



# Economic and Workforce Development Task Force Report

To the Rebuild Iowa Advisory Commission

August 2008





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## Introduction

The 2008 disasters devastated businesses, farms, homes, schools, non-profit institutions, entire communities, and people's lives across the state of Iowa. The Rebuild Iowa Advisory Commission (RIAC) is charged by the Governor to guide the state's recovery and reconstruction process. The Economic and Workforce Development Task Force is respectfully submitting this report to be included and considered in the deliberations of the RIAC. While economic and workforce development are two issues that are inextricably linked and critical to Iowa's rebuilding strategies, each also requires extraordinary attention in determining what needs to be considered in the very immediate and longer-term recovery.

Small business is the core of Iowa's non-agricultural economic well-being. Small business provides jobs, services, a tax base for local communities, and serves as the infrastructure to create and sustain economic growth in the state of Iowa. In cities and communities across the state, small businesses are devastated. Many are closed, perhaps never to reopen. Others struggle to make decisions and the personal investment required to re-start their business, given their own personal and economic situation. Whether the business was a sole-proprietor or employed several hundred people or more, many need some kind of support and assistance to help transition during these very difficult times. To accomplish that requires an intense integrated effort from both private and public sectors at the local level, as well as strategic initiatives and policies developed by state and federal policymakers.

Without the businesses that are closed or destroyed by the disaster, there are fewer jobs for the individuals and families who depend on small businesses for their salaries. While there may be interim work in disaster recovery and rebuilding, these interim jobs do not ensure any longer-term economic support for individuals and families. And for most, this kind of work is not even a short-term alternative. Making jobs available and creating and sustaining fair-wage employment for Iowans will help ensure improved economic conditions in communities and the successful rebuilding of Iowa.

Communities across Iowa, along with the Governor, Legislature, and state agencies, have worked hard to recruit businesses and people in the state. A major challenge will be to sustain our current efforts in the economic and workforce development priorities, and at the same time, address the most immediate needs of Iowa's business and industry affected by the disasters.

The Economic and Workforce Development Task Force Report provides information that is available on the damages relating to the state's economy and workforce. It also provides a framework and context for policy and priority recommendations to the RIAC for consideration in their own steps to address the immediate rebuilding issues of the state.

Governor Chet Culver established the Rebuild Iowa Office (RIO) to oversee the recovery efforts in Iowa. While storms and flooding still continued across the state, Governor Culver appointed Lieutenant Governor Patty Judge to lead the RIO effort, and soon after she recruited key staff from state agencies to be a part of



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the first phase of the recovery process. Executive Order Seven also established the Rebuild Iowa Advisory Commission (RIAC). The Commission was directed to oversee the RIO office and provide reports after 45 days, and again, after 120 days to the Governor, the Lieutenant Governor, and the General Assembly regarding unmet needs and impacts, immediate recommendations, as well as long-term recovery strategies for the state of Iowa. Also, nine Task Forces were created in Executive Order Seven. These Task Forces were charged with providing more detailed information regarding their specific issues, as well as their own recommendations to the Commission. The Economic and Workforce Development Task Force worked to address the charge of the Executive Order, but also reached out to business and community leaders through the Task Force and Resource Group Members to develop consensus recommendations for the Commission's consideration.

The Task Force met in a day-long session on July 28, 2008. Through the day's agenda of presentations, facilitated discussions, and priority identification, the Task Force made its recommendations regarding the most immediate issues for the state, as well as critical considerations over the longer-term. This report is the product of the Task Force discussions and public inputs around workforce and economic development.



## **Rebuild Iowa Economic and Workforce Development Task Force**

- J. Michael Earley, Co-Chair, Bankers Trust, Des Moines
- Bill Gerhard, Co-Chair, Iowa State Building and Construction Trades Council, Iowa City
- Beth Brockett, Alliant Energy, Cedar Rapids
- Elisabeth Buck, Iowa Workforce Development, Des Moines
- Sheri Carnahan, American Federation of State County and Municipal Employees, Iowa Council 61, Davenport
- Senator Bill Dotzler, Iowa General Assembly, Waterloo
- Linda Gidley, Iowa Workforce Development and SECC, Burlington
- Jim Heckman, Iowa Small Business Development Center, Ames
- Rick Hunsaker, Region XII Council of Governments, Carroll
- Representative David Jacoby, Iowa General Assembly, Coralville
- Jessica Palmer, Cedar Rapids Area Convention and Visitors Bureau, Cedar Rapids
- Michael Richards, Soya Wax, Cedar Rapids
- Justin Shields, Hawkeye Labor Council/ Cedar Rapids City Council, Cedar Rapids
- Mallory Smith, M Smith Agency, Columbus Junction
- John Sorensen, Iowa Bankers Association, Johnston
- Kelly Sydonia Armstrong, Community Main Street, Waverly
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- Mike Tramontina, Iowa Department of Economic Development, Des Moines
- Bob Untiedt, Linn County Nonprofit Resource Center, Cedar Rapids
- Senator Pat Ward, Iowa General Assembly, West Des Moines
- Denny Warrick, Manpower, Des Moines
- Representative Tami Wiencek, Iowa General Assembly, Waterloo



## **Rebuild Iowa Economic and Workforce Development Resource Group**

- Mark Anderson, Northeastern Iowa Synod, Evangelical Lutheran Church in America, Waverly
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- Alex Contreras, Iowa Small Business Administration, Cedar Rapids
- Thomas Davey, US Bank, Washington
- Karen Dils, Arcadian Engineering, Oxford
- Steven Dust, Greater Cedar Valley Alliance, Waterloo
- Robert Elliott, Retired, Iowa City
- Diane Fountain, Scooters Bar and Grill, Martelle
- Kelly Fredericks, Iowa Workforce Development, Des Moines
- Lily French, Iowa Policy Project, Coralville
- Richard Funderburg, University of Iowa, Iowa City
- Roger Grobstich, Regional, Wholesale, and Department Store Union (RWDSU) International Union, Hiawatha
- Kirk Hiland, Iowa Realty Commercial, North Liberty
- Tom Hobson, Rockwell Collins, Inc., Cedar Rapids
- Thomas Hurd, Alternative Energy Consultants, Mason City
- Tim Kintner, Bankers Trust, Cedar Rapids
- Michael Mallaro, VGM Group, Waterloo
- Steve Morrissey, Steve Morrissey CPA, West Des Moines
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- Mike Ralston, Iowa Association of Business and Industry, Des Moines
- Claudia Ramirez, Waterloo Public Library, Waterloo
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## Rebuild Iowa Office

