



CVEDC

Central Vermont Economic Development Corporation

July 2023 Flood Economic Injury Report – Central Vermont

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Table of contents

I. Executive Summary	
Introduction.....	1
Objective.....	1
Scope.....	1
II. Assessment Methodology.....	3
III. Findings	
Economic Background of Vermont and Washington County.....	4
July 2023 Flood Economic Injury.....	5
Correlation between Vermont state and Flood in Washington County.....	6
IV. Conclusion	

I. Executive Summary

Introduction

During the initial 10 days of the flood event in July 2023, CVEDC conducted daily field operations and surveyed business proprietors to identify their requirements, facilitating their access to necessary resources and assistance. Over the following 90 days, CVEDC and its partners established a convenient business resource center where individuals could access various support services. These services included assistance with form completion, translation services, clarification on grant opportunities, and access to an extensive network of supplementary services. Throughout this period, we carried out more than 1,600 customer sessions.

The purpose of the economic impact report is not to measure the financial costs of the disaster but rather to emphasize the diverse geographical and temporal economic burdens and the complex distribution of these costs across different levels. The paper provides an overview of the economic conditions before the tragedy, combines the measurable and subjective impacts of the crisis, and highlights the most effective strategies for economic recovery. This tool is highly beneficial for disaster recovery specialists in Vermont. It helps them identify the economic recovery needs and analyze patterns that might inform the region's long-term resilience and disaster preparedness policies.

Objectives

- Capture the pre-disaster economic environment;
- Aggregate available economic injury information from the flood event

Scope

a. Economic injury was observed in the following industry categories by five or more businesses:

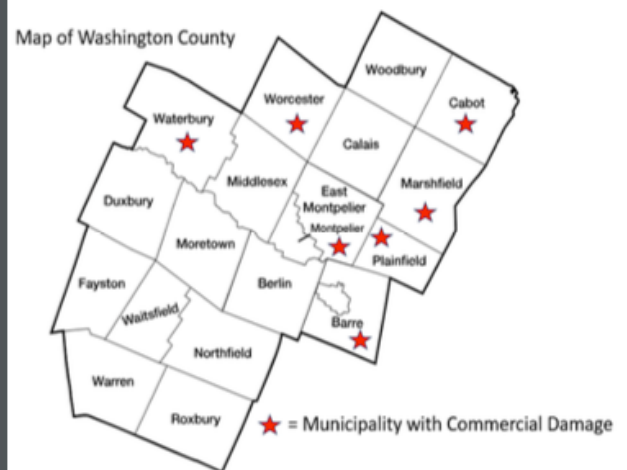
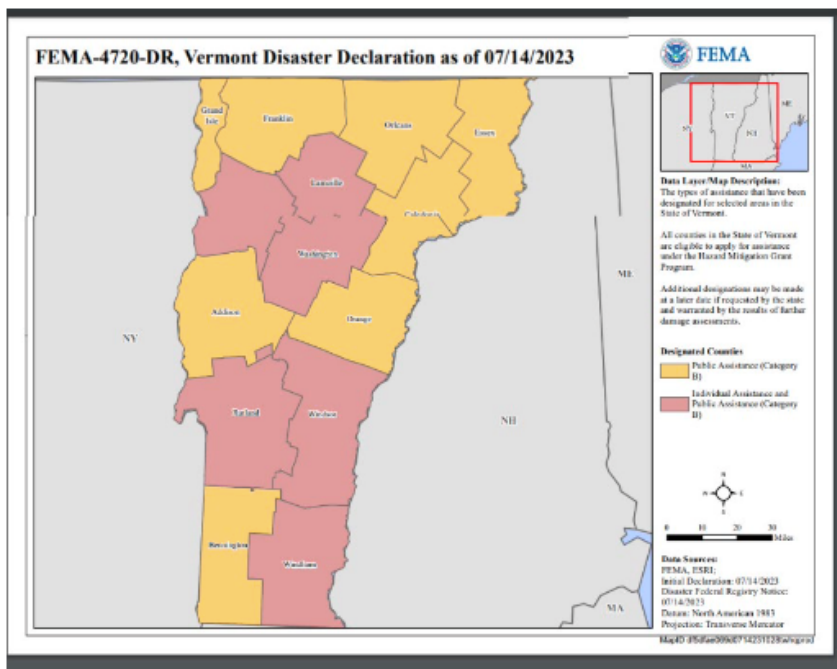
- Manufacturing
- Retail
- Commercial property owners
- Tourism and hospitality
- Restaurants and bars
- Hair or nail salons
- Nonprofits
- Medical providers and therapists
- Professional services
- Places of worship

b. Economic injury due to the floods, as shown, was noted in:

- Barre City
- Barre Town
- Berlin
- Calais
- Cabot
- East Calais
- East Montpelier
- Marshfield
- Middlesex
- Montpelier
- Moretown
- Orange
- Northfield
- Plainfield
- Waitsfield
- Waterbury
- Williamstown, and
- Worcester

c. Figure 1 highlights the Impacted municipalities and disaster declaration.

Figure 1: Declared impacted municipalities



II. Assessment Methodology

This economic impact assessment relies on a comparison of multiple unique data sources, including:

1. CVEDC-collected economic injury data client data counseled 457 unique clients at the flood center, resulting in over 1600 client sessions, of which detailed notes were kept.
2. CVEDC-collected economic injury data, survey Economic injury surveys of 980 unique respondents between July 10-November 2, 2023; follow up interviews in January and March, 2024. CVEDC tracked 12 businesses November 2023-March 2024 with "open book" financials to compare YOY to 2019 and 2022 figures.
3. Washington County revenue reports by the industry for 2019 and 2020 from Chmura's JobsEQ, Industry Spotlight: Washington County, VT, 2023, provided by Emma Spett of the University of Vermont Office of Engagement
4. Data collected by philanthropic groups as part of grant requests and
5. Data shared by Downtown Organization and other nonprofit partners

Over several months, data was collected to produce a complete assessment dataset. The purpose was to gather lots of vital data. The data sources were chosen for their ability to reveal the event's economic effects. This qualitative and quantitative data is not meant to measure economic injury that has occurred. A detailed investigation can identify the locations with the most significant economic impact by comparing current statistics to pre-disaster levels. This impact may be due to the tragedy or pre-existing economic issues.

III. Findings

Economic Background of Vermont and Washington County

Vermont economy

Vermont's economy, prior to the floods, demonstrated resilience and growth. Gross State Product (GSP): Vermont's GSP grew from \$34.63 billion in 2019 to \$40.83 billion in 2022. This growth indicates a resilient state economy that continued to expand despite various challenges, including natural disasters. Particularly affecting specific sectors. However, the overall economy demonstrated remarkable resilience, continuing to grow in spite of these challenges, as shown in Figure 2. Compares spending amount in May – September between 2021 – 2023. Due to the unprecedented disruptions caused by the global pandemic in 2020, GSP figures for that year were not considered representative of the state's economic trends and were therefore excluded from this analysis. While the most recent available Gross State Product data is from 2022, the comparisons of spending amounts from May through September between 2021 and 2023 are based on the assumption that the spending trends align closely with the patterns observed in Figure 2.

