



Capt. A.A. Puryear, 29th Infantry Div.

Section 5



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5.1 Conclusions

This section contains conclusions summarizing the results of this economic impact assessment. These conclusions are based on objective measurement, where possible, but due to the need for a rapid reconnaissance, these conclusions include issues that are implied by the data. In some cases, these conclusions include observations regarding intangible factors that will, nonetheless, influence economic recovery efforts.

5.1.1 Virginia

As indicated in both Sections 3 and 4, the pre-disaster economy of the Study Area contributed only a small percentage to the more balanced and robust overall economy of the Commonwealth of Virginia. Therefore, flood-related economic dislocations within the Study Area will have little measurable short- or long-range influence on Commonwealth of Virginia economic performance.

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

- The pre-disaster economic condition of the Study Area was good based on steady real growth in the dominant non-farm sectors. Full economic recovery is a function of how rapidly the business community can be repopulated in the downtown business district.
- Damages from flooding associated with Hurricane Floyd were disproportionately centered on the City of Franklin Downtown Business District, a National Register Historic District and the focus for the city's designation as a Virginia Main Street Community. In Isle of Wight and Southampton Counties, with a combined total of 2,470 active business licenses, only a dozen businesses, approximately 0.5 percent of total, either experienced major damages or were not operational for longer than 48 hours. The City of Franklin, with 599 active business licenses, had 194 businesses that experienced substantial flood damages, accounting for 32.4 percent of the total.
- Short-term fiscal impacts, especially for the City of Franklin, will make it difficult for local authorities to meet the demand for services and grant matching requirements in the absence of any waivers or reductions in these requirements by the Commonwealth. In any event, the City of Franklin and Isle of Wight and Southampton Counties must carefully "package" recovery proposals to maximize the use of Commonwealth resources in order to satisfy Federal matching requirements.
- Although retail trade and services in the downtown area are important components of the Study Area economy, the manufacturing sector is dominant in terms of sheer numbers of jobs, wages, and gross earnings by industry. In addition, a high percentage of pre-disaster core employment in the Study Area was and is still concentrated in a relatively few stable businesses. As such, the local economies are highly vulnerable to disruptions in business operations that may result from future flooding or other natural disasters, especially for these relatively large companies. Mitigation measures for these high-profile businesses need to be a priority as part of any of the immediate and long-term business recovery efforts.
- Flood impacts within the agricultural sector were generally confined to farms and related agricultural businesses along the Nottoway and Blackwater Rivers. Although crop damages are estimated at nearly \$17 million crop yields can still be respectable for 1999.
- Only a small minority of businesses in the Study Area reported flood insurance coverage. With a redefinition of the 100-year and 500-year (i.e., 1 percent and 0.2 percent annual chance,

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respectively), floodplains a certainty in the business district of the City of Franklin, an increase in flood insurance coverage would increase the ability of the community to recover more quickly from future flood events.

- Long-term damage to most public infrastructure (roads, electrical service, etc.) serving businesses is minimal. However, city administrative facilities were damaged and emergency services were compromised. Mitigation measures instituted during repair and reconstruction of these facilities can substantially reduce economic impacts during future flood events.
- Particular community strengths that are a function of local conditions and recent history will work to help in the recovery. These strengths include the apparent stability of local businesses and a high level of community-based activities that have led to recent gains in economic development and civic pride. For example, there is a high degree of optimism among public officials, and within the City of Franklin business community, concerning how rapidly the “building-back” can proceed. This optimism stems from the shared success experienced in recent years. In addition, there is a genuine and remarkably intact sense of community, a shared “identity,” among City of Franklin downtown businesses.
- Within the City of Franklin business community, there appears to be little understanding of how the National Register Historic District designation may affect economic recovery. In reality, the major impact on individual businesses will be marginally increasing repair and reconstruction costs in order to comply with National Register Historic District requirements for historically compatible façade renovations and replacements.