- Jane Schildcoth, University of Iowa, Iowa City
- Doug Schumacher, A1 Rental, Cedar Rapids
- Carl Sefl, ROI Marketing Services, Hiawatha
- Elliott Smith, Iowa Business Council, Des Moines
- Gary Streit, Shuttleworth and Ingersoll, PLC, Cedar Rapids
- Bob Stringer, City of Waterloo, Waterloo
- Thomas Summy, Iowa City
- Michael Swartz, Church of Peace United Church of Christ, Rock Island, IL
- Kelly Thompson, Hills Bank & Trust Company, Marion
- Allan Thoms, Allan Thoms Consulting LLC, Cedar Rapids
- Mike Tully, Aerial Services, Inc., Cedar Falls

Task Force members were drawn from an all-volunteer pool of Iowans who expressed interest in serving the state. The response was overwhelming, with many more individuals volunteering than could be accommodated in the balance of a deliberative Task Force body. Rather than turn away volunteers who brought with them experience and expertise, each Task Force welcomed those volunteers to a Resource Group which participate in the meetings through offering presentations, specialized information, and additional inputs and ideas for rebuilding Iowa.

Rebuild Iowa Office staff supporting the work of the Economic and Workforce Development Task Force are Laura Stein, Joe Mowers, Emily Hajek, and Mary Jane Olney.

In support of the Rebuild Iowa effort, Task Force facilitation, staffing, and report development services were provided by State Public Policy Group (SPPG), Des Moines.



## Executive Summary

The 2008 disasters devastated Iowa. As of August 13, 2008, 85 counties were declared as Presidential Disaster Areas for Public Assistance and 74 declared for Individual Assistance. Economic and Workforce development are critical issues for the Rebuild Iowa Advisory Commission (RIAC). In this report to the RIAC, the Task Force focused on immediate priorities, based on work in the first 45-day period as outlined in Executive Order Seven.

In cities, towns, and rural areas across the state, small businesses, non-profit organizations, and industries, have been devastated. Many are closed, perhaps never to reopen. Others struggle to make decisions regarding their personal and financial investment that is required to restart. Jobs were lost and families were displaced. As a result, communities are challenged with the clean-up and their own rebuilding and making sure a tax base is maintained.

Because workforce and economic development are such core issues to the future well-being of the state, existing programs and initiatives are also important to sustain efforts to recruit new business and industry, create good jobs and a skilled workforce, and improve quality of life in the state.

The economic impact of the disasters will cause an even more severe “domino effect” if Iowa fails to recognize and address these critical issues. Simply, businesses close, jobs are lost, neighborhoods empty, non-profits cannot raise funds, tax revenues decrease, etc.

The strongest impact was felt on businesses in downtowns, main streets, and in smaller retail shops. In Cedar Rapids, 1,300 city blocks were flooded and 3,000 homes were evacuated. The floods disrupted business operations of major corporations. It is estimated that Iowa's small businesses will have \$600 million in lost revenue, and the losses will worsen in the next 12-18 months. The Center for Industrial Research and Service (CIRAS) noted in the summary of its June survey that it is reasonable to expect that damages and lost income to Iowa's industries would exceed \$100,000,000.

For some of the affected cities, towns, and rural areas, the loss of business and jobs, will no doubt, affect the overall economic future of the community. Some communities depend upon a major employer, small retailers, or a number of micro-enterprises and small businesses as their economic core.

Economic development, workforce training and re-training, and job creation has been a core tenet over the last 25 years. Over the years, Iowa has worked to ensure fair wages in jobs created and remain flexible in its recruitment of business, industry, and technology companies. We must certainly be concerned about the effects of the floods on the health and well-being of families and neighborhoods. A quality of life focus, arts and cultural initiatives, and safeguarding our natural resources has been effective in making Iowa a great place to live.



Time is a villain to the business community, especially for small business. As time goes by, small businesses, which are faced with the challenges of rebuilding, have an option of moving out of town or out of state. Non-profit organizations, which create jobs and are a key to the fabric of any community, are in similar situations. Without support from the private sector, many will suffer from a lack of funding.

Every community affected by the disasters is much stressed. While working to address the immediate needs of the residents, ensuring housing, education, and public safety, leaders must also not forget what is required to rebuild its tax base, and ensure that business, industry, and community institutions remain vital. New business and industry need to be recruited, and job and skill training programs need to be developed. Arts, cultural, and non-profit institutions must remain, and, most important, each community needs to preserve its own distinct culture and identity. The nation and world needs to know that Iowa is open for business, the business climate remains competitive, the workforce is exceptional, and Iowa provides a great place to live and work.

A sense of determination and unity within the community and with the state is required to make the pivotal decisions to drive the economy throughout the state. The Task Force looked at its work as what is required immediately, as well as over the shorter and longer term.

#### *Immediate Recommendations*

- Provide immediate assistance to support small business.
- Provide the local match to local government required by FEMA/federal government.
- Create and support jobs and skills training and re-training.

#### *Provide immediate assistance to support small business*

The Task Force recommended the state develop a forgivable loan program to be made available to small business and non-profits who demonstrate eligibility. The state would create reasonable criteria and an oversight process. Outreach to businesses by local communities, as well as the state is critical. The use of technical assistance providers in cities and in rural areas are important to provide needed assistance.

#### *Provide the local match for local government required by FEMA/federal government*

The Task Force recommended that the state provide the balance of the match required by FEMA to local communities. Given the stress in current budgets, some communities have cash flow issues as well as budget concerns that local tax revenue will decline, given the demise of homes and businesses.