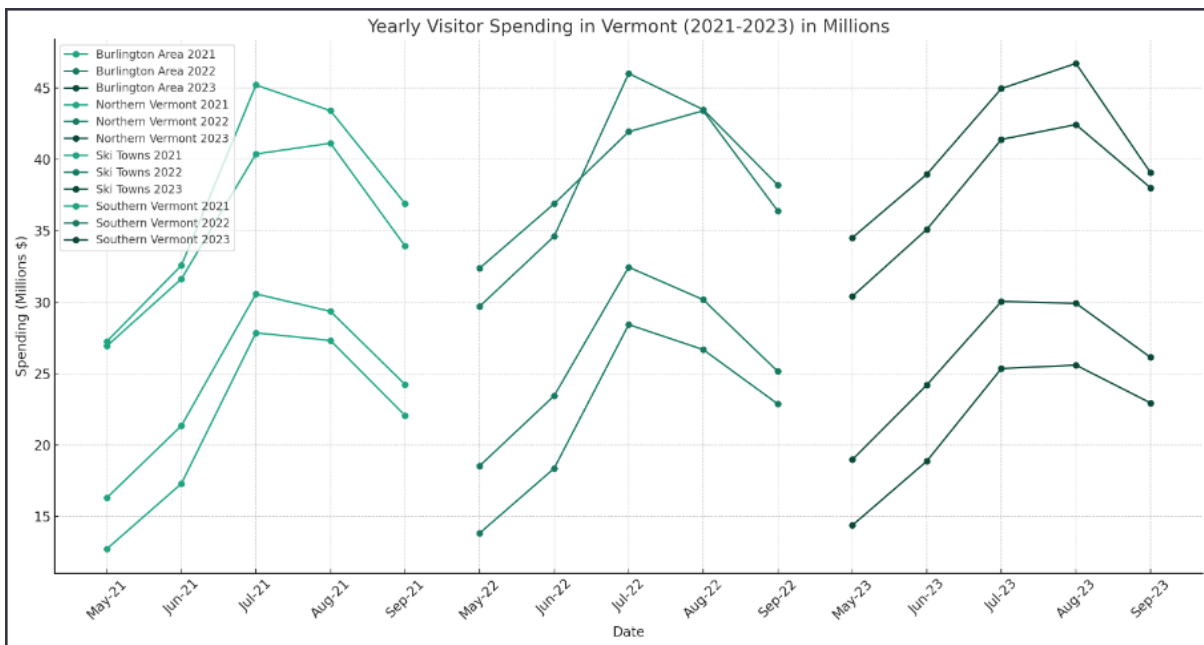


Figure 2: Visitor spending amount between May and September 2021 and 2023.

Washington County's Economy

The annual payroll in Washington County increased from approximately \$2.49 billion in 2019 to \$2.57 billion in 2021. This rise suggests economic growth within the county.

Employment Implications: There's a lack of specific employment data, but the sector-specific economic injuries, particularly in the Real Estate and Hospitality sectors, suggest potential employment challenges.

Business Establishments and Employment: Between 2019 and 2021, the number of establishments in Washington County decreased by approximately 2.02% (from 2179 to 2135), and the number of employees dropped by approximately 4.86% (from 25956 to 24695). This decline could indicate business closures or downsizing, possibly due to the economic situation in general, such as the pandemic and economic recession. Different sectors exhibited varying trends. For example, the agriculture, forestry, fishing, and hunting sectors saw a slight decrease in payroll, whereas the construction sector experienced increases in the number of establishments, employees, and annual payroll.

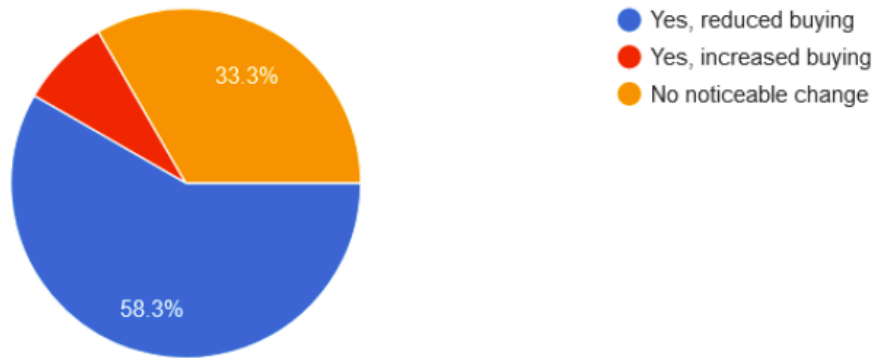
July 2023 Flood Economic Injury

Geographically, the economic injury was widespread, affecting multiple towns and cities within Washington County, including Barre City, Barre Town, Berlin, Calais, Cabot, East Calais, East Montpelier, Marshfield, Middlesex, Montpelier, Moretown, Orange, Northfield, Plainfield, Waitsfield, Waterbury, Williamstown, and Worcester.

The flood caused substantial economic damage, totaling an estimated \$300 million. This economic injury affected businesses across Washington County and the towns of Orange and Williamstown in Orange County. The average economic injury per business was \$150,000, with the highest reported single injury by one business reaching \$6.5 million.

Regarding business operations, 46.6% of businesses reported economic injuries that severely affected their ability to reopen. Business owners highlighted critical gaps in funding, exacerbated by high physical damage costs and challenges in accessing capital. BIPOC, New American, and LMI (Low and Middle Income) business owners faced disproportionate difficulties in reopening their businesses, citing issues such as difficulty communicating with landlords, accessing contractors, and understanding and accessing resources.

