



Business Assessments – Final Report

Prepared by: British Columbia Economic Development Association



BCEDA
BC Economic Development Association



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Disclaimer: The British Columbia Economic Development Association (BCEDA) has been engaged by Community Futures Boundary (CFB) to develop and implement the Economic Disaster Recovery Program (EDRP). The goal of the EDRP is to provide the community with relevant information and additional resources to help restore the economy in the short and longer-term. BCEDA neither warrants nor represents that the information contained in this report is accurate, complete, sufficient, or appropriate for use by any person or entity other than CFB or for any purpose other than set out in the Engagement Agreement.

Introduction

The British Columbia Economic Development Association (BCEDA) has been engaged by Community Futures Boundary (CF), with funding provided by the Province of BC's Ministry of Forests, Lands, Natural Resource Operations and Rural Development to provide assistance after the May 2018 flooding in Grand Forks through its Economic Disaster Recovery Program (EDRP).

The goal of the EDRP is to provide the community of Grand Forks and the surrounding area with relevant information and resources to help restore the economy in the short and longer-term. The EDRP is a volunteer member team with unbiased expertise in disaster recovery and economic development. They are deployed into the community to gather information and identify potential opportunities for actions to assist the community with its immediate, short, medium and long-term economic recovery efforts.

The EDRP has delivered a Short-Term Recommendation report on July 12, 2018 and an Interim Business Assessment Report on August 20, 2018. A business assessment survey was designed to collect data pertaining to the economic impact in Grand Forks and surrounding area. The assessments collected additional information including identification of gaps, programs and support resources as well as suggestions for future events.

An EDRP team of five volunteer members met with as many businesses as possible during the week of August 13 – 17, 2018 to complete the Business Assessments. Business meetings were scheduled in Grand Forks, Areas C, D and E. Team members also took the opportunity to drop into other non-scheduled businesses to collect information whenever possible and have completed telephone interviews with businesses that were closed or not available during the community visit.

It is important to note that not all impacted businesses have been met with and that many businesses are unable to provide their full economic impact numbers. For example, some of the assessed businesses that are still closed are optimistic they will be open within the next 1 – 2 months and have provided economic loss data based on reopening then. Unfortunately, there are a number of those businesses that will not open within that time frame resulting in additional economic loss not accounted for in this report. As well, economic loss numbers from the agriculture sector is significantly under represented as many of those businesses are unable to put a number on their loss. It is suggested the numbers within this report be interpreted as the minimum economic impact on businesses with the actual numbers being much higher. One additional note is all assessed businesses did not answer all the questions due to confidentiality, unknown factors or other reasons. However, the information collected in this report does provide statistically sound information and can be used as a support for forecasting and decision making.

The following pages breaks down the information collected from the 125 business assessments.

General Information

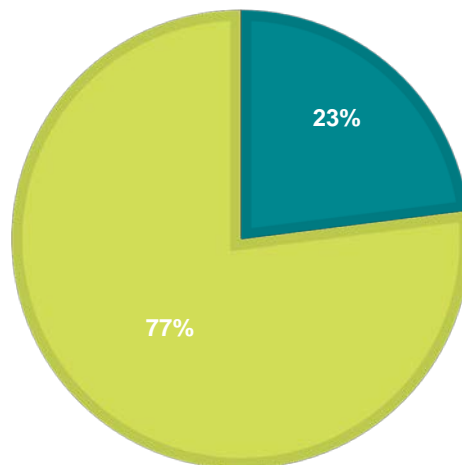
One hundred and twenty-five (125) business assessments were completed. Of the 125 assessments 65.0 percent are in downtown Grand Forks. The following table breaks down the business assessments by area:

Geographic Area	Percentage
Grand Forks - downtown	65
Grand Forks and Area D	15
Area C	
Area D	8
Area E	13

Of the 125 businesses, 23 percent are still closed (28 businesses total). This number is under-represented as there is a continuing challenge contacting business that are still closed. The EDRP will continue to reach out to those businesses to collect their information. It is estimated that the number of closed businesses is closer to 30 – 35 percent. This is a significant number as the flooding occurred May 10, 2018 – over four (4) months ago.