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### *Create and support jobs and skills training and re-training*

Small business owners, employees, and workers need help if they transition. The community and state must continue to seek out new economic development opportunities. Serious attention must be given to support new skills training and re-training.

### *Short-Term Priorities*

The Task Force made further recommendations to encourage economic and workforce development efforts in the near future.

- *Enhance riverfronts* – Use Iowa’s rivers and spaces as an asset to the community and state.
- *Provide cities with flexibility to raise revenue* – Provide flexibility or ways for local government to raise revenue.
- *Strengthen and support planning* – Planning for policies relating to business, floodplain management, hazard mitigation, workforce training and re-training, and residential development should become a priority.

Apart from the above recommendations, the state of Iowa should vigorously continue to recruit and attract new business and industry. To rebuild and redevelop in damaged areas, as well as address the disasters across the state, it is critical to recognize that Iowa must continue its outreach beyond the state to include public relations and communications efforts to let people know that Iowa is recovering and is still good for business.



## **Damages and Impact in Economic and Workforce Development**

Economic and workforce issues are arguably important priority issues for communities and their residents affected by disasters in Iowa during 2008. Besides severely damaging houses, businesses, and entire communities, the tornadoes, storms, and floods of spring/summer, 2008 have left many unemployed and facing a loss of income and security. While economic and workforce numbers are not always a good representation of the extent of the damage, they are still useful to comprehend the level of the damage and impact.

Most of the communities that are severely impacted by the floods are in the eastern half of the state. Some of the impacted cities include Cedar Rapids, Des Moines, Coralville/Iowa City and Waterloo/Cedar Falls. Many medium-sized and smaller cities and towns were also hit hard, such as Mason City, Palo, Oakville, and many others. Tornadoes worsened the situations for many towns such as Parkersburg, Sinclair, New Hartford, and Onawa.

While flooding caused immense damage in a majority of places in Iowa, the impacts were strongly felt in Cedar Rapids and Coralville. According to *Gazette*, in the city of Cedar Rapids:

- 14 percent of the city was impacted by floods.
- Approximately 3,000 homes were evacuated and families took shelter with friends and relatives.
- 18,623 persons were impacted.
- 5,390 residential parcels, 1,049 commercial parcels, 84 industrial parcels, and 51 agricultural parcels were impacted.
- There were 486 property tax-exempt groups such as governments, schools, churches, and non-profits impacted, and 138 other utility and railroad companies.

While figures are not available on how many families returned to work immediately, one can assume that they experienced some disruptions in their jobs. One member in the Economic and Workforce Development Task Force Meeting gave the example of a company in Cedar Rapids with 200 employees that has been in business for 100 years. Because of the catastrophic flooding, it will not be feasible for this company to rebuild unless it receives assistance from the state. In Cedar Rapids, Alliant's power generating facility is not functioning and the sewage treatment plant will take some time to become fully operational. Smaller community districts such as Czech Village are severely damaged. Multiple business buildings have also been affected in many areas. The Commission tour of Cedar Rapids shows that prior to flooding, there were 37 restaurants and bars in downtown, but only five or so remain, after the floods. Thirty-five of the restaurants were directly impacted by the floods.

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According to the Commission's tour of Iowa City and Coralville, 200 businesses were affected in Coralville. These businesses suffered direct loss and also lost their customer base. Additionally, these same businesses now face the challenge of rebuilding or relocating. The tour of Wapello showed that many small businesses were flooded. One example is Econofoods which was filled with six feet of water. Casey's store was severely damaged but is on the path of rebuilding. The Subway restaurant building was knocked off its foundation and its business future remains uncertain. With a population of 2,124, damage to local businesses has a strong impact on the economy and sustainability of Wapello. For retailers in smaller communities, there is a fear that customer patterns will change to retailers in larger communities.

Some of the strongest impacts were felt on businesses in downtowns, Main Streets, and retail shops. According to IDED's presentation to the RIAC, downtowns of Charles City, Cedar Rapids, Waterloo, Coralville, Elkader, Parkersburg, Oakville, as well as a number of other communities, all had major damage. Many other cities had buildings and businesses damaged. There are also fears that small retailers, often tenants, will not return and some businesses will not reopen.

Flooding affected a majority of the businesses in downtown Burlington. Five businesses that were directly affected by the flooding include: Alter Commercial Caseworks, Embellishments and Designs, Burlington Junction Railroad, Big Muddy's, and The Iowa Store. A number of businesses also closed because they were adjacent to the flooding. Flooding also resulted in lost inventory and lost productivity. Over 100 residents were evacuated from the Burlington Apartments. The residents are not sure when they can return to their apartments. Burlington's City Manager estimates that the clean up and rebuilding will total over \$1 million. This does not take into account the cost of preparation before the flood and the lost revenue to area businesses.

Charles City estimates \$15 to \$20 million in damages and lost revenues for the whole community, including downtown and outlying areas. Several riverfront bars and restaurants were flooded but were able to reopen within days. Minor damage was also done to public art and parks. Major damage occurred in streets and parking areas near the river. City officials have reported \$10 to \$15 million in damages to private homes. In Corning, 28 businesses, non-profits and one house were flooded for a period of days. Most buildings are going through the repair process. The City estimates that up to five structures may be demolished. Many non-profits also lost equipment and supplies. Twenty businesses were affected in Elkader. The assessed value for Main Street buildings stands at approximately \$2.4 million. Buildings and inventory loss is nearly \$15 million. In downtown Greene, all 35 businesses were affected by the floods. The 100 year old Community Center, providing services to 25 organizations, was destroyed. In Columbus Junction, 28 businesses, one non-profit and one house located in the downtown were flooded. It is estimated that five structures may be demolished.



Other communities such as Keokuk face daunting economic challenges. A major bridge that links Keokuk to Hamilton, Illinois is the topic of deliberations among state officials. There is speculation circulating that the bridge may close down. In this event, the commuters will have to drive more than an hour out of their way to get across the river, creating even more economic hardships.