The flood also impacted the supply chain, with an increase in the cost of raw materials. For instance, restaurants found it more challenging to source local ingredients after the flood. Additionally, 58.3% of flood-impacted business owners experienced a decline in customer purchasing nearly 120 days after the flood, indicating prolonged economic repercussions. A result from a survey that asked business owners if they noticed a change in customer buying behavior since the price adjustment, as shown in Figure 3



Data collected by CVEDC survey, 11/2/2023

Figure 3: Survey result change in customer buying behavior

Correlation between Vermont state and Flood in Washington County

In comparison, the state of Vermont as a whole continued to show economic growth from 2021 to 2023, with areas like Burlington and Southern Vermont contributing significantly to the state's financial figures. The flood economic injury represents a significant amount, but it's relatively small compared to the county's total annual payroll. For perspective, the flood injury is about 5.4% of the 2019 payroll and about 5.3% of the 2021 payroll. Despite the substantial economic injuries caused by the floods, the overall economic health of Washington County, as indicated by the annual payroll, remained robust. This resilience could be attributed to economic diversity and effective disaster response and recovery efforts.

Business Revenue and Debt Accumulation

Recent communications with the Central Vermont Economic Development Corporation (CVEDC) have revealed new insights into the economic repercussions of the flood event on local businesses. Specifically, businesses within flood-impacted areas have reported a significant decline in revenue, with figures dropping by 50%. The financial strain has led to debt accumulation, with the business community incurring \$147 million and the BIPOC business community specifically shouldering \$30 million of this debt. This additional economic stress compounds the already challenging recovery landscape for these entities.

Business Disruption Causes

Business owners have identified three primary causes for the observed economic setbacks:

- Local-to-local business transactions have diminished due to the dual impacts of economic strain on the population and disruptions to routine activities. Essential services, such as the post office, have been interrupted, adding to the community's hardship.
- State workers and legislative activity, traditionally a stable source of economic movement, have experienced pattern shifts. Though not entirely absent, the altered behaviors contribute to reduced business interactions.
- Tourism has suffered a critical blow, particularly with the closure of the Capitol Plaza, which previously drew an estimated 200 visitors daily.

Small Business Administration (SBA) Lending Impact

A review of SBA lending data indicates that a large drop-off from the number of FEMA registrations to the number of applications received, suggesting potential barriers to application submission or a lack of need/eligibility for a loan. Furthermore, the data shows that while the processing of applications is highly efficient (with a 99% processing rate), the number of loans approved is just over half of the number of applications received. This could indicate stringent approval criteria or a lack of qualifying criteria among applicants. In terms of approved dollars, there is a notable discrepancy between HOME and BUSINESS loans, with HOME loans receiving the larger share of funds. The low number of approved ECONOMIC INJURY loans and the small amount of approved dollars for this category highlight a critical area that may require additional support or a review of the loan criteria to ensure sufficient economic recovery support.

IV. Conclusion

The July 2023 floods have inflicted substantial economic injuries on Washington County, Vermont, causing significant disruptions and impacting a broad spectrum of local businesses. These events have resulted in estimated damages of \$300 million, severely affecting the operational viability of businesses throughout the region. A considerable number of businesses, approximately 46.6%, reported injuries severe enough to jeopardize their ability to reopen. Moreover, the local economy has suffered from a sharp decline in business revenue, with some sectors experiencing up to a 50% drop, leading to a substantial debt accumulation of \$147 million, disproportionately impacting BIPOC business owners by \$30 million.

The flood's effects were widespread, influencing local supply chains and increasing the cost of raw materials, notably affecting restaurants and similar sectors struggling to source local ingredients. Additionally, the economic downturn was exacerbated by a reduction in local-to-local transactions, disruptions in essential services, and a significant drop in tourism, highlighted by the closure of key attractions such as the Capitol Plaza. The resultant economic strain has been profound, impacting community activity and financial stability.

Business owners have faced formidable challenges in financing recovery efforts, compounded by the loss of revenue and extensive physical damage. Many have encountered cumulative losses, including both personal and business assets. The ongoing anxiety and resource scarcity within the business community underscores the urgent need for enhanced support and clarification of available resources. There is a critical demand for additional funding for professional services, including legal, financial, and strategic consultation, to aid businesses in navigating their recovery pathways effectively.

Despite these adversities, the resilience of Washington County's economy, evidenced by sustained growth patterns from 2021 to 2023, underscores a potential for recovery. However, the economic trajectory requires targeted interventions to facilitate comprehensive recovery and resilience building. This entails improving access to financial resources, expanding professional services, and strategically planning economic recovery to ensure the sustainability and robustness of the local economy in the aftermath of the disaster.