

Section 4



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4.1 Commonwealth of Virginia

The effects of Hurricane Floyd were significant at the local level for selected communities, and devastating for a large number of individuals. However, the Commonwealth of Virginia should expect negligible direct effects on employment, wages, or industrial output, resulting from the damages caused by floodwaters. Therefore, the remaining discussion of the post-disaster economy will focus on the Study Area of the City of Franklin, Southampton and Isle of Wight Counties.

4.2 City of Franklin, and Southampton and Isle of Wight Counties

The City of Franklin is an independent city located next to Southampton and Isle of Wight Counties in southeastern Virginia. Rainstorms and flooding along the Blackwater and Nottoway Rivers that accompanied Hurricane Floyd in mid-September 1999 primarily affected the downtown business district of the City of Franklin, but they also damaged a number of residences and businesses in these surrounding jurisdictions.

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The following is a brief chronology of the significant events associated with Hurricane Floyd:

- **September 15 and 16, 1999:** A Category III hurricane when it made landfall between Cape Fear and Wilmington, North Carolina, Hurricane Floyd tracked across Virginia as a Category I hurricane. Local jurisdictions throughout the Hampton Roads, Middle Peninsula, Northern Neck, and Eastern Shore regions received significant rainfall, exceeding 15 inches in many places. At the height of the storm, more than 180,000 individuals were without power, and almost 1,800 were provided temporary shelter.
- **September 15, 1999:** Virginia Governor Gilmore declared a state of emergency.
- **September 16, 1999:** An emergency declaration under the Stafford Act provided the Commonwealth with immediate access to Federal assistance.
- **September 18, 1999:** President Clinton declared a major disaster in Virginia, making a wide range of Federal disaster recovery assistance available for families, businesses, and State and local governments. In addition, funding was made available throughout the Commonwealth of Virginia under the FEMA Hazard Mitigation Grant Program (HMGP).

As of November 1, 5,554 registrations for State and Federal assistance have been received at the DFO, established in Newport News, Virginia (Figure 4.1). According to the Virginia Department of Emergency Services, FEMA, and the Small Business Administration (SBA):

- 472 structures were destroyed;
- 2,413 structures suffered major damage; and
- 6,054 structures experienced minor impacts.

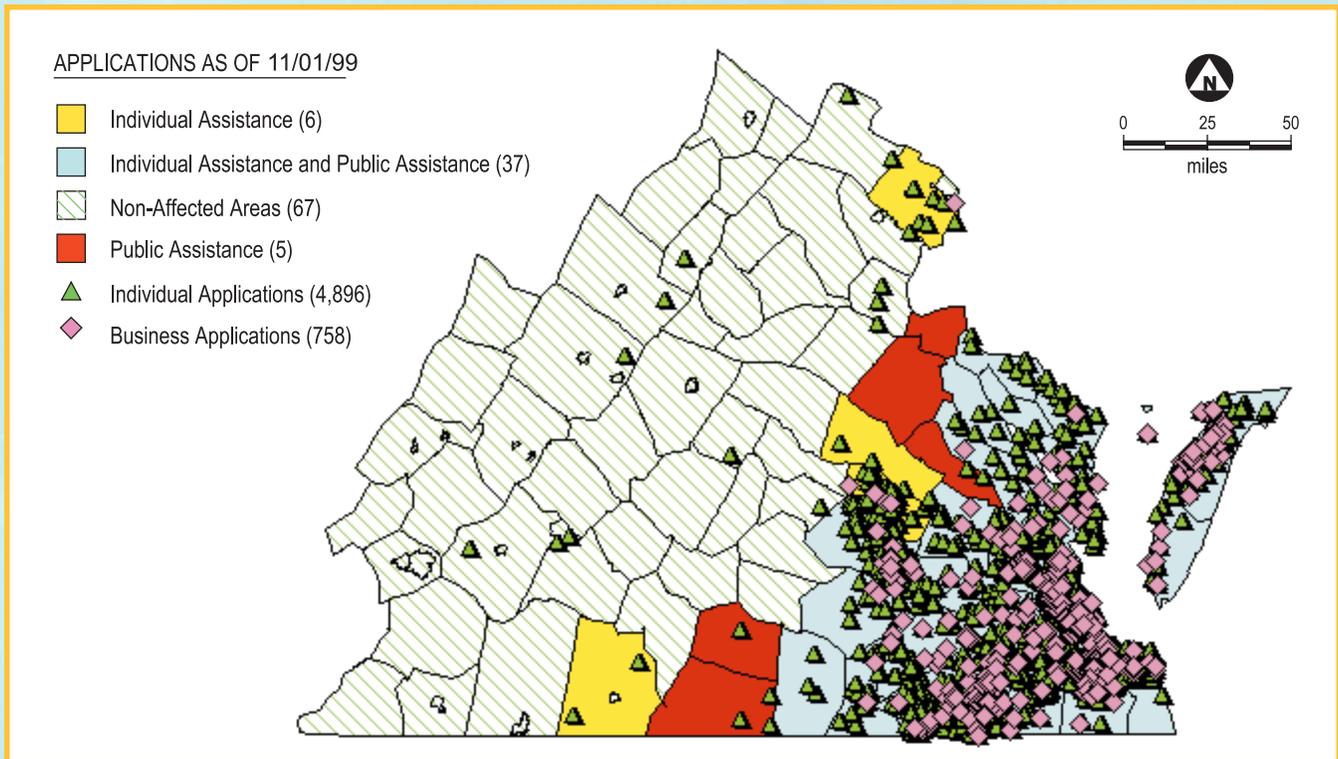
Within the City of Franklin and the surrounding counties of Southampton and Isle of Wight, 62 structures were destroyed, 272 structures suffered major damage, and 94 experienced lesser damage.