The greatest impact caused by the flood of 2008 is faced by the families with the fewest economic resources. According to Iowa Fiscal Partnership, families with limited income are faced with multiple challenges including affordable housing, transportation, loss of work, and limited food budget. Low-income families are mostly delayed in beginning to think about recovery and rebuilding. Additionally, elderly and single mothers are especially vulnerable to the affects of floods.

The floods disrupted small businesses and the operations of major corporations that are located in these cities, which have resulted in millions of dollars in losses. These losses have created a need to invest other millions of dollars to assist in recovery from the damages. However, one should be careful to not underestimate or ignore business damages in smaller communities. Smaller communities carry a bigger risk since they do not have the elasticity of larger communities. Businesses in these smaller communities have experienced serious disruptions in their customer base and supply chain. Many of these businesses, due to limited resources, are unable to recover and are forced out of business on a permanent basis. Business impacts in these smaller, and often more rural, communities can have drastic impacts for a longer period of time and may require special consideration to help recover.

It was also noted that, based on the preliminary estimates, the impact, particularly on small businesses, is going to continue in the next three to ten years. Many small businesses will see ripple effects within the year. It is estimated that Iowa's small businesses will have \$600 million in lost revenue and it is expected to worsen in the next 12-18 months. As of August 12, 2008, the Small Business Administration (SBA) has verified damages to 930 businesses in Iowa. The average verified loss (estimated repair or replacement cost) is \$164,042. SBA continues to provide assistance to businesses across Iowa. As of August 14, 2008, SBA has distributed 6,634 applications to businesses. SBA has received 1,209 applications back and has approved 427 loans for the total amount of \$51,197,100.

The Iowa State University Extension, Center for Industrial Research and Service (CIRAS) conducted a survey in which manufacturing companies were contacted. Surveyors spoke with 841 of these companies, and 50 percent of those manufacturers reported being directly or indirectly affected by the floods. For every company directly impacted by the floods, there are two companies that are indirectly impacted. The companies also identified workforce (56 percent of the total respondents) as the number one issue affecting companies, followed by road transportation, customers and supplies. The survey also projects that the total value of damages and lost income will exceed \$100 million within the manufacturing sector.

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While it may be too early to determine the total economic impact from flooding, a report by Iowa State University's Regional Capacity Analysis Program shows that economists at Iowa State University have determined the methodology to calculate the economic impact. As noted in the report, "Economic Impacts of the 2008 Floods in Iowa," ISU economists estimate that the total losses may approach or exceed the \$1.45 billion in crops, livestock, and personal property/income reported in the 1993 floods. It is expected that the economic impact assessments will be completed within one to three years. An informal online survey conducted by Safeguard Iowa Partnership that received 580 responses estimates physical damage to businesses at \$426,011,267 and economic loss at \$178,593,361.

Besides impacting businesses, flooding in Iowa has also caused income instability for many. While the actual unemployment number caused by flooding is not available, Iowa Workforce Development (IWD) shows that in the month of June 2008, the increase in unemployment was mainly caused by flooding and other economic-related layoffs. The unemployment rate was 3.9 percent in May 2008, 4.0 percent in June 2008, and 4.3 percent in July 2008. In July of 2007, the unemployment rate was 3.8 percent which is 0.5 percent lower than July of 2008. IWD fears that full unemployment impact will only show in the coming months.

Initial claims filed for the unemployment insurance program, tracked by the Mass Layoffs Statistics (MLS), also seem to substantiate that the floods are playing a significant role in employment. Initial claims spiked by over 6,500 from May to June 2008, which represented an increase of 44 percent. The initial claims then receded below May levels in July. The county data paint an even clearer picture of the impact of the floods. In the hard hit Cedar River Valley and adjoining counties, there were significant jumps in initial unemployment claims. In total, 21 counties doubled their initial claims from the month of May to June 2008. In fact, Louisa County—the county where the city of Oakville is located—had a jump in initial claims of 624 percent.

Iowa Workforce Development continues to serve flood impacted areas with Disaster Unemployment Assistance (DUA) and a \$17.1 million National Emergency Grant for Emergency Public Jobs (EPJ). Work opportunities are provided to more than 900 Iowans at 120 sites. To be eligible to participate in the EPJ program, individuals must live or work in a county that has been declared eligible for FEMA Public Assistance. Under this program, employees are covered for work up to six months and are paid at the prevailing rate for the county containing the worksite.

Iowa Workforce Development is also providing Disaster Unemployment Assistance. Claims for disaster-related unemployment benefits are closer to 10,000 at this point but as of August 13, 2008, IWD has received 2,238 DUA claims. This is an increase of 231 claims or over a 10 percent increase since August 6, 2008. These federal benefits cover self-employed workers who are not usually entitled to unemployment insurance.



The non-profit sector, which includes provider and service organizations and cultural attractions, are hit hard and will face different challenges in recovery process than many businesses. Non-profits tend to be underinsured, often lack the revenue to repay old debt, lack any collateral, and face major challenges as their fundraising prospects dwindle due to storm damage impacts in the community. In the Task Force meeting, members were reminded that non-profits are operating off line of credit and are likely to shut down unless they receive government assistance. Since non-profits provide critical community services, restoring them is crucial to ensure that service voids are not created in the community.

### **The Meaning of Data**

Damage estimates continue to come forth. They are updated and adjusted on a day-to-day basis. As noted in surveys and analysis from ISU and other sources, it is very difficult to collect preliminary damage estimates around economic and workforce impacts. Because large business and industry have more complete and complex record keeping, it is easier for them to report damages in a shorter period of time. Small businesses find it more difficult to make revenue loss estimates or to provide other reports to support damage estimates. True economic impact is measured over the years. Depending on trends and business cycles, including business closings as a result of the disasters, the ability to determine specific economic impact soon after the disaster is very difficult.

As mentioned previously, flood and storm damaged communities are in shock and are working towards meeting the most immediate needs of clean-up and restoration. While they are aware that they will be faced with long-term impacts, it is too early for them to start compiling comprehensive data on flood impact.