5.2 Recommendations

In the aftermath of disaster events, communities must face decisions that have short- and long-term consequences on the speed of the overall recovery, the survivability of the impacted businesses, and the ability of the local economy to resist future events. The economic recovery priorities that these communities initially establish can be evaluated, and possibly modified or revised, based upon private (i.e., Franklin Area Flood Recovery Fund), State and Federal resources that are available or emerging. Resources are available today to facilitate the local decision-making process and to set critical priorities for recovery. To a more limited extent, resources are available to implement local action plans. Accordingly, the recommendations that follow are intended to support communities and businesses in this decision-making effort.

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This report includes an array of Federal and State assistance programs listed in A Resource Guide for Business Recovery (see Appendix A), that might be helpful to disaster-impacted businesses and local governments throughout the Commonwealth of Virginia. Businesses and communities are encouraged to use the information in Appendix A as a means of identifying available assistance. Technical assistance is also available through selected members of the assessment team, listed in Appendix F; those members who are professionally active in Virginia, may be especially helpful.

Some recommendations came from interviews conducted with local businesses and meetings with local and State officials. Other recommendations came from the shared experiences of communities that have suffered from similar disasters. As a result, many of these recommendations would be useful for, and could be implemented after, other types of disasters, such as tornadoes, earthquakes, or icestorms.

This section of the report contains a listing and discussion of recommendations for local, State, and Federal agencies as they work together to seek to accelerate economic recovery, mitigate losses, enhance the survivability of individual businesses, and increase the ability of the local economy to resist future dislocations. These recommendations are grouped according to the level of government that is best suited for implementation of specific items.

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

- **Focus and coordinate community resources.** The City of Franklin should designate a single point of contact responsible for assisting the business community with economic recovery activities. This coordinator position could help business people locate and secure any available assistance from local, State, and Federal resources. This coordinator could also work to free administrative staff and elected officials to perform their duties more effectively during recovery efforts. Access to information provided by this office should be made available in as many forms and venues as possible, ranging from brochures at city offices, to specific portions of the city's website. The city should request funding assistance for this position from the Commonwealth of Virginia.
- **Integrate mitigation and economic recovery planning.** The City of Franklin should begin immediately to integrate mitigation concepts into economic recovery operations and planning. For example, utilities such as furnaces, air conditioning units, and

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electrical boxes should be elevated above the 500-year (0.2 percent annual chance) floodplain. It is critical for local government to connect its recovery operations with disaster mitigation concepts early in the recovery process. This would not only help businesses recover, but would also encourage new businesses to develop with disaster-resistance in mind, making them less vulnerable to real property damage, lost revenues, and disruption. Local governments can position themselves to effectively address post-disaster mitigation opportunities through pre-disaster planning that identifies floodprone areas and targets mitigation alternatives desirable to the community.

FEMA can provide technical assistance (see Appendix B) and information about building practices to businesses and homeowners who are rebuilding. At the same time, FEMA can help identify businesses that should be considered principal “targets” for mitigation, i.e., by elevating, relocating, or acquiring specific structures. FEMA has already begun to list target structures in many communities, but not yet within the Study Area. However, the City of Franklin and the adjacent Counties should work with the Commonwealth and FEMA officials to identify candidate structures. The community can then rebuild more safely and capture opportunities to develop examples of comprehensive mitigation contingency planning.

Specifically, the City of Franklin should give first priority to mitigation planning and implementation initiatives targeted to its downtown business district, and with the adjacent county governments, actively support mitigation measures specifically intended to protect International Paper operations and other major employers located in floodprone areas. The City of Franklin should request that the Governor’s Disaster Recovery Task Force and FEMA fully support this effort, and assure that mitigation efforts are coordinated with all other restoration and reconstruction activities.