Initial damage estimates exceed \$35 million for these affected residences, businesses, churches, and public structures. Crop losses of roughly \$17 million have been estimated by the local extension agents for these two counties.

In addition, some of the largest business enterprises and employers in the area, including International Paper, the largest employer and taxpayer in the Study Area, have experienced prolonged disruption in operations. The following identifies, in more detail, the projected impacts on the local economy, based primarily on the results of surveys conducted with 86 of the damaged businesses (which comprise approximately 47.3 percent of the 182 affected businesses) in the City of Franklin's downtown business district.

The downtown business district of the City of Franklin is remarkably homogeneous in terms of the size and types of retail and service businesses. For this reason, survey data are assumed to be representative of the downtown business community as a whole, and was therefore used to extrapolate overall economic impacts. The survey questionnaire is included as Appendix D and a summary compilation of the results is included in Appendix E.

Figure 4-1 Business and Individual Assistance Applicants as of 11/01/99



Source: FEMA DFO GIS

4.2.1 Businesses Affected

Of the 3,069 active business licenses for the Study Area, approximately 206 or 6.7 percent of the total were directly affected by the flooding. The detailed breakdown of these businesses per jurisdiction is included in Table 4.1.

Table 4.1 Businesses Affected

Jurisdiction	Total Active Business Licenses	Business Affected by Hurricane Floyd (1)	Affected Businesses as a Percentage of Total Business Licenses
City of Franklin	599	194 (including 182 within the downtown Historic District) (see Note 1)	32.4%
Southampton County	417	8 (see Note 2)	1.9%
Isle of Wight County	2,053	4 (see Note 2)	0.2%
Totals	3,069	206	6.7%

Notes:

1. Source: City of Franklin

2. Source: SBA Figures

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Several large employers were affected by the flooding to varying degrees. The largest, by far, was International Paper. According to discussions with company officials, the operation was closed for only two weeks, after which time the company brought back its entire workforce. Full production is now underway in selected units of International Paper and complete resumption of production is anticipated by April 2000.

At the time of this report, Southampton and Isle of Wight Counties are considering tax abatement initiatives. This action would provide some measure of tax relief for businesses affected by Hurricane Floyd without crippling the ability to deliver basic services to the community. The implications for lost tax revenues will be determined largely by the abatement measures adopted by the local jurisdictions.

