

City of Cambridge

The Economic Development, Training and Employment Committee held a public meeting on Wednesday, December 18, 1996 at four o'clock and twenty-five minutes p.m. in the Ackermann Room.

Present at the meeting were Councillor Anthony Galluccio, Chair, Councillors Henrietta Davis, Katherine Triantafillou and Michael Sullivan; Richard Rossi, Deputy City Manager, Susan Schlesinger, Assistant City Manager For Community Development; David O'Connor, Emergency Management Director; Ms. Elaine Madden, Community Development and Donna P. Lopez, Deputy City Clerk.

Councillor Galluccio opened the meeting and outlined the purpose of the meeting was to discuss methods to reach out to businesses that experienced flood damage during the recent record breaking storm by the City and to receive an update on the schedule for completion of the economic development policy.

The Committee heard from David B. O'Connor, Emergency Management Director, who gave the committee a memo regarding outreach provided on the flooding of October 20 & 21, 1996, Attachment A. He informed the committee that thirty-seven applications for property damage in Cambridge have been received by FEMA. He informed the committee that no data was available on applications for personal property damage. He said that to date seventy-five applications from Cambridge have been received by the SBA (Small Business Administration) and have been broken down by zip codes as follows:

- 38 Applications in 02138
- 19 Applications in 02139
- 13 Applications in 02140
- 5 Applications in 02141
- 0 Applications in 02142

The SBA has \$1.5 million in loans available to businesses, with interest rate at market rate on 8%, whichever is lower if businesses can obtain credit elsewhere; an interest rate of 4% if businesses are unable to obtain credit elsewhere is available from EIDL (Economic Injury Disaster Loans) and IRS tax refunds are available, he said.

Councillor Davis asked how many businesses were involved. Mr. O'Connor responded with a list of some businesses such as 3M Corp; Waltham Fruit, Cambridge Nautilus, General & Construction Corp., Arthur D. Little and businesses on New Street.

Councillor Galluccio stated he was contacted by a business in the city. Businesses on Bellis Circle wanted emergency services from the city, he said. He stated that two out of six businesses are leaving Cambridge, including El Mundo newspaper and Nautilus of Cambridge. One business, 3M Corp., is contemplating a move. None of the businesses that he spoke to had received a positive message from the city, he said. He asked if there was going to be improvements in the infrastructure in the 3M Corp. area. Councillor Galluccio further stated that letters should be sent to these businesses from the city through the Community Development Department.

Mr. Richard Rossi, Deputy City Manager stated that the city has trained personnel to help during these situations, but this storm was overwhelming. He stated that no community can design a sewer system that can accommodate a 100 year storm such as the recent storm. The sewer system was over its capacity and it backed up.

Councillor Davis stated that it was important to the residents to have a contact person to call during the flooding which occurred and residents were forced to call many different departments. We need a multi solution response such as a "Flood Central." She said that the residents want the city to be a partner with them to help to facilitate the solution to their problem. Mr. Rossi responded that the city does not have an infrastructure system to deal with this type of flooding.

Councillor Galluccio questioned how do we send a positive message to the community. Ms. Schlesinger stated that it would help the city to find out where improvements are most needed in the infrastructure. Mr. O'Connor stated that the City Engineer has flood proofing methods being installed. Mr. Rossi stated that some property that was flooded have a porous foundation and that the issue had to do with the construction of the property. The city, he stated, was pumping the maximum and it was going right back into the sewer. Mr. O'Connor stated that the two pumps were pumping 500 gallons a minute each.

Councillor Galluccio suggested that the letter sent out by the city contain loan application information. Ms. Schlesinger stated that any business the city hears about the city can and will deal with. Mr. Rossi stated that the city will forward a letter to the businesses mentioned to alleviate the situation.

Councillor Davis stated that the letter should acknowledge that there was a problem with flooding and ask if there is anything that could be done by the city. Councillor Galluccio inquired if there was someone in the Community Development Department who handles situations such as this. Ms. Schlesinger stated that Ms. Strain in the Community Development Department makes calls to the businesses.

Councillor Triantafillou questioned what was the city's responsibility. Mr. Rossi stated that in 1969 - 1970 the city went onto property on New Street and installed pumps. (3M, White Construction Building & Leo Wolf Building) This was done because of the flooding. There were two pumps installed and they were not capable of handling the storm. The Charles River, Sewer System & MWRA were all flooded. There was no place for the water to go he said. Other cities do not pump and do not go onto private property he stated, Cambridge tries to help anyway we can he said. The Water Department, he said gets the calls and they are taken care of. The City maintains the pumps on New Streets. A total of 500 gallons per minute are pumped by the two pumps he said.

Mr. O'Connor stated that the businesses could have gotten FEMA flood insurance. Mr. Rossi said that the businesses could revenue this money on their taxes by taking a loss.

