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Recovery and Redevelopment Planning Council



August, 1997

proposal to

Governor Arne H. Carlson



August 14, 1997

Governor Arne H. Carlson
State of Minnesota
130 Capitol Building
75 Constitution Avenue
Saint Paul, Minnesota 55155-1099

Dear Governor Carlson:

On May 9, 1997, you issued Executive Order 97-15 providing for the establishment of a Governor's Recovery and Redevelopment Planning Council. The council was composed of 13 members: a mayor from a city in the Red River Valley, a mayor from a city in the Minnesota River Valley, a county commissioner from a county in the Red River Valley, a county commissioner from a county in the Minnesota River Valley, legislative leaders from all four caucuses or their designees, a state agency commissioner or representative from the executive branch and four private sector members (see pg. 9 for list of council members).

The Council's charge was to come up with a legislative proposal for a special legislative session to fill in the gaps to help the Minnesota Recovers Task Force respond to the needs of the local communities. This report represents the Council's recommended state response to help meet the needs in the flood recovery process.

In making the report the Council sought to meet several challenges. Those challenges include: drawing down federal dollars, maximizing available state resources, attracting private capital, ensuring equitable and effective use of all resources for assistance and identifying gaps in funding for necessary projects.

To date the state has received more than 80 applications for flood aid totaling in excess of \$700 million dollars. Final damage estimates are continually being revised and it is difficult to estimate what the total need will eventually become.

In anticipating the on-going needs, the Council's proposal calls for a state response of more than \$124 million. This proposal would draw down \$397 million in federal matching funds and encourage a private investment of \$132 million. An additional \$170 million in other federal funds would be incorporated into a total flood recovery effort of over \$830 million.



Included in the state response is money for planning to try to encourage Federal Empowerment Zone/Enterprise Community designations to provide additional federal resources to aid in the recovery process. The state will also continue working with several private sources to encourage additional private resources to also bring additional aid to the recovery process.

This proposal was deemed by the Council to be a fair, equitable and appropriate response from the state in order to encourage private investment and draw down federal funds as part of a comprehensive flood recovery package. The Council's hope with this package is that citizens affected by the floods will be able to rebuild their homes and return to the quality of life that Minnesota provides to all of us who live here.

Warmest regards,



David B. Gruenes
Chairman, Governor's Recovery and Redevelopment Planning Council
Commissioner, Minnesota Department of Commerce



contents

Executive Order	5
Recovery and Redevelopment Planning Council	9
Disaster Overview	10
Economic and Demographic Review	11
Infrastructure	12
Economic Redevelopment	13
Housing	14
Minnesota Recovers Task Force	15
Principles Underlying Council Recommendations	17
Project Priorities	18
Housing Priorities	19
Business Rehabilitation	20
Flood Relief Package	21
Waivers	33
On-going Issues	35
Meetings and Agendas	39
Thank You	45



executive order





**EXECUTIVE ORDER 97-15
PROVIDING FOR THE ESTABLISHMENT OF A
GOVERNOR'S RECOVERY AND REDEVELOPMENT PLANNING COUNCIL**

I, ARNE H. CARLSON, GOVERNOR OF THE STATE OF MINNESOTA, by virtue of the authority vested in me by the Constitution and the applicable statutes, do hereby issue this Executive Order:

WHEREAS, the 500-year flood of 1997 has resulted in enormous personal and economic losses to homes, farms, and businesses throughout Minnesota's Red River Valley and Minnesota River Valley areas; and

WHEREAS, as the recovery process continues and restoration efforts begin, there is an immediate need to assemble state and local leaders to address the implications of this catastrophe and the redevelopment of these regions; and

WHEREAS, a coordinated state, local, and federal effort is needed for the planning and implementation of flood recovery and redevelopment strategies; and

WHEREAS, having expert advice and establishing an appropriate intermediary between state and federal planners and technicians, and local planners and implementers of long-range flood recovery plans will best assist in response to this crisis;



NOW, THEREFORE, I hereby order that:

1. The Governor's Council on Recovery Planning and Redevelopment shall be established.
2. Council membership shall be composed of 13 persons, who shall include:
 - The leader of each major party caucus from the Senate and House of Representatives or their designees;
 - A mayor from a city in the Red River Valley;
 - A mayor from a city in the Minnesota River Valley;
 - A county commissioner from a county in the Red River Valley;
 - A county commissioner from a county in the Minnesota River Valley;
 - A state agency commissioner or representative from the executive branch; and
 - Four private sector members.
3. The governor shall appoint the agency representative and private sector members. The governor shall select the four local officials from separate recommendations made by each of the four city and county groups.
4. The governor shall select the chair from among the council members.
5. The purpose of the council is to facilitate long-range local flood recovery planning, planning implementation, and related redevelopment and reinvestment strategies. It is also among the council's duties to serve as an intermediary between state and federal planners, technicians and funders, and local planners and implementers. In so doing, the council shall consider information provided by the Red River Basin Board and the Minnesota River Basin Joint Powers Board.