- **Restore infrastructure.** The City of Franklin and the Counties of Southampton and Isle of Wight should repair and replace public infrastructure essential to business operations in a manner that is both sustainable and flood-resistant. In particular, future disruptions of the City of Franklin wastewater treatment facility must be avoided or mitigated.
- **Facilitate recovery efforts.** The City of Franklin and the Counties of Southampton and Isle of Wight should work to streamline and shorten the time to make zoning, variance, and building permit decisions. In the recovery effort, the zoning and building permit office can be overwhelmed by the increased workload. Disasters provide the community with an opportunity to reevaluate business needs. The recovery phase effort is also an opportunity to incorporate floodproofing measures into reconstruction. Many businesses will rebuild their structures just as they were prior to

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the flood. However, a significant number of downtown business owners have indicated that they will use the opportunity to expand, refurbish, and extend their business to accommodate their current needs. This requires zoning and building permit offices to respond to the increased application load on a timely basis. The city can expedite the process by providing assistance in identifying the types of information, forms, and drawings that must be presented. The community can schedule additional public hearings and hire temporary building permit reviewers to handle the increased caseload. The State should consider providing technical expertise to communities to meet the increased demands of zoning variances and building permits.

In addition, the local officials can assist in the restoration of critical business enterprises by helping to establish priorities for distribution of construction materials.

The geographic areas covered by programs presently operated by the Hampton University Business Assistance Center and the Crater Development Corporation should be extended so that businesses within the City of Franklin and Isle of Wight and Southampton Counties are eligible for technical and loan assistance for the period of the Federal Major Disaster Declaration.

□ **Market and promote ongoing local economic recovery activity.**

Consumers are often unaware that businesses are operational. As businesses recover and local government takes economic recovery actions, there is a benefit in celebrating success, improving communications, and effectively conveying a positive message of hope and progress. Through publicizing recovery, residents and consumers would become aware of when and where businesses are reopened and become more involved in a public process of recovery.

One notable local achievement that is on-going, and should be aggressively publicized, is the donation of more than \$3 million from private business concerns for recovery efforts. Along these lines, the city and county officials should actively seek public statements from major employers that confirm their commitment to maintain and restore business operations. Such statements may serve to build business confidence and renew efforts.

□ **Focus on long-term economic recovery planning.** Beyond issues of immediate clean-up and repairs, many flood-damaged communities are concerned about the long-term viability of their business sector. Consistent with current efforts by the city to secure planning consulting assistance in the development of a long-term recovery plan, the city has begun to prioritize revitalization initiatives. This effort should be continued.

Important elements of the resulting strategic plan should include relocation of critical facilities, vulnerable structures, and

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hazardous storage sites out of the floodplain. To the extent these actions can be accomplished in conjunction with the rebuilding process, the community can recover and grow in a more disaster-resistant, livable and sustainable manner. These “guiding principles” are based on an understanding of what has been successful for other communities under similar situations and should help guide short- and long-term recovery effort decision-making by the Commonwealth and the local communities.

- ▣ **Continue to incorporate businesses in local economic recovery efforts.** The weekly program of business sector meetings should continue as a principal way to assure that all resources are identified and fully taken advantage of in the community. The City of Franklin should especially focus the efforts of this group on identifying key elements of the downtown business community that will regenerate “foot traffic” during and after immediate recovery efforts.

These “magnet” businesses or operations (banks, post offices, city, and other government offices) are often the reason why many people to come to the downtown. Once there, other commercial opportunities are taken advantage of. The city and the business group needs to be sure that these “catalytic” elements are in place as soon as possible. On another front, locally elected officials should conduct a forum of local mortgage banks and lending institutions to encourage them to offer low interest loans and deferred payment schedules in order to stimulate economic recovery.

- ▣ **Increase flood risk awareness and facilitate the purchase of sufficient flood insurance.** While some business owners affected by Hurricane Floyd did have flood insurance, many had policies that were inadequate to cover the costs of repairs and losses. In addition, although insurance on structural damage was common, insurance on equipment, inventory, and revenue disruption was rare. Many business owners were misinformed about the cost, availability, and coverage of flood insurance under the National Flood Insurance Program (NFIP). In other cases, business owners were forced to wait for long periods before receiving news of their insurance claims and were therefore unable to make the necessary repairs to reopen. Every day that these firms remained closed they lost revenue and became more likely to fail in the long term. After mitigation to prevent damage, flood insurance is the most important line of defense for business. Sustainability can only be reached with an aggressive approach to greater participation. Specific recommendations include:

- ▣ The city should request that FEMA, in concert with local private sector insurers, present a series of symposia on the need for flood insurance coverage and the benefits to communities.