### **Damage Reports from the Communities**

Damage information for this disaster has and will continue to come from a variety of sources including federal, state, counties and cities, private contractors, educational institutions, individual business owners, corporations, trade associations, research groups, and non-profit organizations. Damage definitions vary depending on the agency or organization, and values ascribed to damage levels are not always consistent.

Many agencies and organizations remain diligent in collecting damage information. In large and small cities and rural areas, much of the economic impact on the community and family will come forth and be clarified over the next five years. In the meantime, it is necessary for the public and private sectors to seek policies and solutions that will promote the continued economic growth of Iowa.



## Issues in Economic and Workforce Development

Businesses and communities across the state were affected by the disasters of 2008. Some communities were harder hit than others, with businesses severely damaged or destroyed. Some businesses may never open again. Jobs were lost. Families continue to be in distress. Entrepreneurs and company owners were overwhelmed with the level of damage to their businesses and property. Boards of Directors and the staff of non-profit agencies, at all levels, were affected. Some, like museums and cultural organizations, received major damage or lost their venues and collections. Others lost the offices from which they provided services to their communities and area families.

For some of these same communities, the loss of business and jobs will, no doubt, affect the overall economic future of the community. With housing destroyed, commercial property inundated and requiring major rehabilitation or re-building, and small and micro-enterprise businesses struggling to re-open, cities and counties face a deteriorating tax base and loss of population. Some communities depend upon a major employer, small retailers, or a number of micro-enterprises or small businesses as the core of the economic community. In larger communities, businesses at all levels were affected, and in most cases, the support and recovery efforts of the next six months will determine the future of each of those cities and towns.

It is difficult to analyze and compute the economic impact of the 2008 disasters. As of August 13, 2008, 85 counties were declared as Presidential Disaster Areas for Public Assistance and 74 declared for Individual Assistance, with a total of 85 declared counties. For many communities, there has been nothing in Iowa's history to equal the severity of damage to homes, communities, infrastructure, and business. It is an anomaly. Tornadoes, straight winds, and flooding were rampant across the state in 2008, and some communities experienced all three.

Only 15 years ago, in 1993, were so many Iowa counties declared as Presidential Disaster Areas (99), and most note that the 1993 flooding pales in comparison. According to FEMA Disaster Reports, the severity of 2008 floods is much greater in some parts of the states as compared to the 1993 floods and the total damage far exceeds the 1993 disaster. Within the last 15 years, flooding and major storm damage has occurred in many communities and rural areas across the state. Recognizing these unprecedented disaster events and losses and learning from our history, should serve as a warning as well as an opportunity for the state.

There can be a domino effect of continuing economic disaster if Iowans fail to recognize and address critical issues. Simply, businesses close, jobs are lost, neighborhoods empty, schools are affected, more businesses close, businesses are not started, businesses don't move to Iowa, non-profits cannot raise funds, utility costs increase, local tax revenues decrease, people move away, more businesses close, etc.



To block that domino effect requires Iowans to continue to do what they do best, to help each other. Early on, businesses “adopted” other businesses affected by the disaster, community organizations provided support and technical assistance to companies and organizations of all sizes, and there continued a faith that in working together, with local, state, and federal assistance, Iowans will rebuild their communities and economic infrastructure. The Economic and Workforce Development Task Force brings forward steps to address immediate issues and, over time, will continue to engage Task Force and Resource Group Members in moving forward on many initiatives that can positively affect Iowa’s economic future.

## **The Context**

Economic development, workforce training, and the creation of jobs have been core tenets in the creation of a stronger and better Iowa over the last 25 years. Programs and policies created in the midst of the Iowa farm crisis have been retained, adapted, and matured to a level which makes Iowa and its communities competitive with other states. Initiatives to create new job training programs, small and micro-enterprise business programs, as well as entrepreneurial efforts, have kept Iowa in the forefront of economic development capacity. Whether it is micro-enterprise businesses, small businesses with between 10 and 500 employees, or micro-entrepreneurs, all are well-suited to help in the recovery and rebuilding in the state of Iowa. Over the years, Iowa has worked to ensure fair wages in jobs created and remained flexible in its recruitment of business, industry and technology best suited for the state. Making Iowa a great place to live has been a priority. A quality of life focus, arts and cultural initiatives, and safeguarding our natural resources have been effective in making Iowa a great place to live.

But with the 2008 disasters and the horrendous flooding in many communities, there is a fear that Iowa and many of these communities faced with rebuilding will lose any gains and impetus unless immediate support is provided to small businesses, business owners, workers, and non-profit sector institutions. In Iowa’s larger cities, the business leadership and support systems are of great benefit, but even then there are major sections of downtown communities that have been destroyed. In smaller towns and rural areas, where the support systems are not as highly developed, it can be very hard for business owners and communities to cope with disasters. Retail and service stores that were closed by flooding or tornadoes may find that customers have moved or shifted their buying habits to another community with more options.

Time is a villain to the business community. As time goes by, the impacted small businesses faced with the challenges of rebuilding have an option for relocating out of town, out of state, or choosing not to reopen or accelerate retirement plans and retire early. The Small Business Administration (SBA) Disaster Loan program is the only state or federal program available that provides disaster assistance to small businesses. Some small businesses are on the margin of being eligible to secure a SBA loan and others may not elect to take on more debt in light of their situation. As of August 12, SBA has verified damages to 930 businesses in Iowa. The average verified loss (estimated repair or replacement cost) is \$164,042. As of August 14, 2008, SBA has distributed 6,634 applications to businesses. SBA has received 1,209



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applications back and has approved 427 loans for a total of \$51,197,100. After the 1993 flood, which deeply affected the Des Moines area, it was estimated that there was \$72 million in damage to businesses in downtown, but only \$400,000 was spent for revitalizing those businesses. Business assistance is not available, simply, because there is no other state or federal program to help with the retention of business and investment in a disaster situation. Unfortunately, a percentage of small businesses affected by the disaster will eventually close.