- 2 -



6. In carrying out its duties for redevelopment coordination, the council shall endeavor to:
- Attract private investment;
 - Encourage economic development;
 - Identify and prioritize infrastructure needs;
 - Address housing needs;
 - Facilitate technical assistance to local governments and businesses; and
 - Leverage federal, state, and private resources.
7. The Department of Commerce shall provide staff and other administrative support to the council to carry out its duties. The council may request assistance from other state or local agencies, organizations, and individuals in carrying out its duties.

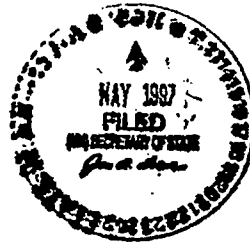
Pursuant to Minnesota Statutes 1996, section 4.035, subd. 2, this Order shall be effective fifteen (15) days after publication in the State Register and filing with the Secretary of State and shall remain in effect until June 30, 1998, or rescinded by proper authority.

IN TESTIMONY WHEREOF, I have set my hand this ninth day of May, 1997.


ARNE H. CARLSON
Governor

Filed According to Law:


JOAN ANDERSON GROWE
Secretary of State



recovery and redevelopment

planning council

On May 9, 1997 Governor Arne H. Carlson issued executive order 97-15 providing for the establishment of a Governor's Recovery and Redevelopment Planning Council. The Council was composed of 13 members: a mayor from a city in the Red River Valley, a mayor from a city in the Minnesota River Valley, a county commissioner from a county in the Red River Valley, a county commissioner from a county in the Minnesota River Valley, a state agency commissioner or representative from the executive branch, leaders or designees from the four legislative caucuses and four private sector members.

Chairman

Commissioner David B. Gruenes,
Minnesota Department of Commerce

Legislative Members

Senator Arlene Lesewski
Senator LeRoy Stumpf
Representative Kevin Goodno
Representative Jim Tunheim

Mayors

Red River Valley

Mayor Lynn Stauss,
East Grand Forks

Alternate

Mayor Kal Michels
Vice-Mayor Ralph Possehl,
Breckenridge

Minnesota River Valley

Mayor Jim Curtiss,
Montevideo

Alternate

Mayor David Smiglewski,
Granite Falls

County Commissioners

Red River Valley County Commissioner

Commissioner Diane Meyer

Clay County

Minnesota River Valley County Commissioner

Gene Van Binsbergen

Chippewa County

Public Members

Harold (Hap) LeVander Jr.,
Maun and Simon Law Firm

Michael O'Keefe,
Executive Vice President,
The McKnight Foundation

Al Olson,
President,

Independent Community Bankers of Minnesota

Steve J. Yanisch,
Managing Director-Public Finance
Dain Bosworth



disaster overview

The 1997 spring flooding in the Red River and Minnesota River valleys was a natural disaster of historic proportions for Minnesota. The last flood recorded with similar magnitude occurred more than 100 years ago.

The flood resulted in a Presidential Disaster Declaration of 58 counties in Minnesota, displacement of over 12,000 Minnesotans from their homes, devastation of entire communities, and millions of dollars in damage to infrastructure and property in the flooded communities. Of the approximately 12,000 flood prone buildings in the state, over 5000 were damaged by the flood. On a national scale, the housing buyout in East Grand Forks resulting from the flood is two times larger than any other buyout in Federal Emergency Management Agency (FEMA) history.

The floods of 1993, while as costly in total as the 1997 floods, caused damage and losses primarily to agriculture in Minnesota. Therefore, the recovery assistance was administered federally and paid directly to agribusinesses and farmers. In many of these programs a state match was not required and the state's response was limited to public infrastructure.

The 1997 flood is a very different disaster and represents an extremely complex challenge for the state. Never before has Minnesota been faced with the challenge of rebuilding entire communities. First, the state must address the issue of a non-federal match for millions of federal dollars and, secondly, the state must fill any gaps where federal assistance falls short. To date, Minnesota residents who suffered damage from the spring floods have received more than \$100 million in federal assistance in the form of housing grants, low-interest loans, and indi-

vidual and family grants addressing needs not covered by other programs. Nearly 13,000 Minnesota residents have applied for assistance since the Presidential declaration of April 8, 1997.

In response to the challenge of identifying the problems and necessary solutions associated with a recovery effort of this magnitude, Governor Carlson created the Flood Recovery and Redevelopment Planning Council on May 9, 1997, by executive order. Commerce Commissioner David B. Gruenes was appointed to chair the council and spearheaded the effort to provide the Governor and the Legislature with recommendations which will address immediate needs for flood-affected communities that cannot wait for the 1998 legislative session. Implicit in its mission, the Governor's Council also provides a framework for the state's entire recovery effort.



economic and demographic

review

A brief review of the economic and demographic characteristics of the flood damaged communities provides perspective with regard to flood recovery issues. The principle communities of the upper Minnesota River and Red River valleys include Moorhead, Warren, Ada, Breckenridge, Crookston, East Grand Forks, Granite Falls and Montevideo. Demographic information for these communities provides a reference for the demographics for the entire region.