Of the 28 businesses still closed the majority believe they will remain closed for a minimum of one – two months before they are be able to reopen their doors. Unfortunately, there are a number of businesses who may not be able to reopen their doors at all. The majority of the closed businesses are located in the downtown area – 20 of the 28 closed businesses are located in downtown representing 71 percent of closed businesses. This represents a significant impact for the downtown core.

Is Business Still Closed?



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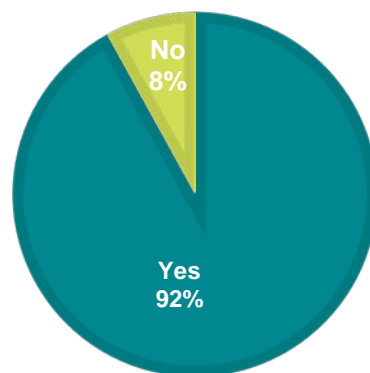
The businesses assessed have been in business for an average of 19 years and represent a variety of industries.

Industry/Sector	Percentage
Accommodation and food services	12.6%
Construction	1.1%
Finance and insurance	2.3%
Health care and social assistance	4.6%
Information and cultural industries	1.1%
Manufacturing	3.4%
Public administration	0.6%
Real estate and rental and leasing	4.0%
Retail trade	16.0%
Other services (except public admin)	5.7%
Administrative and support, waste management and remediation services	0.6%
Agriculture, Forestry, Fishing and Hunting	12.0%
Arts	2.3%
Entertainment and Recreation	2.3%
Professional scientific/technical services	3.4%

Business Impact

Of the 125 businesses assessed 92.0 percent will experience an economic loss due to the floods.

Will You Experience An Economic Loss Due To The Floods?



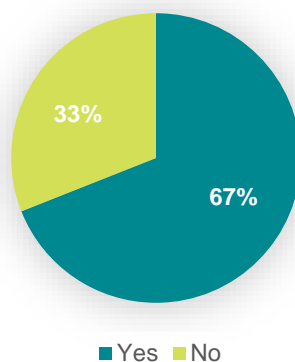
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Of the businesses able to estimate the value of their economic loss, over \$26 million in losses have been reported to date. The following breaks down the estimated economic loss businesses have experienced to date.

Responses	Value
Structure/foundation damage/repair	\$10,302,400
Inventory/product	\$826,478
Equipment/Office/Assets	\$1,275,820
Sales/Revenues	\$6,581,165
Other	\$7,169,731
Total	\$26,155,594

Many businesses will continue to experience economic loss. Over two-thirds (67 percent) of businesses surveyed state they will have further economic loss in subsequent years as a result of the flood. For those businesses that could provide the value of future economic loss, approximately \$12.5 million in additional economic loss was reported.

Do You Anticipate Further Economic Loss For Your Business in Subsequent Years as a Result of the Flood?



When combined with losses already reported total economic loss due to the flooding is \$38,689,665 for those businesses who were able to provide the data.

Businesses were asked to rate the state of their business pre-flood, currently, one-year, and, three-years from the flood anniversary. Over one-quarter (28 percent) of businesses were unable to provide a response for 1 year or 3 years from the flood anniversary. The majority of those businesses were unable to provide any estimates of future economic loss.

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Response	Prior to Flood	Current State	1 year from flood anniversary	3 years from flood anniversary
No response	13.6%	11.2%	28.0%	28.0%
Closed	0.8%	14.4%	3.2%	3.2%
Slow/poor	12.8%	28.0%	7.2%	1.6%
Fair/steady	24.0%	31.2%	41.6%	38.4%
Good/Increasing	48.8%	15.2%	20.0%	28.8%

It is interesting to note the significant decrease of businesses ranking good/increasing from prior to the flood onward. Three years after the flood anniversary only about half of the businesses believe their state will be improving.