It should be noted that, while SBA small business disaster loans are available through FEMA's disaster assistance program, there are other loan programs currently in existence operated by Economic Development Districts, Real Electric Cooperatives, and other organizations.

With loss of businesses, there is a loss of employment and income to individuals and families in Iowa's impacted communities and rural areas. Many farmers, farm workers, and spouses have second jobs that have been affected by business closings. In areas affected by the disaster, Iowa's Disaster Unemployment Assistance Program (DUA) is available, and over 2,200 Iowans have applied for disaster unemployment assistance. Few eligible small businesses have applied for this assistance. There are also 7,835 Iowans who have applied for regular unemployment insurance as they've lost their jobs due to the disasters. To encourage people to apply, the state will again extend the sign-up deadline in an effort to help more small business owners.

Iowa's large industries were also affected by the disaster. According to the Center for Industrial Research and Service (CIRAS) June survey of Iowa industries, "workforce was the number one issue affecting companies. Fifty-six percent of all companies indicated problems relating to their workforce. Workers were unable to get to work. This created a variety of problems for manufacturers including delays in order delivery, short-term sales loss, loss of customers, and added costs when penalty clauses were included in orders." Loss of customers was reported by 36% of those companies who responded to this survey. Uncertainty in the data is created by the large number of impacted companies that were not included in the survey. CIRAS notes, "It is reasonable to expect damages and lost income to exceed \$100,000,000."

The damage to commercial buildings in communities is overarching. Iowa Realty Commercial of Cedar Rapids estimates the physical damage loss to downtown buildings in Cedar Rapids exceeds \$336 million, not including residential loss. With the damage and remediation to these same buildings, \$8 million is lost from the tax base. Small businesses that rent retail or office space in these same buildings will need to close or move. Over time, utility costs and operating costs will most likely increase to both owners and renters of these same buildings as a result of lost revenue and the loss of a customer base.

The disasters will have a ripple effect, and over time, there will be an estimated \$600 million dollars in lost revenue in the Cedar Rapids community alone in the first year, and it is expected to get worse over the next few years. The immediate impact on families, and the longer-term challenges of lost businesses and



lost jobs, requires great attention to the human, health, and mental health needs that come as a result of recent disasters. Not only do businesses need “one-stop” shop support, but individuals and families who are in stress require easily accessible support services and determined outreach to ensure they are well and safe.

Businesses in smaller communities are in particular need of assistance and support services. In Columbus Junction, 28 businesses are flooded. In Corning, 7 to 10 businesses are affected by flooding. In Elkader, 20 businesses are affected. In Greene, all 35 businesses are affected. In New Hartford, 245 of the approximately 260 homes and businesses are flooded. The entire town of Oakville has been affected by flooding, and the entire Elliot Township of Louisa County was submersed in four to ten feet of water.

Communities affected by the disasters are also much stressed. While working to address the immediate needs of residents, ensuring housing, education, and public safety, leaders must also not forget what is required to rebuild the tax base and ensure that business, industry, and community institutions remain vital. Hard and soft infrastructure will need to be repaired and improved. Funds can also be available through Economic Development Administration (EDA) for long term planning recovery. New business and industry will need to be recruited. Job and skill training programs will need to be developed and funded. Arts, cultural, and non-profit institutions must remain. And critical to each community is the need to preserve its own distinct culture and identity.

A sense of determination and unity within the community and with the state is required to make the pivotal decisions to continue to drive the economy throughout the state. The Economic and Workforce Development Task Force has approached its work in looking at what is required immediately, as well as over the shorter and longer-term. It considered all of the aspects and elements of a strong and solid workforce, economic development priorities, policies, and solutions, and provides recommendations for the Commission.

## **Priority Issues**

The Task Force’s highest priority was to identify means to generate the greatest immediate impact to support the economic well-being of Iowa’s business, industry, and non-profit institutions, with an understanding that other gaps, issues, and longer-term priorities will be part of the next phase of the Task Force’s work and further recommendations. The Task Force recognizes that the state has a key role in supporting to the extent possible, the local, federal, and private sector initiatives that assist in the economic rebuilding and workforce programs ensuring Iowa’s economic future.

The Economic and Workforce Development Task Force identified the following as immediate priority issues for the Commission’s consideration.

- Provide Immediate Assistance to Support Small Business



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- Provide the Local Match to Local Government Required by FEMA/Federal Government
- Create and Support Job and Skills Training and Re-training

As compared to immediate priorities, which are driving this Task Force's priority recommendations to the RIAC, a number of short-term priorities were also identified that need to be a part of any further discussion. The charge to the Commission and Task Forces is to consider ways to rebuild Iowa safer and smarter. As the process continues after the initial 45-day report, the Economic and Workforce Development Task force identified these additional priorities to be considered in coming months.

- Enhance Iowa's Riverfronts
- Provide Cities with the Flexibility to Raise Revenue
- Strengthen and Support Planning

Apart from the above issues, the state of Iowa should vigorously continue to recruit and attract new businesses. For Iowa to rebuild in damaged areas as well as address the disasters across the state, it is critical to recognize that Iowa must continue its outreach beyond the state to include public relations and communications efforts to let people know that Iowa is recovering and is still good for business.

### *Provide Immediate Assistance to Small Business*

The economic loss to communities, the state, and individuals and families, is devastating. With difficulty to plan for a future, business owners and workers have to make decisions. Can we re-open? Can we re-create our jobs? Should we transition our business, retire, or move on or away? There are no state or federal disaster programs to help small businesses recover and rebuild other than the Small Business Administration (SBA). Some businesses do not want to add to their already existing debt; others find it difficult to navigate the process.

In a perfect world, small businesses who need assistance would receive cash and each would use it to reopen their business in a given period of time. In that best case scenario, employees would be hired at the same salary as before and all of the money would be used specifically for purposes that came as a result of the 2008 disaster. Because SBA is the only disaster assistance program available, looking for some alternative to encourage and augment other sources of financing seemed most reasonable. Specific program criteria are required, oversight is critical, and spending of public funds requires responsibility. Direct cash is not an option, but funding support is necessary.