The 1995 population estimate for these cities is 66,500. The decade of the 1980s saw a significant decline in the area population for all cities except East Grand Forks and Moorhead. From 1990-1995, populations have stabilized and moderate growth (4 percent) is reported in East Grand Forks and Moorhead.

With the exception of these latter two cities, the median age is greater than for Minnesota overall. While Minnesota reports 10 percent of its population over age 65 living alone, Ada, Warren and Montevideo respectively report 26, 22 and 21 percent of their population as single or widowed and over age 65 living alone.

Median household income for Minnesota is \$30,909 while the flood damaged cities median household income ranges from \$19,442 to \$25,008. In other words, earning power in western Minnesota is 60-80 percent of Minnesota's median earning capacity.

Lower income families buy lower valued housing. The median value of owner occupied housing in Minnesota is \$74,000. In the flood damaged communities, median housing values range from \$35,900 in Ada to \$62,000 in Moorhead. These values are 48 to 83 percent of

Minnesota's median housing value.

Many of the homes in the flood damaged communities are older homes and many are without mortgage debt. The percent of homes without mortgages in Moorhead and East Grand Forks is 26 percent and 37 percent respectively. The other communities report homes without mortgages as 44 percent (Crookston) to 65 percent (Ada) of owner occupied housing.

The lower cost housing areas of the Minnesota and Red River also report that homeowners pay a lower proportion of income for housing than Minnesotans generally. Ten percent of Minnesota homeowners pay more than 35 percent of their income for housing. With the exception of Montevideo (12 percent), other communities only report three to nine percent of homeowners paying more than 35 percent of their income for housing.

The percent of the total population which rents ranges from 25 to 40 percent of households compared to 28 percent statewide. Median rent in Minnesota is \$384 per month and ranges from \$180 per month in Ada to \$310 per month in Moorhead.



infrastructure

Infrastructure is the foundation on which a community is rebuilt. Without basic municipal services for water, sewer, gas, electricity, telephone, roads, bridges, and schools, a modern community is not viable. Therefore, high priority must be given to repair and replacement of infrastructure without which businesses and homes will not be repaired or replaced.

The Council found there were several issues to consider. First, the primary objective of any flood recovery effort should be to restore the communities to pre-flood conditions. Expanded infrastructure in flood-damaged areas whose future growth and development is uncertain, should be a gradual process occurring over many years. Creation of excess infrastructure would place an unnecessary burden of debt on both local communities and the state.

The second issue relates to flood walls, dikes and diversions necessary to protect the replaced infrastructure. Growth and development beyond pre-flood levels is likely to be minimal until people are assured that investment in their homes and businesses are safe from the ravages of future flooding. Permanent flood protection measures, even if agreed upon and funded, will take five to 12 years to construct.

Long term flood protection involves both North Dakota and Minnesota as well as Manitoba, Canada. Planning and funding should be a joint effort. Independent actions by one governmental unit mean that governments decision may aggravate the flooding problems of another area. Similarly, expenditures by one entity will sometimes benefit another with no sharing of costs.

All communities who share borders with the Red and

Minnesota rivers should be encouraged to cooperate on issues of future planning for mitigation projects.

In conclusion, to encourage future growth and development, permanent, long-term, flood protection is necessary. Infrastructure is the prerequisite for both housing and business redevelopment as well as future growth. The state must set a high priority on protection against damage from future flooding.



economic redevelopment

Although some businesses were damaged by flooding, unemployment is not reported as being a significant concern. Small business administration loans are being approved for businesses with cash flow. The SBA has approved over \$80.5 million in low interest loans to Minnesotans. The approval rate is approximately 70 percent.

Flooding did, however, destroy some low cost business locations. For those businesses, the replacement cost of office or retail space exceeds their capacity to pay rent. Other businesses, already burdened by debt, lack the financial capacity to replace capital equipment and inventory. For firms adversely affected by flooding, the disaster may be catastrophic; however, the overall effect on employment is marginal.

Additional assistance may be necessary for some businesses who may not meet SBA eligibility requirements. The greatest need of existing businesses, however, is for a functioning infrastructure and long-term, permanent, flood protection. This will also facilitate future economic development.



housing

The primary issue to be dealt with in financing new housing is the "affordability gap." The communities of western Minnesota have lost a substantial portion of their housing stock. Homes can be repaired or rebuilt; however, the gap in affordability must be addressed because in most cases the value of a replacement home is much higher than the market value of the home being replaced.