Councillor Davis stated that we need to be clear as to what is the businesses and what is the city's responsibility. What we do for one we need to do for another. Ms. Schlesinger responded that each letter will make distinctions clear. It will outline what help is available and what improvements are being planned.

Mr. Rossi said that we need to give all city agencies an opportunity to speak on this matter. He further stated that the installation of a duck bill valve will allow water to stay in Danehy Park and not back up onto Bellis Circle.

Councillor Galluccio asked how are residents to know this. Mr Rossi responded that the Public Works Department will send a letter to the residents.

Councillor Galluccio questioned the installation of a warning system. Mr. Rossi responded that a warning system needs to be tested weekly. Councillor Galluccio asked if the Public Works Department would inform the businesses and the residents. Mr. Rossi stated the city would deal with all the businesses and send letters and a meeting will be set up between the city and the businesses.

Councillor Triantafillou asked what kind of responsibility are we taking on, our system did not work and we may be suited by the businesses.

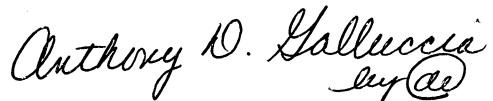
Councillor Galluccio stated that the letters need to get out and must contain all the means available to businesses & residents. Ms. Schlesinger stated that the City Council has names to add to the list of businesses, Councillor Triantafillou added S & H Construction; Mr. O'Connor added JC Adams and Councillor Sullivan added anyone on New Street.

Mr. O'Connor stated that the businesses are covered by disaster unemployment benefit claims assistance. The costs are backed up by the Department of Labor.

Councillor Galluccio questioned Ms. Schlesinger about the draft of the Economic Development policy. Ms. Schlesinger stated the draft would be submitted to the City Council on January 6 on 13, 1997. It is not radically different she stated. At the conclusion of the meeting Councillor Galluccio requested copies of the letters sent to the businesses be sent to the Committee.

The meeting adjourned at five o'clock and ten minutes.

For the Committee,

A handwritten signature in cursive script that reads "Anthony D. Galluccio". The signature is written in dark ink and includes a stylized flourish at the end.

Councillor Anthony D. Galluccio
Chair



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EMERGENCY MANAGEMENT DEPARTMENT

David B. O'Connor
Director

Economic Development, Training and Employment Committee
City Council
City Hall
Cambridge, MA

Dear Councillors:

It is my understanding that the committee wishes to discuss outreach by city departments to businesses and individuals affected by the flooding conditions on October 20th and 21st. The disaster declaration by the President, at the request of the Governor, enables the Federal Emergency Management Agency (FEMA) and other agencies to provide assistance to individuals, to businesses and to state and local government and non-profit agencies. This assistance is provided by FEMA, the Small Business Administration (SBA) and other agencies pursuant to the Stafford Act¹. The deadline for physical damage SBA loans and FEMA grants, to both individuals and businesses, is December 24th, 1996. The loan application deadline for Economic Injury Disaster Loans (EIDL) is July 25th 1997.

The first step in seeking assistance for both individuals and businesses is the same. Applicants must call the FEMA Teleregistration Center at 1-800-462-9029. Individuals who seek assistance at any of the FEMA Disaster Recovery Centers in our area are provided with a telephone to register by telephone.

Individual Assistance

Assistance to individuals may take several forms. The most common form of assistance is in the form of loans from the SBA. SBA loans are low interest, long term loans to eligible individuals or businesses to repair or replace damaged homes, businesses and personal property. The amount of the loans is limited by the amount of the uninsured loss. Loans for real property and structures to individuals may be made in amounts up to \$200,000.00. Loans to individuals for furniture, appliances, clothing and other personal property are made in amounts up to \$40,000.00. Loan approval and disbursement usually occur 7 to 21 days after the loan application is filed. Based on anecdotal information, recent Massachusetts applicants have received their checks about 7 to 10 days from the application date.

¹ Robert T. Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended

The rates for physical damage loans vary. Individual able to obtain credit elsewhere who borrow from the SBA will pay the cost of the money to the United States or 8%, whichever is lower. Individuals unable to obtain credit elsewhere will be charged a rate of $\frac{1}{2}$ the rate charged to those able to obtain credit or 4%, whichever is lower.

Individuals who for income or other reasons are not qualified for loans may be given assistance in the form of grants. All rejected loan applications are automatically screened for grant eligibility. Grants are for the amount of uninsured property loss up to a limit of about \$12,900.00. This program is fully funded by FEMA with grant administration being performed by MEMA, the state emergency management agency. Damage inspection of homes is usually performed prior to issuance of a grant check.

FEMA also makes grants available for temporary housing for individuals and families whose home is unfit for use due to disaster related damage. Such grants may include temporary rental housing for periods up to 18 months. The Disaster Housing Assistance program also makes mobile homes available in disasters where the damage has destroyed a large portion of the housing stock. The mobile home program is not being utilised in Massachusetts.

