



Chapter I: Introduction

Overview

“The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty.”

Winston Churchill

Economic developers serve as a vital bridge between the business community and the greater economic interests in the communities they serve. Many local, regional, and state governments turn to their publicly or privately funded economic development organizations and chambers of commerce (referred to throughout this toolkit as “EDOs”) to be the economic leaders, “deal makers,” and visionaries for attracting new investment and supporting existing businesses. In these roles, EDOs sometimes find themselves unexpectedly called to action when there is a natural or manmade disaster and businesses are suddenly impacted. In such instances, economic developers often find that so much of the hard work they have contributed to grow their economies can be reversed.

With so much at stake, it is vitally important that EDOs build capability to serve their communities by leading resiliency and economic recovery efforts before and after disasters. This toolkit is intended to help you do this.

Whether the risk posed to a community is natural (e.g. earthquakes, hurricanes, flood, tornados, fires) or manmade (e.g. crime, chemical spills, industrial accidents) or economic (e.g. decline or closure of a major business or industry, military base realignment or closure, etc), *every* community is vulnerable to disruptions at one time or another. These disruptions can not only wreak physical damage to infrastructure and structures, but they can cause a lasting decline in the economy.



Damaged Home, Windsor, CO. Source: FEMA

In disaster-impacted communities, EDOs are in a position to lead economic recovery efforts by helping local businesses respond to impacts on their employees, their facilities, their customers and supply networks. However, all too often, economic recovery efforts are plagued by reactionary activities rather than a planned and strategic response. The key to a more rapid recovery is to take steps ahead of time to ensure your organization can fulfill the needs of the community after any type of major incident. This toolkit will help you to set up a plan of action to be a resilient community, to respond more effectively to the economic aspects of disasters and to lead in efforts at recovery.



This chapter provides an overview of the potential economic impacts of a disaster and reviews how economic development practitioners can prepare for recovery. It discusses some critical disaster preparedness efforts and how even the smallest of actions can put your community in a better position to respond and shorten your community's recovery time. Finally, the chapter reviews essential initiatives to spur recovery in a local economy, including the development and implementation of a recovery plan, and efforts to communicate with and retain local businesses after a disaster occurs. This chapter highlights best practices from disaster-impacted communities that have successfully achieved recovery efforts.

Economic Development Challenges and Issues with Disasters

All too often EDOs are thrust into uncharted waters after an incident impacts their community. They're often inundated with late night calls or emails from local officials or their membership with questions or requests. In the midst of all this, they often must manage the consequences of how the incident is impacting them and their staff. While the first responders are tasked with rescuing the injured and restoring lifeline infrastructures (e.g. water, power, communications, and transportation), the EDO and other local officials are left to lead the rebuilding process. There are, often, several core issues that tend to be common to many major disasters. Some of those issues are highlighted below to give the EDO some expectation of what could be "normal" and what factors to plan around.

Overwhelmed with Communication Challenges

A breakdown in communication has been cited by local officials and community stakeholders as one of the most difficult barriers to overcome immediately following a major disaster. Communication challenges associated with the disruption of telecommunications and the spread of bad or wrong information can greatly impede the economic recovery process.

As a result, these challenges are often best expressed in terms of barriers caused by technological failure, message failure, and flow failure.

- Technological failure – physical damage to communications infrastructure can make previously accessible areas silent while temporary telephone lines and cell phone service is restored. Also, contact information for businesses or other community stakeholders could be linked with a number that would ring in a building that is inaccessible or destroyed.
- Message failure – challenges often abound to create consistent messages among many potential sources. Conflicting, confusing, or inaccurate information reported by word of mouth, social media, or mainstream media can exacerbate existing recovery challenges.
- Flow failure – when there are insufficient mechanisms (or no mechanism) to communicate business-sector needs/issues "upwards" to decision-makers and/or when restoration or recovery planning information fails to get communicated "downward" to the business community.

EDOs can devise a communications strategy ahead of time to address these problems. Some top issues to address are:

- Communication between local government and the local business community



- Communication between the EDO and local businesses
- Public relations and community image problems
- Potential conflicts between various economic recovery stakeholders

Perhaps the biggest contribution a proactive communication effort can make for a community's recovery is the introduction of credible and accurate information into the local marketplace. Oftentimes one of the biggest barriers that stall recovery efforts is the presence of uncertainty. Uncertainty about how the downtown corridor will be rebuilt and protected, uncertainty about whether or not the major employer will leave town, and uncertainty about when key infrastructures will be restored all stymie rebuilding. A proactive communication approach can help equip the business community with the *right* information to support *their* decision making process. The Crisis Communications chapter in this toolkit highlights the issues and recommends strategies that should be considered by EDOs.