The following observations are based on Table 4-1:

- A disproportionate share of the damaged business enterprises were located in the City of Franklin. Of these, the vast majority were located within the core commercial areas corresponding, for the most part, to the National Register Historic District centered on Main Street.
- Although it appears that little impact will result in the two adjacent counties, it is important to note that the largest employer within the Study Area is International Paper, which is located in Isle of Wight County. Other large employers that experienced flood damages are located within Southampton County.

Table 4.2 Types of Businesses Affected Based on Responses to the Survey

Retail Trade	Services	Manufacturing	Wholesale Trade	Finance, Insurance and Real Estate	Construction	Other
26	38	2	1	15	1	3

4.2.2 Annual Revenues Lost

Eighty-one of the interviewees responded to a survey question about lost revenues, with 77 (95.0 percent) stating or claiming that revenues would indeed be lost. Of these, 71 were able to estimate losses. Respondents were not instructed how to develop this estimate. Therefore, the techniques used to make this estimate are assumed to be highly varied, and the resulting figures should be used with caution.

The sum of the responses was \$5,105,675, with an average of \$71,911 per affected business. If this loss rate is applied to the total of the 182 businesses impacted, lost revenue would total \$13.09 million.

This amount is slightly more than ½ percent of the projected total gross economic activity in the Study Area. For the affected businesses, the projected annual revenue is \$148.8 million (based on a total of \$62.1 million for 76 respondents). The lost revenue would account for 8.8 percent of this amount.

Since the percentages of all residences in the Study Area that were dislocated was relatively low, no significant long-term revenue losses due to loss of customer base for retail operations should be anticipated. The critical factor here is the time required for businesses to resume operation. Businesses that are out of operation for longer periods of time would tend to lose customers to similar businesses that were not affected.

The survey also included questions about the “seasonality” of business activity. Taken as a whole, business activity was divided relatively evenly across the whole year, with a peak of 30 percent in the fourth quarter, and a low of 23 percent in the first and third quarters. This reflects the typical pattern of a high fourth quarter for the retail trade sector—the quarter most immediately in jeopardy due to Hurricane Floyd.

4.2.3 Annual Taxes Lost

The following analysis is focused on the City of Franklin since a disproportionate number of businesses were affected in the downtown relative to the rest of the Study Area. In addition, virtually all of the respondents to the survey were located in the downtown business district of the City of Franklin and the pending tax abatement measures in the two adjacent counties will result in lost revenues that cannot be accounted for at this time.

Table 4.3 lists projections of annual taxes lost to the city under three different recovery intervals, i.e., the time it may take for full recovery of business activity. In addition, for each of these time intervals, a low, medium, and high damage recovery scenario was developed. In the low scenario, it was assumed that remaining real estate would be devalued by 10 percent, personal property by 30 percent, and other taxes (including restaurant, cigarette, sales, etc.) would be decreased by 30 percent. The initial devaluation levels were adjusted in the medium and high scenarios to 20 percent, and 30 percent for real estate, 40 percent and 50 percent for personal property, and 40 percent and 50 percent for other taxes, respectively. The recovery interval of 2 years assumed that recovery would be at a pace of only 25 percent in the first year. The

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Table 4.3 Annual Taxes Lost (in thousands of tax dollars)

Recovery Interval	Recovery Scenario	Real Estate	Personal Property	Other	Electric, Water, and Sewer	Business District	Total
1 Year	Low	\$54.	\$64.	\$1,119.	\$631.	\$46.	\$1,914.
	Medium	\$74.	\$74.	\$1,462.	"	"	\$2,287.
	High	\$94.	\$84.	\$1,865.	"	"	\$2,720.
2 Year	Low	\$95.	\$111.	\$1,958.	\$1,105.	\$81.	\$3,350.
	Medium	\$130.	\$129.	\$2,559.	"	"	\$4,004.
	High	\$157.	\$146.	\$3,264.	"	"	\$4,753.
5 Year	Low	\$211.	\$248.	\$4,364.	\$2,462.	\$179.	\$7,465.
	Medium	\$289.	\$287.	\$5,702.	"	"	\$8,919.
	High	\$367.	\$326.	\$7,274.	"	"	\$10,608.

Source: City of Franklin

5 year interval assumed annual recoveries of 5 percent, 15 percent, 30 percent, 60 percent and 100 percent.