In an area with a wage level lower than the average Minnesota wage, housing costs are significantly lower. In rural areas and small towns, many of the homes destroyed were valued under \$40-50,000. The replacement cost of \$70-80,000, however, is beyond the earning capacity of most homeowners whose homes were destroyed or bought out. Also, while wages and housing prices have been stagnant in western Minnesota, the cost of lumber, cement, shingles, furnaces, appliances, wiring and plumbing has increased. These increases result in costs which are beyond the earning capacity of homeowners to pay for repairs or replace their home.

To provide adequate housing for families, special consideration must be given to this problem of affordability. The Council spent a great deal of time and energy on ideas and opportunities to attempt to bridge this affordability gap for those who need to rebuild.

With regard to the buyout of substantially damaged homes (sustaining at least 50 percent damage) outside the 100 year flood plain or on the dry-side of planned dikes, repair may prove less costly. The reason is that due to high material and labor costs a \$21,000 repair to a \$40,000 home would be less costly than a \$40,000 buyout plus a \$30,000 subsidy for a \$70,000 replacement house.

In addition, private sources are being sought to help bridge the affordability gap. Fannie Mae, a private corporation federally chartered to provide financial products and services that increase availability and affordability of housing for low and moderate-income Americans, is in the process of working out a low/moderate income housing assistance program. Minnesota's United Bankers Bank, an independent community bank, is forming a Community Development Corporation to request grants to fund mortgage closing costs for flood victims and insurers are looking into ways to attract private investment into a recovery fund. The Greater Minnesota Housing Fund has committed \$2 million to flood recovery to date.