Business Assistance

The SBA may make loans of up to \$1,500,000.00 to businesses to repair or replace business property to it's pre-disaster condition. Repair or replacement of real property, machinery, equipment, fixtures and inventory may be included in the loan. If the SBA determines that the business is unable to obtain credit from other sources the interest rate on the loan will not exceed 4% per year. Maturity of the loan is based on the businesses ability to repay and the size of the loan. The maximum loan period is 30 years. If the SBA determines that the business can obtain credit elsewhere the interest rate is market rate or 8%, whichever is lower. The time from application to approval for business physical damage loans can take up to 60 days although I understand that in Massachusetts loan applications are taking about 2 to 3 weeks.

Economic Injury Disaster Loans (EIDL's) are SBA loans to small businesses which, as a direct result of a declared disaster, have suffered substantial economic injury, with or without actual physical damage. Substantial economic injury is defined by the SBA as the inability of a business to meet it's obligations as they mature and to pay it's ordinary and necessary operating expenses. EIDL's are working capitol loans intended to provide relief from the economic impact of the disaster and to permit a business to maintain a reasonable working capitol position during the period affected by the disaster. EIDL assistance is only provided to businesses unable to obtain credit elsewhere. The maximum interest rate is 4% and the maximum term is 30 years. The maximum loan amount to any business is \$1,500,000.00 for the aggregate of physical damage and EIDL loans.

In addition to assisting businesses, the SBA also will make loans for physical damage to educational, religious, charitable, health care, and other non profit entities with the ability to obtain credit elsewhere. The rate charged differs from private businesses and is set by a different statutory formula.

IRS Tax Refunds

The Internal Revenue Service has regulations which provide that uninsured casualty losses, with a disaster related cause and within a county that has been declared a disaster area, may be carried back to prior years. While ordinary uninsured casualty losses can be deducted for the current year, creating a refund the following year, disaster losses may be carried back to prior years. This means that an individual who filed a tax return last April 15th for 1995 may file an amended return.² The amended return, showing the disaster loss, will result in a refund for the year. If for example, an individual has an uninsured disaster loss of \$10,000.00 and the amended return puts the individual in the 31% bracket, that individual would receive a \$3,100.00 refund. The Emergency Management Department has delivered to all businesses in Cambridge known to have sustained flood damage a package of IRS forms and publications containing:

- IRS Tax Topic 515 - Disaster Area Losses
- IRS Publication 547 - Casualties, Disasters and Thefts
- IRS Form 1040X Instructions
- IRS Form 1040X (amended tax return)
- IRS Forms 1040 Schedules A, B and C
- IRS Form 4506 - this form is used to request a copy of a previous years tax filings
- IRS Form 1045 - Application for Tentative Refund (Individual)
- IRS Form 1139 - Application for Tentative Refund (Corporate)
- IRS Form 4684 - Casualties and Thefts

Other Assistance

The U.S. Department of Veterans Affairs provides assistance to veterans who are disaster victims. Such assistance takes the form of adjustments to VA mortgages. It may also involve death benefits and pension assistance.

The U.S. Department of Labor provides assistance for those who are unemployed, either permanently or temporarily due to a disaster. An individual whose employer closed down, either because of damage to the plant, inaccessibility, loss of utilities or any other disaster related reason is eligible for unemployment benefits for the lost time without a waiting period. This is funded by the Department of Labor and is administered by the state Division of Employment Security.

² IRS form 1040X, instructions are contained in IRS Publication 4684

Assistance to Local Government

FEMA also provides assistance to state government, cities and towns. In all declared disasters FEMA will reimburse government agencies for 75% of the cost of debris removal and for protective actions to protect life, health, safety and property. In major disasters (the recent flooding was declared a major disaster in five coastal Massachusetts counties, including Middlesex), FEMA provides additional assistance to state and local government. This assistance provides for reimbursement of 75% of the costs of repairs to or replacement of roads, bridges, culverts and traffic control devices. It also includes reimbursement for damage to water control facilities, buildings, equipment, vehicles, water, sewer and drainage systems, parks and recreational facilities.

Some non-profit organisations, including colleges and private schools, are eligible for FEMA assistance. FEMA assistance to eligible non-profits is provided on the same basis and for the same categories of damage as is provided to cities and towns. One private school in Cambridge, the Fayerweather Street School sustained severe flood damage. We arranged for school staff to attend a FEMA briefing on disaster assistance. I understand the school is applying for assistance.