There were a small number of businesses who reported the flood was a positive impact. Fourteen percent of assessed businesses expressed an increase in business activity after the flood. These businesses were generally involved with the accommodations, food and professional services industries.

Labour Force

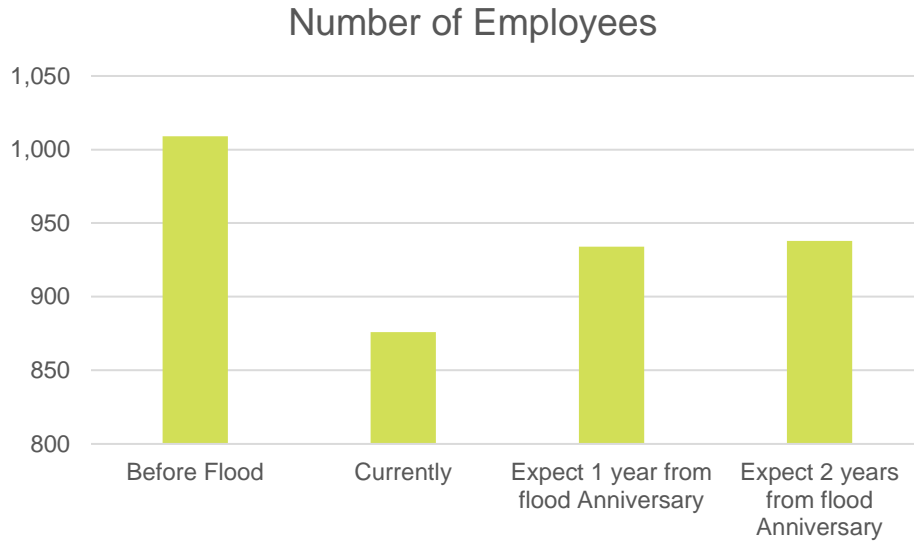
Employment has been significantly impacted since the flooding. Businesses reported 188 employees were laid off immediately after the flooding and 46 individuals are still laid off. The estimate total lost hours of employment due to the flooding was 119,509 hours, resulting in a conservative estimate of over \$2.4 million in lost wages. Twenty-six percent (25.8%) of businesses stated they will not be able to hire back their laid off employees.

# of Employees Initially Laid Off	# of Employees Currently Laid Off	Total Employment Hours Lost	Average Hourly Wage	Total Lost Wages
188	46	119,509	\$20.52	\$2,452,232

Labour Force Forecast

Prior to the floods the businesses assessed had a total of 1,009 employees. Currently, those businesses have a combined labour force of 876 – representing a 13 percent reduction in employment. Businesses estimate a combined total of 934 at the one-year anniversary of the flood (May 2019) and 938 at the two-year anniversary (May 2020) representing a decrease of 7.0 percent in overall labour force two years after the flood. There are some businesses that will not be able to hire back their workers.

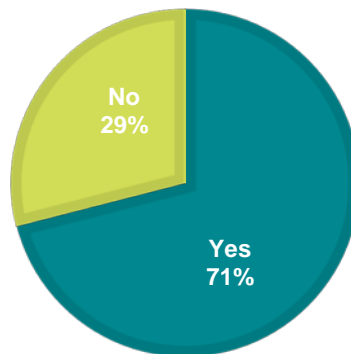
Twenty-five (25.8%) of assessed businesses state they will not be able to hire back any employees laid off.



Insurance and Business Preparedness

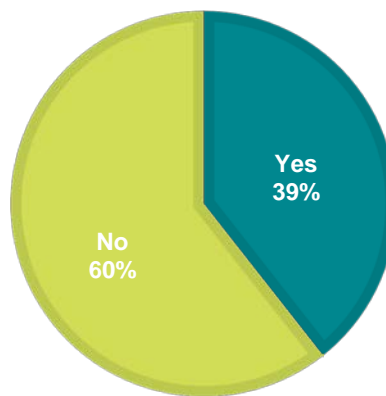
Insurance was an issue and challenge for businesses. Many of the assessed businesses had insurance issues including no insurance, confusion of insurance availability, and, the claim process.