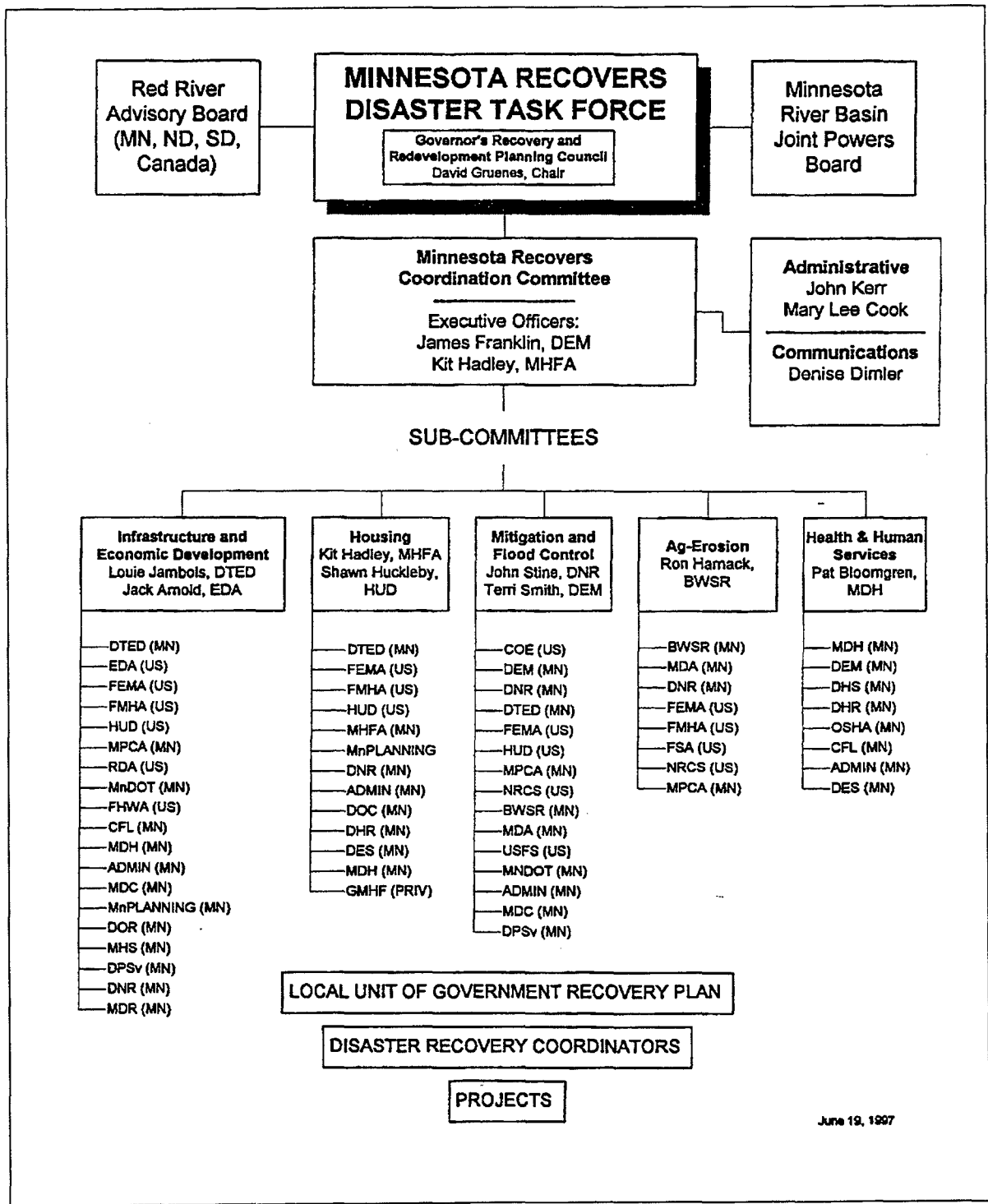
minnesota recovers task force

The Minnesota Recovers Disaster Task Force was created to begin coordination with federal and local officials in implementing response and recovery assistance to communities. Director of the Division of Emergency Management Jim Franklin and Commissioner of Minnesota Housing Finance Agency Kit Hadley serve as executive officers of the Minnesota Recovers Coordination Committee which oversees five sub-committees: Infrastructure and Economic Development, Housing, Mitigation and Flood Control, Agriculture and Erosion, and Health and Human Services.

Each sub-committee consists of both state and federal officials from various agencies who regularly meet to discuss issues that arise and coordinate relief and recovery efforts. In an effort to streamline the recovery process, the task force developed a community application process, whereby local units of government complete the application for assistance for various flood related projects on behalf of their communities. These applications are then reviewed by the appropriate sub-committees and funding for projects is committed from various existing state and federal resources. To date, the task force has received 87 applications and committed to projects with estimated costs nearing \$90 million.

State agencies which are administering recovery programs through the Minnesota Recovers Task Force submitted requests to be included in the Council's recommendations. The Council included these requests in the proposal which will go toward additional assistance for communities today for the projects they have requested in their applications to the Minnesota Recovers Task Force. The task force will continue its work in allocating assistance to fund priority projects as requested by communities.





principles underlying council

recommendations

At the outset, the Council laid out several challenges to meet with any proposed legislation. Agreement was reached that this proposal should do the following:

- Reduce suffering the flood has inflicted on families and businesses
- Prevent and mitigate damages from future floods by relocating structures out of the flood plain and taking flood control measures that are cost-effective and meet high standards
- Support a collaborative recovery effort among federal, state and local levels of government with the private sector
- Leverage federal dollars in match programs to the fullest extent
- Maximize available state resources
- Require local commitment or investment where feasible
- Attract private capital
- Target resources by ensuring equitable and effective use of assistance
- Fill gaps in funding for necessary projects



project priorities

Based on the Council's principles, a set of priorities was developed to be used to provide criteria for funding projects based on the requests submitted by communities to the Minnesota Recovers Task Force.

1. Projects for protection of health and safety of citizens

The health, welfare and safety of citizens weighs heavily on the funding decisions and priority setting in evaluating projects.

2. Resources utilized to sustain healthy, viable communities

- Jobs
- Infrastructure
- Housing

Relief and recovery efforts provide sustainable vitality over the long-term for the communities by focusing on the building blocks necessary to achieve this goal.

3. Maximize federal programs, attract private capital and leverage state resources

The comprehensive task of flood recovery is only possible with a coordinated effort by federal, state and local governments and private industry.

4. Target communities based on need

Because government's budget and available capital are limited, all funding decisions must be tied to need in some fashion.

5. Stay within state budget limitations

The state must maximize the potential to leverage federal funds and private capital in its flood relief package.

6. Allow local priority setting and flexibility

The community application process utilized by the Minnesota Recovers Task Force hinges on the requests and project priorities submitted by local units of government.

7. Encourage long-term prevention and mitigation

The Council established a long-term goal of moving people and infrastructure out of the flood plain to mitigate damage from future flooding. Because the potential for redevelopment is tied to the assurance that disaster will not strike again, this must be a fundamental objective of the package.



housing priorities

New Single Family Development

- Rebuild housing for people who lost homes in the communities in which the housing was lost by filling the gap left after private sources and mortgage financing have been applied.
- Homeowners will be expected to invest the proceeds of the buyout and their insurance settlements into their new homes and to contribute on an ongoing basis by taking on reasonable debt based on FHA underwriting standards.
- The assistance will include help with lot costs and help with financing the home. It will be available to help rebuild moderately-priced homes which might otherwise be unaffordable to families who have lost their housing. Assistance will be in the form of a no-interest deferred loan which is forgiven after the family has lived in the home for ten years.

Rehabilitation of Owner-occupied Homes

- Restore homes to pre-flood condition and address safety and health concerns by filling in the gap left after other sources have been applied.
- Households will be expected to apply any FEMA funds received to the rehabilitation of the home and to apply for an SBA loan.
- Assistance will be in the form of a no-interest deferred loan which is forgiven after the family has lived in the home for ten years.