Organizational Capacity Issues

In the wake of a disaster, new realities emerge and a host of both opportunities and challenges present themselves to impacted markets. Local officials are often strained to understand what resources are now available to them, how existing resources can be adjusted, and how to manage new administrative requirements. Also, there can be concerns (and realities) of diminished tax revenues because of the disaster. This loss of cash flow for the local government can further constrain an already constrained organization to be responsive to increased demands for local leadership and engagement. Small jurisdictions are particularly vulnerable to basic operational challenges due to limited staff and budgets. Economic recovery plans and strategies are of little value to the public sector if there is no operational capacity to implement them.

In recent years, the hiring and designation of disaster recovery coordinators has become a mainstay of many local and regional governments. Typically funded by philanthropic or federal funds¹, disaster recovery coordinators provide much needed capacity to allow the local official's staff to resume their "day jobs" and allow the coordinator to focus the needed attention on recovery and rebuilding efforts. These positions often become particularly critical for advancing long-term recovery initiatives which often need to persist for 2-4 years after the disaster.

Assessing the Damage on Businesses and Economy

Disasters fundamentally change the social and economic makeup of impacted communities. A community that clearly understands what has been impacted after a major catastrophe and the new social, political, and economic environment is in a better position to make decisions that will spur recovery. The economic, social, and environmental impacts will also determine what resources are necessary for long-term recovery.

Even though FEMA will perform its own damage assessments after a major disaster, the community should seek to perform its own economic impact assessment. Data can become a powerful tool for local officials in

¹ Funding from the US Economic Development Administration, US Department of Housing and Urban Development, and US Department of Labor have been known to provide assistance for these local positions.



advancing recovery efforts. Good data and analysis can suggest or predict likely impacts to the businesses and workforce in the community. They can also suggest areas to prioritize post-disaster recovery assistance and serve as more compelling argument for receiving additional outside assistance.

An economic impact study assesses both physical damage (properties, inventory, etc.) and economic damage to industry and the local/regional economy.

Below is a list of the various types of economic impacts that communities can expect and should measure:

- Tax revenue loss (e.g., sales, property, employment, etc.)
- Job loss and business relocation
- Loss of wages
- Business closures and interruption (e.g., loss of productivity)
- Damage to infrastructure (e.g., sewers, public transportation infrastructure, intermodal facilities, etc.)
- Damage to property (e.g., commercial, industrial, and residential)
- Damage to natural resources (e.g., water and crops)



Aerial view of Reservoir Road Fire. Source: FEMA

Retention of Businesses from Large to Small

According to the Institute for Business and Home Safety (IBHS), at least one in four businesses will not re-open after a catastrophic event. This is due to a host of reasons, including the lack of working and long-term capital, being under-insured, damaged inventory and property, limited workforce options and a diminished customer base. Some businesses will close because they are unable to meet the new realities of a post-disaster business climate. These business closures can have devastating impacts on the local economy and the community's recovery, due to reduced employment and tax revenues as well as diminished business services.

An EDO's connections with the private sector are a key asset to recovery efforts. An established BRE program will supply intelligence about the current business climate in the community. An outreach effort following a disaster will help determine which critical businesses have been impacted, the aggregate damage on the local



business community, and where public and private resources can play a role in business recovery efforts. This outreach can be critical in retaining businesses and employment.

As a first step after a major disaster, an EDO should consider establishing a business recovery center to help local companies get the assistance they need to re-open or stay open. A business recovery center (BRC) serves as a one-stop shop to provide local, state, and federal resources to businesses after a catastrophic event. Case management is another service approach that provides a business with financial and technical assistance on its own turf. Whereas a BRC carries out disaster recovery functions through a centralized location (or several locations), the case management approach involves dispersing recovery staff to individual businesses. EDOs can provide other services to affected businesses, such as holding business workshops with representatives from various federal agencies (e.g., the IRS, SBA, and USDA) combined with local resources, such as tax and accounting professionals. These ideas are discussed in greater detail in the Small Business Assistance chapter.

Finally, EDOs and chambers of commerce should seek to provide relevant, timely information on response and recovery efforts through their business networks. While the establishment of a local hotline or an online portal is an effective use of technology to disseminate information, EDOs also should not discount the importance of canvassing when communication and power lines are out.

Local, state, and sometimes federal tax incentives related to property, equipment or investment can also be used as financing mechanisms to retain businesses that serve as major employers. By leveraging these resources, EDOs can help local businesses get the financing they need and reduce the chances of firms relocating or closing permanently.

The BRE chapter in this toolkit provides more details on business retention and expansion efforts before and after a disaster. This chapter also highlights many of the economic recovery challenges after a disaster strikes and provides both short-term and long-term strategies to spur recovery. Existing relationships with businesses are crucial during a disaster, as communication channels can become disrupted and chaotic. Local businesses are likely to call on your organization for guidance and direction. There are a number of resources, strategies and action steps that an EDO can take to assist local businesses in the recovery phase and to support efforts to move the local economy in a new, more positive direction.