WERE YOU AWARE INSURANCE WAS AVAILABLE?



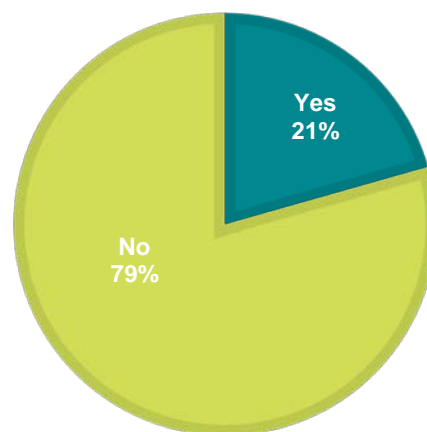
Insurance Coverage	Yes	No
Overland Flooding	43.7%	56.3%
Physical buildings/repairs, etc.	59.2%	40.8%
Business Interruption	55.6%	44.4%
Sewer Backup	57.1%	42.6%

**HAVE YOU, OR WILL YOU,
BE MAKING A CLAIM?**



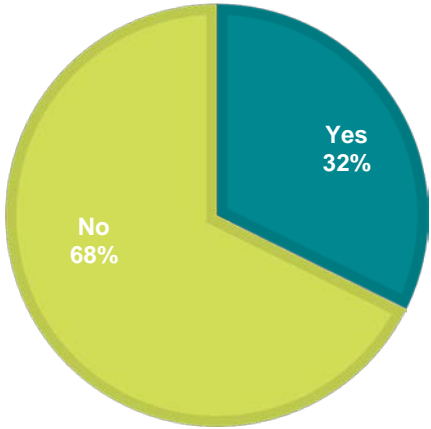
Businesses were asked whether they require assistance with their insurance. One in five of the assessed businesses responded that they do need assistance. Both the Short-Term Recommendation Report and the Business Assessment – Interim Report, along with this report, address insurance assistance and challenges.

**DO YOU NEED ASSISTANCE
WITH INSURANCE?**



Being prepared for post disaster is an important component for business sustainability. The assessed businesses were asked if they have an emergency plan. About one-third responded that they do have a plan, however, most stated their plan was out of date and did not provide much assistance to them.

DO YOU HAVE A BUSINESS EMERGENCY PLAN?



Available Programs

There are provincial and federal government programs available to businesses that can be utilized after a disaster, however, the programs are very limited, and the majority of businesses are not aware of them or are not using them.

Program Name	Yes	No	Using
Disaster Financial Assistance (DFA)	68.9%	18.4%	12.6%
Agri-Insurance	11.9%	88.1%	0.0%
Agri Recovery Program	11.9%	88.1%	0.0%
Farm Business Recovery Advisory Services Program	5.9%	94.1%	0.0%
Agriculture and Agri-Food Canada: Advanced Payments Program	5.9%	94.1%	0.0%
BC AgriStability Protection Program	11.8%	84.7%	3.5%
BC Agriculture Income & Savings Account (AgriInvest)	6.0%	92.9%	1.2%
Canada Small Business Financing Program	8.2%	90.8%	1.0%
Employment Assistance Work Sharing Program	12.4%	86.6%	1.0%

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As the majority of the programs are related to agriculture the following breaks down the awareness of the programs by the assessed agriculture-based businesses only.

Program Name	Yes	No	Using
Agri-Insurance	42.9%	57.1%	0.0%
Agri Recovery Program	47.6	52.4%	0.0%
Farm Business Recovery Advisory Services Program	23.8%	76.2%	0.0%
Agriculture and Agri-Food Canada: Advanced Payments Program	28.6%	71.4%	0.0%
BC AgriStability Protection Program	38.1%	57.1%	4.8%
BC Agriculture Income & Savings Account (AgriInvest)	19.0%	76.2%	4.8%

The assessed businesses were asked if they had accessed any other resources or programs to assist in their economic recovery. The majority of businesses (70.3 percent) had not accessed any additional resources or programs. The businesses were further asked as to why they had not access other resources or programs.

