMPONENT – small group of business leaders, both affected and non-affected.
  - FOCUS – with 3rd Party Administrator – design and push for continued new programs and expansions of program – State and Federal Level

- Case Management established, funded with State and Federal funds
  - Team of 8 – business background
  - Assist with: application, documentation, general business support (in field).
SUCCESSES!

• Unprecedented business recovery
  • Excess of 80% re-opened within one year
  • At four years – excess of 75% open
  • Many new business opening in affected area

• Partners
  • Local Businesses Leaders
  • 3rd Party Administrator
  • Chamber / Case Management
  • State IDED
  • Federal (HUD)
  • IT