New Rental Housing Development

- Rebuild housing for individuals and families who have lost their homes and for whom rental housing is either the preferred or most appropriate replacement housing.
- Assistance will be in the form of a deferred no-interest loan to help fund the gap between the mortgage proceeds and the total development cost.

Rehabilitation of Rental Housing

- Restore the rental housing stock to pre-flood condition and address safety and health concerns.
- The owner will be expected to apply to the SBA for a loan.
- Assistance will be in the form of a no-interest, deferred loan to the property owner after other loan proceeds have been applied.



business rehabilitation

In addition to assistance from the Small Business Administration (SBA) and the Economic Development Agency (EDA), business rehabilitation will be provided by the state on a low-interest loan basis with Community Development Block Grant and state funds. The program is flexible and administered at the local level. The funding can be used for loans to commercial or industrial businesses and can be used to leverage other public and private funds. The loans can be used for repair of structural damage or for business operation.

Criteria for assistance:

- Businesses must be flood damaged.
- Businesses must be suitable for rehabilitation.
- Businesses must use insurance proceeds and seek private and SBA financing first and state assistance will be an alternative for filling any gaps in financing.
- A maximum amount per building will be established.
- Businesses must secure a loan through the use of a repayment agreement and a lien on the property. A second or third security position is also acceptable.
- Businesses should secure a yet to be determined percent of private financial commitment.
- Loans may be traditional installment type, deferred, or a combination of both.
- Owner's property tax and default/bankruptcy status will be checked.

The proposal for business assistance also calls for waivers that will lift the maximum award per city of \$500,000 per year, alleviate the net new job and livable wage requirements, relax the requirement on new private investment, and delete the prohibition of use of program dollars by retail businesses.



flood relief package



BONDING

FEMA PA 100% Local and State Share\$30,000,000

The \$30 million covers 100% of the state and local match for FEMA public assistance. This will leverage another \$150 million in Federal funds for infrastructure repair and replacement.

Hazard Mitigation, Buy-Out - Flood Plain Properties\$5,000,000

The \$5 million for hazard mitigation will supplement the \$4 million in DNR bonding for home buy-outs. This appropriation will be matched by \$37 million in Federal and \$4 million in local costs to purchase damaged homes in the floodplain.

Flood Proofing, DNR, Grants/Loans to Local Governments\$5,000,000

Flood proofing of public buildings and facilities. The total need has not been documented. This is best and most economically done when flood repairs are done; some projects are eligible for FEMA-PA mitigation funding; however, many projects have been declined by FEMA.

Flood Protection, Emergency Repair and Planning, DNR\$3,000,000

Construction of ring dikes, emergency levee repair, and planning. Fifty percent (50%) local cost share.

MHEA Housing, Infrastructure/Public Housing\$7,000,000

Would provide state assistance for new housing subdivisions. Water and sewer subsidies for publicly owned multi-family and congregate housing.

DTED, Grants/Loans for Infrastructure to Local Governments\$4,000,000

\$4 million is appropriated to the Public Facilities Authority to make grants and loans to local units of government to assist with costs for repair and replacement of municipal water, wastewater, storm water, streets and bridges damaged by flood water during 1997.

Department of Agriculture - RFA - Ag Buildings Repair\$1,250,000

\$1.25 million to RFA in Department of Agriculture loans to farmers for Ag building repairs and repairs to farm driveways, drainage ditches and grassed waterways.

.....**TOTAL \$55,250,000**



GENERAL FUND
(Recovery of Previously Appropriated State Match)

Empowerment Zone Planning \$100,000

The Empowerment Zone Planning Grant will provide planning and assistance to develop an application for a Federal empowerment zone and enterprise credits. The proposal would provide immediate planning assistance to local communities on future development while potentially making available millions of federal dollars and tax incentives for development and job creation. This recommendation would be matched by private and other governmental sources.

Border City Competitiveness Fund \$1,200,000

Communities with significant business losses are at risk of losing business tax base due to non-competitiveness with North and South Dakota. This proposal would make grant funds available to communities for locally administered measures to retain their job base.

MN Housing Finance Agency \$6,500,000

(New Housing, Single Family & Rental)

\$4.5 million to the Community Rehabilitation Fund and \$2 million for the Affordable Rental Investment Fund. The commissioner of MHFA would be authorized to work with HUD and governmental units to establish similar GAP financing programs for residents affected by natural disaster through out the state.

Department of Trade & Economic Development \$6,000,000

(MN Investment Fund Business Loans)

\$6 million to the Minnesota Investment Fund in the Department of Trade and Economic Development for loans to local units of government for locally administered operating loan programs for businesses. Loan criteria and requirements would be locally established with approval by the Department.