Responses	Percentage
No capacity to complete the application process	6.8%
Do not meet eligibility requirements	40.9%
Unable to find financial resources necessary	11.4%
Other	40.9%

There are organizations and agencies that can assist in disaster recovery and the assessed businesses were asked if they had connected with any of them.

Organization or Agency	Percentage
Canadian Red Cross	16.3%
City of Grand Forks	11.2%
Community Futures Boundary	30.6%
Financial Institution	10.2%
Regional District of Kootenay Boundary	10.2%
Utilities	10.2%
Other	3.6%

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Organization or Agency	Percentage
Land	2.6%
Ministry of Forests	2.6%
Natural Resource Operations and Rural Development	2.6%

Economic Recovery

The assessed businesses were asked some questions directly related to economic recovery from the May 2018 floods, as well as, questions for mitigating further disasters. The first question was to rate the importance of specific factors as they relate to economic recovery.

Thinking about the community in general, please rate the importance of the following factors as they pertain to holding back economic recovery following the flood?					
Factor	No Response	Not Important	Somewhat Important	Important	Very Important
Infrastructure that will provide certainty that there will not be a repeat of the flood damage in coming years	42.4%	0.0%	0.0%	0.0%	57.6%
Lack of financial resources to repair damage to business buildings and leaseholds	42.4%	0.0%	0.8%	3.2%	53.6%
Lack of financial resources to maintain business continuity while flood impacts recede	42.4%	0.0%	0.0%	4.0%	53.6%
Lack of clear post flood plan or strategy to develop a more resilient and diversified local economy	43.2%	0.0%	0.0%	1.6%	55.2%
Innovative ideas/initiatives to attract tourists to the community	45.6%	0.0%	1.6%	8.0%	44.8%
Innovative ideas/initiatives to attract or develop more entrepreneurs in the community	48.0%	0.0%	1.6%	18.4%	32.0%
Financial incentives to encourage businesses to invest in the local economy	45.6%	0.8%	4.0%	12.0%	37.6%
A clear list of economic and business objectives/initiatives designed to diversify and grow the regional economy	44.8%	0.0%	0.8%	6.4%	48.0%
Downtown revitalization to increase attractiveness and appeal to visitors and residents	48.0%	0.0%	4.0%	11.2%	36.8%

The next six questions were open ended and gave the assessed businesses an opportunity to provide suggestions to mitigate for future events and to give their feedback on how recovery efforts have been handled.

The responses can be summarized into a few categories or themes. There is a great deal of frustration with the lack of response provided at the local and provincial level. The feedback included little or no communications, slow response for recovery and a disappointing lack of leadership.

There is a clear request for improved communications and for a mitigation plan for future events. Responses included the need for an economic development strategy and a desire to ensure the downtown core is revitalized and efforts put into place for its sustainability.

The existing programs and insurance are a point of frustration. In particular, there is a concern with the DFA program and its eligibility requirements. Insurance continues to cause confusion and frustration among the assessed businesses.

Appendix A provides the input received for each of the six open-ended questions.

1. In your opinion, what are the gaps that may exist for economic recovery of businesses affected by the flood?
2. In your opinion, what actions can local government take to assist in the economic recovery of businesses affected by the flood? **In the immediate/short term (next 3 months)**
3. In your opinion, what actions can local government take to assist in the economic recovery of businesses affected by the flood? **In the medium term (within the next year)**
4. In your opinion, what actions can local government take to assist in the economic recovery of businesses affected by the flood? **In the long term (one year plus)**
5. In your opinion, what has local government done well to assist in the economic recovery for businesses affected by the flood?
6. In your opinion, what actions can local government take to aid in the economic recovery for any further events?