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- The City of Franklin should increase the availability of revised FIRMS to the general public and the business community.
- The City of Franklin should investigate the feasibility of establishing a financial “pool” for the purchase of National Flood Insurance for all structures, public and private, within the 100-year (1 percent annual chance) and 500-year (0.2 percent annual chance) floodplain.
- **Provide incentives.** The City of Franklin and the Counties of Southampton and Isle of Wight should continue, and consider developing additional incentives; and assistance aimed at encouraging businesses to remain in the community. For example, the City of Franklin should continue, or make permanent, real estate tax abatement programs, and amend city ordinances so that mitigation and sustainability costs will be eligible. At the same time, continued eligibility for these incentive programs should be tied to securing and maintaining flood insurance policies for those businesses included in revised floodplain designations.
- **Support business recovery.** A number of other ideas should be explored to determine how best to give the affected businesses a boost for recovery. For example, the City of Franklin and surrounding areas should consider giving purchasing preferences to local businesses, where appropriate, during the recovery period. This action would speed the circulation of funds into the business community. During the recovery period, availability of free parking would also help restore traffic in the business district and reduce the loss of customer base to other commercial areas. To spur economic recovery, city and county leaders should also petition the Commonwealth for temporary or partial sales tax relief (for the Commonwealth portion of the tax rate only) on behalf of local businesses.
- **Use today’s economic recovery lessons to work smarter in the future.** At some point after economic recovery activity has abated, communities will need to conduct an after-action assessment to determine which activities went well, which ones did not, and what can be done to be better prepared for the next flood. The lessons learned, and paid for, can be incorporated into a contingency operating plan to enable local government and businesses to work smarter, not harder, for the next recovery effort. For example, if a community successfully developed a plan to resolve traffic congestion issues, which were limiting access to businesses as they reopened, the plan can become a template to manage this activity in future disasters.
- **Diversify the economic base of the community.** The Franklin-Southampton Economic Development Commission should continue efforts to diversify the local economy to lessen the

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vulnerability to disruption of the local economy, which is heavily dependent on a few major employers. Workforce development activities should be integrated with ongoing strategic planning for economic development.

- ▣ **Plan ahead for future disasters.** The City of Franklin and the Counties of Southampton and Isle of Wight should develop disaster contingency plans for local government, businesses, and residential areas, and arrange for periodic reviews by the Virginia Department of Emergency Services.

5.2.2 Commonwealth of Virginia

- ▣ **Coordinate recovery efforts.** The Commonwealth of Virginia should coordinate economic recovery operations using a partnership of local business and government. In particular, effective coordination is needed between Federal agencies and the State's Long-Term Recovery Task Force. As part of this process, "shore-up" coordination efforts by local, State, and Federal agencies to address recovery and long-term mitigation planning in the portions of the agricultural sector affected by the floodwaters.
- ▣ **Educate the community regarding the historic resources.** The State Historical Preservation Officer (SHPO) should prepare a business briefing concerning national and State regulations and requirements, and procedural issues regarding restoration of structures that are contributing elements to the downtown historic district. The City of Franklin should distribute this briefing to all business persons within the National Register Historic District.
- ▣ **Support replacement business development.** The Commonwealth of Virginia Departments of Business Assistance and Housing and Community Development should assist with the financing of a small business incubator facility to be located within the downtown business district.

Appendix A includes a detailed description of the Virginia Small Business Incubator Program requirements and agency contacts as well as information regarding a wide range of local, State, and Federal programs that could support many of the recommendations contained in this section.
- ▣ **Increase loan and program eligibility.** The Commonwealth of Virginia Department of Business Assistance should request, from EDA, an amendment to the existing Revolving Loan Fund (RLF) grant agreement so that businesses within any jurisdiction identified in this disaster and in any future Federal Major Disaster Declaration can be eligible.
- ▣ **Decrease recovery time and costs.** The Commonwealth of Virginia should facilitate economic recovery for the affected businesses. This could be accomplished by reducing any delays

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in the recovery process and by lessening the cost of doing business during the recovery period. For example, the Commonwealth should work with insurance companies to reduce the amount of time between claim submission and payment.