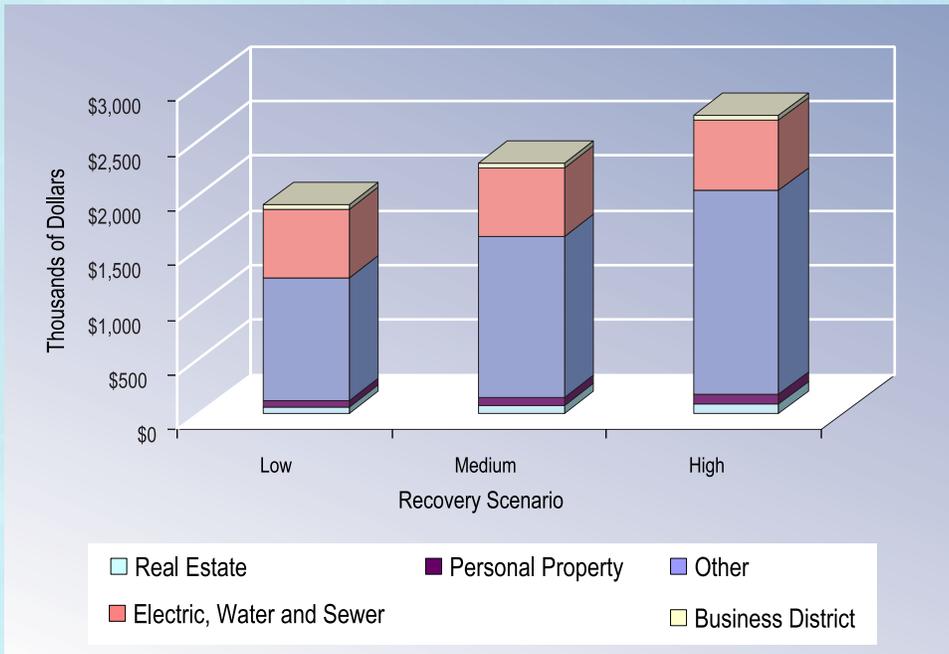
The most optimistic projection is that the City of Franklin will incur \$1.914 million in lost revenues. Because much of this projected revenue loss is directly related to downtown business activity, the time required to reach pre-disaster business levels will determine the extent of long-term fiscal shortfalls.

Figure 4.2 illustrates the comparative magnitude of projected tax revenue losses for the 1 Year recovery interval for all three damage recovery scenarios. The major losses will occur in two of the tax categories. These categories are the most directly related to the level of business activity in the downtown business district. The *Electric, Water, and Sewer* category accounts for 23.2 percent and 33.0 percent of the total projected losses for the low and high damage recovery scenarios, respectively. The “*Other*” category, including sales, utility, cigarette, and restaurant taxes, accounts for 58.5 percent and 68.6 percent of the total for the low and high scenarios, respectively.

Figure 4.3 compares the same information from Figure 4.2 with the total pre-disaster revenue projected for the same tax categories. As shown, the projected losses account for 18.2 percent of the total anticipated revenues for these categories (\$1.914 million out of \$10.519 million).