Recommendations

The following are a list of recommendations for economic recovery. These recommendations include the ones from the Business Assessments Interim Report. Additional recommendations may be suggested in the final EDRP report as the team continues to collect information from other businesses and individuals.

Agriculture

- **Shoreline erosion program (Riprap)** - Streambank Stabilization Program. Although erosion is a natural process, it was dramatically accelerated throughout the region by the flood. Without the presence of a healthy vegetated and riprap buffer, shorelines have reduced resistance against erosion, potentially resulting in additional loss of habitat, soil stability and land. A significant number of farmers have indicated a need for support of riprap within the region to stabilize riverbanks.
- **Fencing program to provide financial support for farmers to replace fencing damaged by the floods** – Agriculture businesses have had fencing destroyed as a result of the flooding. After the wildfires in 2017, the provincial government provided funding for the repair and replacement of fences and other infrastructure damaged or destroyed due to the fire. A similar program should be offered by the provincial government to those agriculture businesses affected by the flooding.
- **Amendments to the DFA program to provide financial support to incorporated businesses and those with more than 2 million in sales.** The original DFA legislation is outdated and needs to be reviewed to allow for increased flexibility, and to also allow for incorporated small businesses to apply for funding. An immediate amendment to allow for more than \$3 million in sales will allow for assistance to be granted to several of the impacted agriculture businesses. In addition, it has been well documented that many businesses in Grand Forks were not made aware of the availability of flood insurance. This is not the fault of the business if this is the case and therefore assistance should be made available.
- **Low interest/No Interest loan program.** The Province of BC should establish a low interest or no interest loan program to assist agriculture producers to repair damaged lands, fences and other infrastructure.
- **Agriculture Program Training Workshops.** The discussions with agriculture related businesses clearly showed a disconnect on the awareness of the different programs available to the industry. Workshops need to be held in the fall of 2018 and spring of 2019 to make sure that agriculture producers are aware of the different programs that they can use before, during and following a disaster. Many of the programs are not directly related to disasters but can help in crop diversification allowing for a stronger and more sustainable agriculture industry.

Small Business:

- **Establishment of a minimum \$2.5 Million fund to provide financial assistance to businesses through a mixture of grants and low-interest loans.** BCEDA can manage this fund or alternatively it could be managed by a community group like Community Futures Boundary. No matter who runs it, a clear criteria in consultation with the Province of BC and community input should be established on the eligibility for support for businesses including a maximum amount that can be granted or loaned.
- **Establish a loan guarantee program** – The majority of businesses affected from the flooding depend on the tourist season (May – August) to get them through the remaining year. The flooding has significantly reduced the revenue generated during this time and has in most cases resulted in additional expenses. Businesses need working capital to survive until the 2019 tourism season. A loan guarantee program offered by the Province will help many businesses continue through into next year.
- **Employment program that will help with those businesses that will reopen but will be challenged with finding suitable/skilled/trained employees** – Additional support should be given to allow for Community Futures Boundary to provide additional supports through the Work BC program that they currently manage.
- **Extension of DFA timelines** – Many businesses also lost homes and as a result have not been able to submit applications. We have been informed by the insurance companies that DFA did not arrive in the community for several weeks following the flood which could have delayed the timing for businesses to be aware of the program. The application deadline should be extended until December 31, 2018.
- **Amendments and reconsideration of rejected applications for DFA** - The original DFA legislation is outdated and needs to be reviewed to allow for increased flexibility, and to also allow for incorporated small businesses to apply for funding. An immediate amendment to allow for more than \$3 million in sales will allow for assistance to be granted to several of the impacted businesses. In addition, it has been well documented that many businesses in Grand Forks were not made aware of the availability of flood insurance. This is not the fault of the business if this is the case and therefore assistance should be made available.
- **Provide a utility refund to businesses for increased power usage following the flood** – Not only did businesses lose significant income due to flooding damages, they are also incurring additional expenses for repair and other operating costs for businesses that were, or are, unable to open. Any assistance to help reduce these costs will assist businesses to rebound quicker in

