

2008 Disaster Recovery: Perspective on State of Iowa

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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
 - Challenge – define a unit. Pre flood unit? Post flood unit (reconfiguration).



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).



SUCSESSES!

- 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