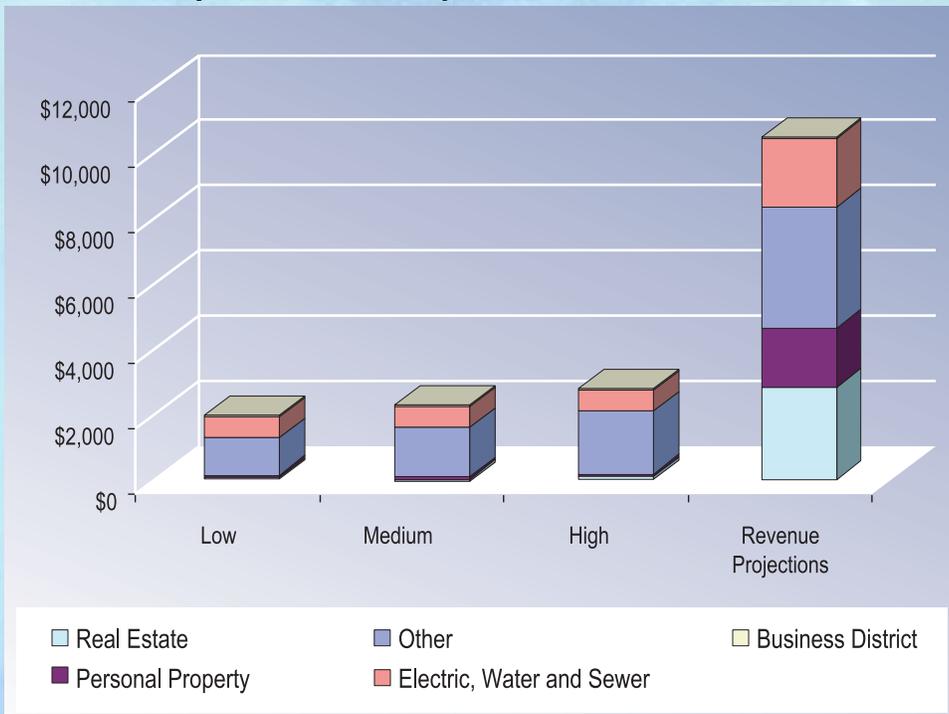
It is important to note that assumptions about the length of time required for business resumption are intended to illustrate potential

Figure 4.2 Annual Taxes Lost (1-Year Recovery Interval)



Source: City of Franklin

Figure 4.3 Annual Taxes Lost (1 Year Recovery Interval) Compared to Revenue Projections



Source: City of Franklin

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magnitudes and are not predictive. According to the results of the survey, the average length of time that these businesses projected it would take to return to pre-Hurricane Floyd levels is 191 days.

Several issues may further impact tax revenues in ways that cannot be quantified at this time. For example, downtown businesses may relocate to shared revenue areas with Southampton County, rather than resuming operations within the downtown business district of the City of Franklin (see Section 4.2.9). Where downtown businesses were once 100 percent local revenue sources, net revenue would now be “shared” on a 30/70 or 50/50 basis with Southampton County.

4.2.4 Numbers of Employees

Based on the responses received from the 86 business owners interviewed, approximately 1,158 jobs are associated with the 182 affected businesses, with the exception of the major employers that were not reflected in the survey results. As many as 123 jobs may be permanently lost as a result of the disruption to the affected businesses. While this is less than 1 percent of the Study Area employment base and approximately 2 percent of the employment in the related services and retail sectors, these lost jobs represent more than 10 percent of the downtown business district employment base.

The direct amount of payroll losses projected for these jobs (using the average annual salary of \$22,227 from the survey results) is \$2.73 million. The indirect payroll losses are estimated at 110 percent, or \$3.82 million. The total of direct and indirect payroll losses equals \$6.55 million, or 3.9 percent of the total wages for the related economic sectors.

It should be noted that previous surveys of downtown employment, conducted by the Virginia Department of Housing and Community Development, indicated that as many as 2,500 individuals work downtown. The “additional” workers can be attributed, in part, to any of the large employers, as well as government and nonprofit organizations not reflected in these survey results.

4.2.5 Property Damage

Part of the survey was intended to address property damages in terms of the cost to repair building damages and site improvements. Based on 42 survey responses for different structures, the average repair cost

per building is \$133,155. This cost is 44.4 percent of the estimated average original value of a building, \$300,186, for the same survey participants.

For illustrative purposes, if it assumed that these 42 responses are representative of all 182 affected businesses, the total repair cost would be \$24.2 million. This is considered conservative for the majority of affected businesses (with the exception of major employers like International Paper), as a portion of the affected businesses in the downtown apparently occupy the same structure.

In addition, the following should be noted:

- Demolitions in the City of Franklin resulting from the disaster have caused the removal of \$3.5 million in property improvements for 14 business related structures.
- City administrative and public safety facilities located in the immediate downtown and the wastewater treatment plant were damaged as well. The cost of repairs is in the process of being determined for these public facilities.