the short- and long-term. Electrical services within the City of Grand Forks is provided by a municipal owner utility and they should be encouraged to provide bill support to business owners and residents for the time of the flood and for an extended time needed for cleanup. BC Hydro has recently announced automatic bill credits for residential or commercial customers under an evacuation order, however we do not believe this was provided to the rural areas of the boundary region following the flooding. In addition, FortisBC has applied to the BC Utility Commission for permission to provide bill relief to Grand Forks residents and businesses impacted by the flood.

General:

- **Commit to a dike program as soon as possible** – We recognize that it does take time to adequately plan how the dike will be replaced and when and where it will happen. However, commitments are needed in order to provide a sense of stability for businesses located in the impacted areas, including the downtown and industrial areas of the community. The city's largest employer, which is a global company, needs some assurances that adequate diking will be done to avoid a similar flood in the future. Failure to provide these assurances could result in the loss of this employer that helps to ensure the community remains diversified.
- **Establish short-term housing ASAP for the impacted residents** – through ATCO trailers or something similar to be placed on available City land. It has been three months since the flooding and no temporary housing has been made available. This will impact schools, retail and employers who will be left looking for employees as some have been forced to leave the community until housing has been secured. Following the flooding in High River, AB, a temporary housing camp was set up within a few weeks.
- **Take a stand against Insurance companies that are delaying payments or refusing insurance for those that had purchased it** – Individuals and businesses are being declined or delayed insurance as companies argue who was responsible for the flooding and whether it was overland flooding or caused by sewer backup resulting from a failure of the city system. This is not fair to homeowners or businesses. Impacted businesses have either had to pay for repairs on their own or are still waiting for some assistance. The inconsistency in insurance assessments is making people angry and frustrated. Several have indicated that they are still waiting for assessments to be completed. This results in loss of jobs, and economic activity in the community. In order to protect livelihoods, it is important that these issues be resolved.
- **Extend DFA application deadline to allow for new applications and appeals to rejected applications** – Many businesses also lost homes and as a result have not been able to submit applications. We have been informed by the insurance companies that DFA did not arrive in the community for several weeks following the flood which could have delayed the timing for

businesses to be aware of the program. The application deadline should be extended until September 30, 2018 to allow for homeowners and businesses to submit complete applications.

- **Research alternative insurance solutions and best practices** – Insurance has been a major obstacle for many businesses, whether it was because they did not have it, the deductible is too high, the claim process is too complicated or too long for assessments. After the earthquake in New Zealand a Commission was formed to look at alternative solutions including extending claim notifications for up to two years after a natural disaster.

Conclusion

The assessments completed only begin to give a picture of the economic loss for the City Grand Forks and surrounding areas. The actual loss for the businesses will be much higher and there is a significant risk of businesses downsizing or not reopening.

The EDRP team estimate over one-quarter (27.6 percent) of the open businesses assessed have a moderate or high risk of downsizing or closing their doors. The team further estimates that of the assessed businesses still closed over one-third (34.6 percent) have a moderate or high risk of never reopening again.

The impact of this on downtown Grand Forks is significant. Of the businesses assessed at having a moderate or high risk of closing, downsizing or never reopening 15 are located within the downtown core.

The issues identified in this report clearly demonstrate not just a community specific challenge but overall challenges with programs that are part of the disaster response toolbox. It is evident that changes to infrastructure must be made at the local level to ensure that the chance of future flooding is reduced, and improvements must be made to storm drainage systems to ensure that they do not fail during the next flood. The community must make these changes with support from Federal and Provincial government. However, the Province of BC must consider a complete review of support programs like DFA, Agri-Recovery and more. Recommendations will be made following the development of long term recovery plan for community specific issues. An addition report will be prepared that provides recommendations that are specific to government programs and future steps to take to be better prepared for economic recovery in BC.