Because of the severe flood damage in Massachusetts, another provision of the Stafford Act³ provides for grants for assistance to government agencies for efforts to mitigate damage from future problems of the same nature. Such grants are in the amount of 75% of the cost of eligible mitigation projects. The intent of the grants is to minimise future disaster losses and thereby minimise future disaster assistance costs. Hazard mitigation projects can involve any action taken to permanently eliminate or reduce the long term risk to human life and property. Section 404 grants may be sought by any state or local government or by eligible non profit institutions. The types of projects eligible for Section 404 mitigation grants may include:

- Acquiring floodprone structures or property
- Retrofitting floodprone structures
- Protecting critical facilities
- Upgrade of drainage systems and culverts
- Stream or pond improvements
- increasing public awareness of hazard mitigation.

It is possible that grant applications will exceed available funding. The following criteria are used in selecting which grant applications to fund.

- direct impact on reducing future disaster losses
- failure to implement project will have severe detrimental impact
- enhance environmental protection
- part of overall plan for hazard mitigation by applicant
- maximum local support and commitment
- public/private partnership
- applicant can implement in a cost effective and timely manner

³ P.L. 93-288, section 404

The total funding for mitigation projects will be 15% of the total spent on federal public assistance and federal individual assistance provided under the disaster declaration. As the expected cost of flood relief is expected to be in the range of \$30 million to \$40 million; the amounts available for the section 404 mitigation funding will likely be in between \$4.5 million and \$6 million

Outreach Efforts

The Emergency Management Department, immediately after the storm, polled several agencies for information relating to calls for assistance due to water problems. We received information from the Cambridge Fire Department, Emergency Communications Department, Inspectional Services Department, Water Department, Cambridge Electric Light Company and Commonwealth Gas. The lists of individuals and businesses were merged into one master list. A copy of the list is provided herewith. I should note that we know of a number of streets where individuals sustained water damage but no individuals called for assistance. Those streets are marked "all" in the street number column. In other cases there is duplication as a few individuals called multiple agencies for assistance.

In order to get information to affected individuals and businesses the following steps were taken:

- The Cambridge Auxiliary Police made a literature drop to all homes and businesses on the list. The drop consisted of a FEMA publication "Repairing Your Flooded Home" and a cover letter describing how to register by telephone with FEMA. The CAPD volunteers were instructed to check all homes adjacent to homes on the list to see if they also sustained water damage and to go to all homes with debris outside.

- Information on flood assistance was listed on the Cambridge Emergency Management homepage on the City of Cambridge web server. The URL of the flood information page is

<http://www.ci.cambridge.ma.us/~EM/floodinf.html>. The page provided information on teleregistration in 4 languages (English, Spanish, Portuguese and French). This page contains links to pages prepared by this department summarising tips on salvaging belongings from flooded homes and

- Information on flood assistance and registration was provided in the screen crawl on CATV channel 37

- Information on the Disaster Recovery Center in Arlington was provided to all churches with either fax machines or phones that answered or had answering machines, with a request that the clergy announce the information about the DRC. We know that a number of churches complied with this request.

- All business identified on the list or later identified were provided with copies of the IRS package described above.

- Businesses with sewage backup flooding problems were provided with copies of "Repairing Your Flooded Home" and a FEMA pamphlet on backflow valves.

- Businesses with rising water flooding (New Street, Bay State Road and Acorn Park) were also provided with copies of a FEMA publication called *"Floodproofing Non-Residential Structures"* and copies of *"Repairing Your Flooded Home"* and the FEMA pamphlet on backflow valves.

Loan and Grant Applications

Both FEMA and the SBA collect all statistics relative to loan and grant applications by county, not by municipality. It is therefore difficult to get complete data for all applications for these programs. We were able to gather the following information for Cambridge.

Applications for FEMA property damage grants for home repair and emergency housing totalled 37. 36 of these were for home repair and 1 for rental assistance. As of December 11th all 37 applicants had received checks totalling \$68,671.00.

We cannot yet get data on applications for FEMA Individual and Family grants for personal property damage. This program was delayed because the Massachusetts legislature had to appropriate funds for the 25% state share and there was a delay in responding to the Governor's request for the funds. It is expected that checks will be mailed on Friday, December 20th.

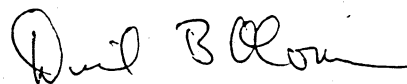
The SBA has received 75 applications from Cambridge to date. They are broken down by zip code as follows:

- 02138 38 applications
- 02139 19 applications
- 02140 13 applications
- 02141 5 applications
- 02142 No applications

The SBA does not have available any breakdown as to whether these are residential or business applications.

The information above is a summary of the major funding and financial benefits available to Cambridge and its residents. If your committee or any other members of the City Council require more details or additional information please let me know.

Respectfully submitted



David B. O'Connor

Committee Report #1

S-103

A report was received for a meeting held on December 18, 1996 for the purpose of discussing methods to reach out to businesses that experienced flood damage during the recent record breaking storm by the City and to receive an update on the schedule for completion of the economic development policy.

In City Council January 6, 1997

Report Accepted,
Placed on file,