Alternately, the Commonwealth could pass legislation requiring action within a certain period, as already is the case in some states with health insurance claims. In addition, the Commonwealth of Virginia should request that insurance companies postpone the collection of insurance premiums from flood-affected businesses pending processing of claims. Finally, the Commonwealth could lead the way in providing funds for businesses to borrow against expected insurance payments in order to begin repairs in a more timely manner. The Commonwealth could also eliminate the sales tax on replacement equipment, new inventory, and materials and supplies needed to repair flood damages.

- **Plan ahead for future disasters.** As part of the long-term recovery planning activities, the Commonwealth of Virginia should designate the City of Franklin as a “Project Impact” community. This takes full advantage of the current momentum and provides a mechanism for future action designed to provide for a more disaster-resistant community.

To aid in prioritizing and focusing recovery efforts for future disasters on a statewide basis, the Commonwealth of Virginia should consider formulating a “Strategic Economic Development Plan.” This plan would identify strengths and weaknesses in statewide, regional, and local economies that would provide a head start for small to large-scale disaster recovery efforts.

5.2.3 EDA, FEMA and other Federal Agencies

- **Provide tax credit opportunities.** The USDA should consider designation of the City of Franklin as an Enterprise Community. This designation will allow for tax credits at both the State and Federal level. This action could help speed business recovery efforts, especially in the downtown area.
- **Increase loan availability.** The EDA should develop necessary policies and procedures to expedite processing of RLF amendment requests in instances of major disaster declarations.
- **Decrease grant requirements.** The USDA and EDA should reduce or waive grant matching fund requirements to the extent permitted by law and regulations for Economic Adjustment Grants.
- **Provide planning and recovery expertise.** Using this report as a foundation, FEMA will provide assistance for long-term economic recovery planning. Already, FEMA has facilitated the establishment of a very productive “mentor” relationship between

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City of Franklin officials and the community of Montezuma, Georgia. Montezuma was selected as an appropriate mentor, having experienced very similar flooding within its historic business district as a result of Tropical Storm Alberto in 1994. In November 1999, a delegation of business and civic officials from Franklin were welcomed to Montezuma for a two-day series of briefings and field visits. At these meetings, Montezuma elected officials and community members were able to share their community's disaster planning and recovery experiences. Following so closely on the heels of the Hurricane Floyd disaster, these discussions were an important step in the recovery process as reflected in the comments of one Franklin official, " We can show our community that you can come back and come back even better. It has been uplifting for me to see what you have done".

In addition, FEMA should stage a series of informative and "common sense" workshops for businesses. If requested by the local jurisdictions, FEMA should present a series of workshops to educate businesses on the following:

- Steps businesses can implement to mitigate against future flood damage. These workshops should focus on common sense approaches to mitigation recovery for subjects such as the use of disaster-resistant materials throughout the rebuilding period; raising circuit panels well above the base flood level; keeping records in floodproof areas; and purchasing adequate flood insurance. As part of this process, representatives from the American Institute of Architects and the National Home Builders Association can help demonstrate new technologies, building materials, and mitigation construction techniques.
- The role of flood insurance in rebuilding and maintaining a sustainable community. As part of this workshop, local businesses could help generate ideas on how the Federal Insurance Administration (FIA) can get greater flood insurance coverage in the community.
- How to successfully incorporate National Historic Preservation Act and National Environmental Policy Act procedures into the recovery process.
- **Facilitate community livability initiatives.** FEMA should bring other Federal departments and agencies into the recovery process where programs such as community sustainability and livability may improve long term economic viability.

Appendix A contains detailed information about local, State, and Federal programs including grant and loan programs eligibility requirements and contact information. All applicable FEMA programs are included in this reference material.