An option would be for the state to develop a forgivable loan program to be made available to small businesses and non-profits who demonstrate eligibility using SBA loan criteria as the basis of their



application. For businesses already receiving a SBA loan, the funds may be dedicated or paid to reduce the SBA loan. The immediate creation and implementation of this priority is critical for many small businesses to make decisions. As a forgivable loan to eligible small businesses, the state would create reasonable criteria and an oversight process to ensure the loan is used correctly. If these criteria are met, the state would not require the funds to be reimbursed back to the state at a later date. Iowa Workforce Development has identified a possible waiver within the \$17.1 million National Emergency Grant appropriation that would allow the flexibility to use some of the NEG funding for the purpose of providing a portion of the forgivable loan program.

This type of program would provide hope and opportunities for small businesses to succeed. The state of Iowa has used this mechanism for other kinds of specific economic development funding. This kind of particular program would hinge on the extraordinary circumstances of this disaster, but criteria typically would require the business to reopen, hire back their employees, and pay the same level of wages. Non-profit organizations would also be eligible.

It will be critical to make such a program available and known throughout the areas affected by the disaster. Outreach to businesses by local communities as well as the state is critical. There is great value in the technical assistance that can be made available through existing organizations such as the Regional Councils of Governments, the Small Business Development Centers, the Area Community Colleges, and Iowa State University Extension. Many communities have already engaged local businesses and other organizations to help these impacted businesses reopen. There should also be recognition that technical assistance, which needs to be funded in some way, will help businesses and entrepreneurs better plan for their future and will also be available to help some businesses transition ownership with the ultimate goal of helping them remain open.

There are many other needs in support of economic development. While the state and communities help those small businesses affected by the disaster, the state must continue with its current efforts and practices. Recruiting great companies and good jobs that are best suited for Iowa should remain a priority. The nation and world need to know that Iowa is open for business and the business climate and incentives remain competitive, the workforce is exceptional, and Iowa provides a great place for people to live and work. But businesses affected by the 2008 disasters need help immediately.

*Provide the Local Match to Local Government Required by FEMA/Federal Government*

Cities and towns continue to spend down their budgets and stretch their resources in efforts to rebuild their communities and make them safe and livable after the 2008 disasters. Given FEMA regulations relating to match requirements for federal disaster funds, communities are expected to match a percentage of those dollars. The state has already made a commitment to help with a percentage of that match, but to move



forward with rebuilding and economic development efforts, the Task Force is recommending that the state of Iowa also pick up the final 10% of match funding required of local government.

When the “bill comes due” to cities to match the federal funds, cities and towns will not have the resources to “pay up.” Already strapped with extraordinary and unexpected costs, some cities are struggling with cash flow and there is a fear that local tax revenue will drop, given the demise of many homes and businesses. Local governments are very limited in their ability to raise revenue. City leaders also understand that they must move forward with current and new economic, community, and housing development efforts. Infrastructure repair remains an issue for many communities, and the match funds from the state are critical to the economic well-being of disaster-affected cities and towns.

### *Create and Support Job and Skills Training and Re-Training*

For all of the businesses which need help, there are also small business owners, employees, and workers who need assistance or are in their own transition. There are the stresses of job and business loss. For some, they may have also lost their homes and neighborhoods. These situations will result in increased mental health issues, some homeless individuals and families, and a safety net system with holes. As winter approaches, tensions will rise. Some workers and families will seek jobs or relocate in other communities or another state. Others will remain in the community hoping for a better time. It is essential to address the needs of children and families in a comprehensive manner.

There are two distinct potential programmatic solutions to support the workforce recommendation – using remaining National Emergency Grant (NEG) disaster funds for job skills training, and increasing the reemployment services available from Iowa Workforce Development (IWD). The National Emergency Grant program, through a waiver of federal rules, could provide for skills training following an individual’s service in the Emergency Public Jobs (EPJ) program not unlike the GI bill for returning servicemen and servicewomen. NEG funds would increase the skill level of participants as they leave the EPJ program and reenter the workforce in another capacity. The reemployment services from IWD allow individuals to remain unemployed for less time and become reattached to the workforce more quickly.

Reemployment services could be used to ensure that individuals displaced by the flooding are able to either increase their skill level or become reemployed so that they avoid entering into long-term unemployment. Reemployment services generally constitute a series of job-search oriented contacts from a workforce agency to an unemployment insurance claimant that escalate in frequency and importance the longer that the claimant is on unemployment insurance. Reemployment services generally result in improved outcomes for claimants (desirable jobs), a reduction in the average weeks on unemployment insurance for claimants, and a decrease in exhaustion of unemployment benefits. Ultimately, reemployment services could reduce the number of Iowans on public assistance as the exhaustion of unemployment insurance benefits can lead to long-term unemployment.



Understanding that communities and the state must continue to seek out new economic development opportunities and support those who seek employment; serious attention must be given to support new skills training and retraining focused on the needs of businesses and communities. Providing a broad range of education and training opportunities is critical, especially at this time.

### *Short-Term Priorities*

The Task Force sees three other priorities as integral to economic recovery and job creation in the near future. The 2008 disasters provide an opportunity to move forward and strengthen Iowa's economic future.

- *Enhance Riverfronts* – Given the 2008 floods, look harder at Iowa's rivers and spaces to better use them as an asset to communities and the state. The disaster gives some opportunity to address critical issues and to consider resolving policies and practices that will help mitigate flooding and improve the quality of life across the state.
- *Provide Cities the Flexibility to Raise Revenue* – Some argue strongly that cities do not have the flexibility or ways to generate revenue for what they need. Providing that flexibility to local elected officials and communities would help in longer-term economic and community development efforts.
- *Strengthen and Support Planning* – Planning becomes more of a priority in situations like the disasters of 2008. Good planning most often leads to good policies and can affect issues relating to business, workforce training and re-training, floodplain management, hazard mitigation, business and residential development, as well as human and social services needs. While there is a separate Floodplain Management and Hazard Mitigation Task Force that is recommending issues related to locating in floodplains, the state and communities should educate businesses about the risks of locating in a floodplain. The state and each community should also work toward giving reasonable assurances to business and industry prospects that the damages caused due to disasters will be mitigated through better rebuilding and redevelopment of areas affected by the 2008 disasters.