Local Government Stability Fund, Dept. of Revenue \$600,000

\$600,000 to the Department of Revenue for the Local Government Stability Fund. The Fund would be used to assist local governments experiencing financial difficulty and/or at risk of defaulting on loan obligation. The need, as of yet, has not been documented.

Ring Dikes, DNR (total of 60) \$900,000

\$900,000 to the DNR to assist Watershed Districts for construction of ring dikes. Cost is 50% state and 50% local at an estimated cost of \$30,000 which will constitute 60 ring dikes.

Department of Finance, Debt Service \$5,000,000

TOTAL \$20,300,000



Current State Agencies' Designated Spending Toward Flood Recovery	.\$24,450,000
Expressed Legislative Intent\$23,980,000
(Federal flood control projects in Marshall, East Grand Forks, Crookston, Warren, and Stillwater)	
Grand Total\$123,980,000

WAIVERS

Department of Agriculture

Changes to Loan Programs

Department of Commerce

Use of Petro-fund for buy-outs

Department of Economic Security

Re-employment Insurance Benefits

Department of Natural Resources

Freeboard Requirements, Flood Insurance and Additional Funding

Department of Revenue

Solid Waste Generator Assessments

Homestead Ag Credit

Department of Trade and Economic Development

Minnesota Investment Fund



SOURCES OF FLOOD RELIEF FUNDING

State Response

Bonding	\$55,250,000
Recaptured General Fund	\$20,332,000
Current State Agency Spending	\$24,450,000
Expressed Legislative Intent	\$23,980,000
Total	\$124,012,000

Federal funds to be matched with state bonding

Federal FEMA PA	\$220,000,000
Hazard Mitigation	\$37,000,000
Federal Flood Control	\$140,000,000
Total	\$397,000,000

Other Federal Funds

SBA Loans	\$78,000,000
CDBG	\$92,000,000
EDA	\$7,000,000
Total	\$177,000,000

Private Sources

Investor Utilities	\$10,000,000
Greater MN Housing Fund	\$2,000,000
Flood Insurance Estimate	\$53,000,000
Private Insurance Estimate	\$67,000,000
Total	\$132,000,000



Potential Private Sources in Process

Fannie MaeLow/Moderate Income Housing
Federal/Home Loan BankDown Payment Assistance
United Bankers BankCommunity Development Corporation
Insurance Investment Fund

Potential Federal Sources

Federal Empowerment Zone/Enterprise Credits

Identified Sources

State Response\$124,012,000
Federal Funds Matched With State Funds\$397,000,000
Other Federal Funds\$177,000,000
Private Sources\$132,000,000

Grand Total**\$830,012,000**



Governor Carlson has mandated that the state's effort be nothing less than a full-court press for recovery. This innovative approach to expediting recovery - both a task force to begin the process of recovery and a Council to develop a comprehensive response for the Legislature in a special session - is both unprecedented and unparalleled. Governor Carlson recognized the need to get answers to individuals and communities as quickly as possible, so the process of recovery would not be restrained.

The Council firmly believes its proposal is a comprehensive product of local input from elected officials and citizens, expertise from public and private sector leaders, and a bipartisan partnership with state legislators. The recommendations are fair, equitable and appropriate and maximize the opportunity for federal and private contributions.

The proposal calls for a state response of \$124 million. It includes \$55 million in bonding, \$20 million in General Fund dollars, over \$24 million in current state agency spending committed to flood recovery programs and projects, and a commitment for \$24 million in additional bonding in 1998 for flood protection systems.

This proposal will help match state funds with more than \$390 million in federal funds. It will also utilize private resources to the tune of more than \$132 million. An additional \$175 million in other federal funds would be incorporated into a total flood recovery effort of more than \$830 million.

Equitable and effective use of the assistance to repair and replace infrastructure

This recovery package will help sustain healthy, viable communities into the future. It will provide jobs and re-

talize the local economies. Infrastructure and housing will be rebuilt and maintained for the long term.

The proposal adequately meets all the challenges laid out in the report by maximizing available state resources and drawing federal dollars to target resources where they are most effective. This package was created with a bottom-up approach where the local communities set their own priorities and came to the state to tell us what it is they feel must be funded to achieve recovery. The Council has ensured that this package preserves this local flexibility.

Future prevention and mitigation projects will reduce the risk of future flooding

Mitigation and prevention is the centerpiece of the recovery package, because all long-term development and recovery depends on the ability of the state and communities to ensure that the risk for future damage caused by flooding is minimized and controlled.

Communities can only begin to rebuild and thrive again when they are assured that flood fighting measures are in place. The river must continue to be an asset to the community, but flood prevention and control measures do dictate some of the terms of development when it comes to public policy goals of safety, health, sustainable development and damage reduction.

Governor Carlson has also insisted that nearly \$24 million be made available in bonding in the 1998 legislative session to participate in federal flood control projects in Marshall, East Grand Forks, Crookston, Warren and Stillwater.