Specific Challenges for Small Businesses

Small businesses are often more financially vulnerable than large businesses in the wake of a disaster. Large businesses have significant resources and business continuity plans to draw on to continue their operations and remain financially viable, while small businesses typically lack these resources. Yet small businesses are the backbone of a local economy, providing essential items such as groceries, gas, childcare, and health services. Thus, EDOs and chambers need to provide additional assistance to small businesses, particularly in terms of capital and technical assistance needs.



After a disaster, small businesses may face the need for working capital to meet payroll, replace damaged inventory and equipment, and fund other operational costs. These funds are crucial to provide within the first month in order to get the business back up and running. As long-term recovery sets in, a small or medium-sized business may have to adjust to a changed local or regional market, and thus may need to reorient its product or service, train its workforce with new skills, find new customers, and seek out new vendors. Thus, short- and long-term financing mechanisms need to adapt to the specific, timely needs of businesses.

There is much that EDOs can do to help their small and medium-sized businesses secure financing and technical assistance. In the short term, small businesses need access to gap or bridge financing with low interest and flexible terms. This gap financing provides businesses with working capital until they can secure funds from other sources, such as insurance claims and other long-term financing sources. EDOs can help identify public and private sources for this bridge financing.



Evacuees after fires. Source: FEMA

Another role is to help establish a revolving loan fund (RLF) with federal funding, such as an EDA grant or HUD's CDBG program. The EDO should not seek to replace private financial sources, but should serve businesses that cannot access traditional sources of financing.

The Small Business Assistance chapter provides further details on the challenges small businesses face following a crisis and a key role that EDOs and chambers should play in helping them in the recovery process.

Navigating the Federal System

The federal government is a significant resource for information and funding on disaster preparedness and post-disaster economic recovery. However, local economic recovery stakeholders are often challenged in understanding and making best use of the range of federal programs that are available. While the National Disaster Recovery Framework (NDRF) helps coordinate efforts among various federal agencies, there is still a need for the local community, in partnership with state representatives, to take a proactive stance in working with federal partners.

Even before a disaster strikes, local leaders should communicate with officials of federal agencies with jurisdiction over their regions to build relationships. Once a disaster strikes, it is incumbent upon local leaders to share how their community has been economically impacted. While regulations on the use of federal funds protect against waste, fraud, and abuse, each disaster impacts a community in different ways. Federal regulations may not always be as flexible as a community would like; however, the use of taxpayer dollars carries certain responsibilities. Exceptions and waivers for federal disaster programs have played an important role in bringing flexibility to respond to unique recovery challenges and fund important projects.



In order to make best use of federal assistance, communities will need to take the time to understand federal requirements for the use of federal funds, such as avoiding the Duplication of Benefits (DOB) associated with accepting funding from multiple federal agencies. Local communities will also need to make note of whether compliance will be performed at the state level or the local level.

Issues with Lack of Federal Aid

Communities sometimes assume that the Federal Emergency Management Agency (FEMA) and other federal agencies are able to provide immediate support if the local economic base is severely damaged in a major catastrophe. It is important to know that not all community crises receive a presidential declaration, and therefore additional federal funding. In some cases, it may take a few weeks for a presidential declaration to be made. Manmade disasters like the Deepwater Horizon Oil Spill catastrophe in the Gulf Coast will not include a presidential declaration, but federal agencies are available to provide a certain amount of support to localities and states.

Even when federal resources are available, it is critical that localities – and most particularly EDOs – develop their own capacity to respond to and recover from a disaster. Economic development professionals often have the unique ability to coordinate involvement and leverage resources from the private sector. They are also likely to take a leadership role in facilitating job recovery and stabilizing the community's economic base after a disaster.

Redevelopment

Engaging business leaders and other community stakeholders in a discussion on land-use issues and redevelopment priorities prior to a disaster enables the community to devote the proper time and resources to a sensitive topic. This may include holding workshops to develop a redevelopment plan that will protect and improve the community's economic base while increasing disaster resiliency. Several communities in the State of Florida have created these plans in advance of a disaster so that they are in a better response position.

Community and business leaders should also hold discussions on the appropriate building codes for their communities. Building codes may have a short-term impact of increasing construction costs, but they also create long-term benefits by making buildings more resilient to disasters. For more information and resources on disaster planning for redevelopment, see the Strategic Planning chapter in this toolkit.