## **Gaps in Economic and Workforce Development**

The Task Force realizes that the state must move forward aggressively and with focus. Iowa appreciates the support of the federal administration and Congress. Continued communication with Iowa's Congressional delegation is critical in the state's recovery and rebuilding efforts. And rebuilding will be over time. The Task Force has identified that there are gaps that must be addressed in the near future. Rebuilding will require longer-term planning and considerable deliberation by Iowans. Members also recognize that not only is work to be done in recovery and rebuilding, but at all levels, the state and Iowa's communities must continue to do what is already required and expected. It is important to keep a focus on existing economic and workforce priorities and programs.

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The only state or federal program for small businesses recovering from disaster is through the SBA. There are short-term employment programs, but funding for training and re-training to help disaster impacted businesses and workers is very limited.

There has not been an assessment and evaluation of current economic and workforce development programs that provide resources and assistance to businesses and communities. Such an assessment will allow leaders and policymakers a clearer picture as they look at the rebuilding effort.

The state and many cities and counties lack extensive comprehensive planning. That planning should be a priority and include neighborhoods, small rural areas, and towns, and needs to engage those who are affected. Programs, policies, and recommendations made as a result of the disaster and subsequent planning processes should fit all Iowans and be made available appropriately.

While giving attention to technical assistance targeted for businesses and non-profits, it is also very difficult for small businesses to navigate the services that may or may not be available. Clearer communication and creating “one-stop-shop” centers would enhance technical assistance efforts at all levels.

It is often said that local people know the local needs, their neighbors, and what is best for the local community. There have been strong public and private partnership efforts in the recent months. For example, the 2008 Embrace Iowa Fund channels private sector disaster funds through local community foundations. Arguably, other local delivery systems such as United Ways, regional Councils of Government and many other local entities can better understand and address the needs of the community. It will be important for the state, local communities, and the private sector to work together in supporting the rebuilding of Iowa. Involving communities in aspects of program development and delivery is important.



## Economic and Workforce Development Recommendations

Creating and sustaining Iowa businesses, ensuring that Iowa's communities thrive, and providing jobs and skills training is Iowa's lifeblood. The Economic and Workforce Development Task Force provide these consensus recommendations to the Rebuild Iowa Advisory Commission and for consideration by the Governor and General Assembly. These are provided based on the work and findings of the Task Force. Materials and data provided and included in the supporting documentation section of this Report helped shape the discussion, identification of priorities, and development of recommendations.

The Task Force provides these recommendations and requests that they be given immediate attention. Each of these three recommendations provides a brief narrative and suggested strategies.

1. The state should provide immediate assistance to support small businesses. The state of Iowa should develop a "forgivable loan program" to assist small businesses and non-profits affected by the 2008 disasters.
  - The state of Iowa, in cooperation with the Small Business Administration and local community organizations and technical assistance providers can ensure Iowa's small businesses have an opportunity to succeed. A forgivable loan program will allow eligible businesses new or additional capital. The program will provide necessary incentives in Iowa's cities and towns.
  - Strategies:
    - Identify funds made available through existing programs or through new funding to create a specialized loan program.
    - Develop criteria for eligibility and an oversight mechanism.
    - Link with local and regional organizations and technical assistance providers to help identify eligible businesses.
    - Explore waivers for the National Emergency Grant (NEG) program that would allow the NEG money to be used for small business assistance and get further federal funding for that purpose.

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2. The state should provide the 10% local match to local government required by FEMA/federal government to ensure Iowa's communities will have adequate funds to recover and rebuild.
  - The state of Iowa can fill a critical void in supplanting local match funds required by FEMA regulations. This would help some communities with cash flow issues and with tax revenue that may be depleted as a result of the disaster.

### Strategy:

- Identify the necessary funds through a state appropriation or other means.
3. The state should create and support job and skills training and re-training vital to the economic growth of the state as well as for businesses and Iowa's residents. As the state develops and recruits new industry, ensuring the availability of trained workers is essential. For Iowans affected by the disaster, workers will benefit with quality jobs.
    - There are disaster funds targeted to support and create temporary jobs through the recovery and rebuilding effort. There are few funds to designate for ongoing support of job creation, training, and re-training Iowans.
    - Strategies:
      - Seek additional funds through federal appropriations designated for disaster economic transition training and re-training initiatives.
      - Acquire waivers on rules regarding National Emergency Grant appropriations that allow for further skills training for Emergency Public Jobs participants
      - Develop reemployment services programs that seek the rapid reemployment of Iowans who are on unemployment insurance as a result of the disasters.

Apart from the above recommendations, the state of Iowa should vigorously continue to recruit and attract new businesses. For Iowa to rebuild successfully, it is critical to recognize that Iowa must continue its outreach beyond the state to include public relations and communications efforts to let people know that Iowa is recovering and is still good for business.

The Economic and Workforce Development Task Force and Resource Group Members involved in this first 45-day deliberation and report, look forward to continuing their work into the next phase to address critical issues to support rebuilding the state.



## Supporting Data and Information

- Report of Findings/2008 Flooding in Iowa Communities
- Critical Flood Statistics, City of Cedar Rapids
- Cedar Rapids Flood Economic Recovery Recommendations for Cedar Rapids Area Chamber of Commerce by International Economic Development Council
- Map of Business Establishments Within Approximate Flooded Areas of Iowa
- SBA Disaster Assistance Situation Report, August 14, 2008
- SBA Report August 2008
- Safeguard Iowa Partnership Business Recovery Status Report # 13
- Safeguard Iowa Partnership List of Partners
- Iowa Fiscal Partnership, Low-Income Challenges After Iowa's Floods
- Approved Business Loans By County
- Safeguard Iowa Partnership Informal Survey
- Iowa Workforce Development Disaster Assistance Report
- Emergency Public Jobs Grant by Region (As of July 30, 2008)



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