4.2.6 Equipment and Inventory Damage

Part of the survey was intended to address the cost of replacing damaged business contents, inventory, and rolling stock necessary to continue operations. The following summarizes results of this part of the survey:

- Seventy-five responses identified that damaged business contents averaged \$125,285, which was considered to be virtually all pre-flood business contents.
- Forty businesses dependent on maintaining an inventory identified their average cost to repair or replace inventory at \$97,758, as compared with a pre-disaster total inventory value of \$128,110.
- Forty businesses dependent on rolling stock reported an average of \$15,885 repair/replacement costs as compared with a pre-flood value of \$72,122.

The total repair and replacement costs reported (not projected beyond the survey respondents) was \$13.7 million. Assuming that all 182 downtown businesses experienced equivalent damage to their business contents, and that half of the affected businesses relied on inventory and rolling stock, the extended value of the damage could be as high as \$33.1 million.

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4.2.7 Utility Related Losses

While initial disruption of the communications systems in the City of Franklin and surrounding areas was a significant impediment to early emergency responses, and immediate repairs were required to the waste water treatment plant, none of the surveyed businesses reported significant utility-related losses or identified utility issues as an impediment to reestablishing their businesses.

4.2.8 Business Reopenings

As of the date of the surveys, 55 of the 86 businesses that completed the survey had already resumed operations at an average of 28 percent of pre-flood levels. Of 30 businesses not yet in operation, all but 3 business owners interviewed planned to resume operations.

Of the “top taxpayer” businesses identified in Section 3 of this report, few were effected by the flooding associated with Hurricane Floyd. Most of these businesses have resumed operations to varying degrees.

4.2.9 Rebuilding or Relocation

During the interviews, business owners were asked if they would reopen on the same site, or if they were to move to a new location, would that location be within the community, the Commonwealth of Virginia, or in another state.

- Only 4 businesses were operating in their current location, but 54 stated they would resume operations at the flooded location.
- Twenty-six businesses planned to relocate within the community, while two planned to relocate within the state.
- Thirty -three out of 80 businesses responding planned to expand their operations as part of the rebuilding process.

4.2.10 Category and Value of Economic Loss

Table 4.4 summarizes economic losses in the Study Area across a variety of categories as a reference point for discussion of conclusions and recommendations in Section 5.

Table 4.4 Economic Losses – Study Area

Category of Economic Loss	Value of Loss
Annual Business Revenues	\$13,090,000
Tax Revenues	\$1,914,000
Wages	\$6,550,000
Property Damage	\$24,234,210
Equipment and Inventory	\$33,143,383

4.2.11 Business Recovery Assets

Most of the businesses (72 of 83 responses) surveyed have some form of business insurance, but only 5.6 percent had flood insurance coverage. On average, only 8 percent of projected losses would be covered by insurance. Almost 77% planned to utilize SBA loans to pay for all or part of the uninsured losses.

It should be noted that as of November 4, 1999, the SBA has approved over \$2 million for 32 business loans, including 20 in the City of Franklin, 8 in Southampton County, and 4 in Isle of Wight County.

4.2.12 Agriculture Related Impacts

The following data was supplied by the Cooperative Extension Agents for the Counties of Southampton and Isle of Wight:

Anecdotally, it appears that this was going to be an exceptionally good year for local agriculture. The net effect of the flood is to push

Table 4.5 Agriculture Related Impacts – Study Area

Crop	Estimated Value Prior to Hurricane Floyd	Projected Crop Losses	Crop Loss Percentage
Southampton County			
Peanuts	\$12,390,456	\$3,202,891	25.8%
Cotton	\$7,348,640	\$1,885,728	25.7%
Corn	\$2,980,848	\$357,676	12.0%
Soybeans	\$1,933,632	\$386,726	20.0%
Isle of Wight County			
Peanuts	\$20,878,200	\$5,290,677	25.3%
Cotton	\$20,339,800	\$4,691,960	23.1%
Corn	\$2,329,236	\$522,662	22.4%
Soybeans	\$2,177,760	\$465,847	21.4%

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expectations back toward average yield expectations. A potential effect of the flooding is that the harvest was put off until later in the year, increasing the potential for disruption by normal fall weather. If this is the case, this should be considered an impact of Hurricane Floyd, although a delayed one. Therefore, conditions during the remainder of the harvest season should be monitored closely, as there could be further decreases in yields resulting from a later than normal harvest.