Role of EDOs and Chambers Following a Disaster

In many ways, economic developers are uniquely positioned to facilitate economic recovery initiatives after a disaster. After a catastrophic event, much of their work will be done in an environment of emotional and physical duress. The community may look to EDOs to lead the charge for local economic recovery whether your organization plans for this role or not. The illustration on the next page describes the various roles of economic developers in a normal environment as compared to potential additional responsibilities in the event of a



disaster. The activities and services provided by each organization depend upon the unique needs of each community.

| How the Roles of EDOs Are Impacted by Disaster | | |
|--|---|--|
| | Normal Roles | Roles in a Disaster |
| Analyst/ Educator | Understands strengths, weaknesses, and comparative advantages of local economy and local business climate. Provides quantitative and qualitative information to decision-makers. | Before a Disaster Seeks to understand vulnerabilities and risks to critical industries and businesses within the community. |
| | Keeps public officials and the general public adequately informed on costs and benefits of economic development initiatives. | After a Disaster Develops and distributes a disaster business recovery guide and assesses physical damage and business interruption impacts to industries and businesses. Facilitates the communication of accurate response and recovery information between local businesses and local government and communicates dual messages: "We are open for business" and "We need help and resources" to appropriate audiences. |
| Visionary / Catalyst | Visionary leader who peers over the economic horizon to see what partnerships (both public and private) can be formed to stimulate working relationships in the future. | Before a Disaster Establishes an Economic Recovery Group to identify immediate and long-term recovery resources and strategies. |
| | Engages key stakeholders in visioning process to identify goals, strategies, and resources for economic development. | After a Disaster Envisions how the community can build back to be stronger and more resilient. |
| | Provides incentives to leverage the investment or involvement of different public and private actors. | After a Disaster Creates a strategic plan for economic recovery embraced by community. |
| Gap Filler | Invokes enthusiasm and excitement for catalyst projects that can change the community's future. | After a Disaster Connects public/private resources for building back better. |
| | Provides assistance where the private sector cannot or will not meet community and business needs. | After a Disaster Conducts concerted BRE outreach to reconnect with businesses and identify at-risk companies. |
| Connector / Advocate | Leverages financing to facilitate enterprise development; assists existing businesses with expansion and works to attract new businesses. | Assists with short- and long-term financing and business counseling, particularly for small and at-risk businesses and develops programs to support long-term recovery |
| | Serves as key liaison between public, private sectors and the community on economic development initiatives and works with chamber of commerce representatives to create a concise message. | Before a Disaster Seeks funding opportunities and garners input and support for recovery initiatives. After a Disaster Addresses impacts/shortcomings of community's emergency management plan from a business perspective. |
| | Speaks out for the well being of the community while protecting the interests of business. | Before a Disaster Advocates mitigation and preparedness efforts among businesses for the possible next disaster. |
| | Coordinates activities, communication, and resources between different actors to facilitate business partnerships. | After a Disaster Communicates local economic priorities and needs for policy changes to local, state and federal governments. |



Much of the work that EDOs do on a daily basis will go into high gear after a disaster strikes. The following summary of short-term and long-term strategies has been identified both by economic recovery stakeholders in the field and IEDC disaster recovery teams.

Short-term Strategies

- Marketing and communication (e.g., addressing brand damage)
- Economic development capacity/coordinated response (e.g., managing communications infrastructure)
- Small business assistance/access to capital (e.g., continuity plans)
- Business retention (e.g., performing outreach campaigns)
- Economic impact assessment and analysis
- Workforce development (e.g., connecting displaced workers)

Long-term Strategies

Long-term strategies will need sustained support from multiple community stakeholders. The EDO should clearly define its role in long-term economic recovery initiatives from the start of the recovery process. A summary of long-term recovery strategies that should be considered post-disaster includes:

- Economic diversification (e.g., value-added industries)
- Economic development capacity/strategic planning (e.g., re-evaluating vision and mission)
- Small business development (e.g., economic gardening)
- Entrepreneurship support (e.g., technology transfer)
- Workforce development (e.g., customized curricula)
- Business retention, expansion, and attraction
- Marketing, communications, and infrastructure

When it comes to meeting with the media about economic recovery and the business community, a single spokesperson should be identified. This should ideally be someone from the lead economic development agency or a chamber of commerce. Speaking with one voice will help community stakeholders to avoid confusion, delays and disputes. This spokesperson must keep informed of the community's economic resiliency and revitalization efforts in order to communicate accurately and appropriately with the media.

Summary

EDOs need to be prepared for the reality that their community may be vulnerable to some form of natural disaster or other form of crisis. This chapter has introduced key issues that will be addressed elsewhere in this toolkit. It has also explained why EDOs should play a leadership role in both disaster preparedness and the economic recovery process. Disaster preparation builds resiliency into the community. Without it, important community decisions are made under the duress caused by the crisis or disaster. Recommended preparation includes developing an economic recovery team to engage the private sector in important pre-disaster planning activities and working on a business continuity plan for your own organization.