Individuals and businesses will receive assistance where existing federal assistance and other disaster programs fall short

This proposal fills in the gaps where existing relief programs fall short for housing buyouts, new housing projects, rental housing projects, and business assistance programs.

For individuals, this package provides more dollars to fund acquisitions and buyouts outside of the flood plain. It means grants and low-interest loans to homeowners who do not qualify for an SBA loan or need additional resources in order to bridge the affordability gap facing many of the flood victims when they look to finance a new home.

For businesses the package includes no/low interest loans and funds for programs which will attract private capital, provide business incentives, job creation and long-term economic growth to the communities.

The package is generous while encouraging innovative use of resources

While extremely generous, the Council's recommendation for a \$124 million package stays within the state's means. Much of the funding committed by state agencies is money being redirected from existing programs for the current biennium. This funding is meant to provide immediate assistance to those needs which cannot wait for the 1998 legislative session.

This package is not intended to address every issue that may be on the horizon for years and even decades into the future. It is a comprehensive project that fills in gaps in affordability for local units of government, individuals and

businesses. The report highlights issues which will invariably need to be addressed in future legislative sessions in the final section. (see page 35)

\$55.25 MILLION IN BONDING

\$30 Million *FEMA Public Assistance (PA)*
100 percent Local and State Share

- The Federal Emergency Management Agency (FEMA) public assistance program covers the costs of rehabilitation, rebuilding and replacement of public structures damaged by the flood. This includes schools, parks, roads, bridges and other public infrastructure.
- The funding in the Council's package will cover both the state and local match for the FEMA public assistance in both the Red and Minnesota River valleys.
- This amount will leverage another \$150 million in federal funds for infrastructure repair and replacement.

\$5 million *Hazard Mitigation,*
Buyouts in Flood Plain

- This amount will supplement the \$4 million in DNR's Flood Damage Reduction Program already committed for home buyouts. Further, it will be matched by \$37 million in Federal assistance and \$4 million in local costs to purchase damaged homes in the flood plain.
- The Hazard Mitigation Grant Program, administered by FEMA, provides funding for buyouts of substantially damaged (over 50 percent damage) property located in the 100-year flood plain. Buyout programs are voluntary and administered by the local unit of government. Homes are purchased at the pre-flood mar-



ket value under the condition that the homeowner does not rebuild in the flood plain.

- These dollars, which will help fund the buyout of around 1000 homes, will allow individuals who have been forced out of their homes to build/buy a new home. In this way, the Council's goal of future mitigation of damage by moving people and homes out of the way of future flooding is preserved.

\$5 million *Flood Proofing,
Department of Natural Resources
Grants/Loans to Local Governments*

- These dollars will provide assistance to local governments through the Minnesota Department of Natural Resources for flood proofing of public buildings. Typical projects include infrastructure projects that would reduce future damages or enhance future community flood fighting and response efforts.
- In some cases, flood proofing projects are eligible for FEMA Public Assistance. This funding is earmarked to provide gap financing for local governments who have been declined federal assistance by FEMA.
- This program serves to assist cities and counties with flood damage reduction and mitigation projects to protect against future flooding.

\$3 million *Flood Protection,
Emergency Repair and Planning,
Department of Natural Resources*

- This funding will provide assistance for individuals and communities for the construction of ring dikes, emergency levee repair and planning.
- Targeted toward flood mitigation and prevention projects, the DNR will administer the program which also requires a 50 percent local cost share.

\$7 million *Infrastructure/Public Housing,
MN Housing Finance Agency (MHFA)
Department of Trade and
Economic Development (DTED)*

- Each community that has requested assistance with new housing development has requested help with lot and infrastructure costs. This proposal would provide \$2 million to assist communities with the infrastructure necessary for new development of new single family housing subdivisions.
- Another \$2 million would go to publicly owned multi-family and congregate housing. Some communities may seek to develop a publicly-owned housing project as part of the flood recovery effort, which would be eligible for bonding if the local community is owner of the property.



\$4 million

Loans for Infrastructure to Local Governments, Department of Trade and Economic Development (DTED)

- The funding in this proposal would be appropriated to the Public Facilities Authority in DTED to make loans to local units of government to assist with costs for repair and replacement of municipal water, waste water, storm water, streets and bridges damaged by flood water during 1997.
- The Council recognizes that maintenance and improvement of infrastructure is a necessary component of redevelopment and should be a priority for funding. Priority for funding will be established by the Minnesota Recovers Task Force after taking into account all other grant funds that will be awarded to the project.

\$1.25 million

Agricultural Building Repair, Department of Agriculture

- Farmers will receive \$1.25 million in loans for ag building repairs and repairs to farm driveways, drainage ditches and grassed waterways. These loans will be made through the Rural Finance Agency (RFA) in the Department of Agriculture.
- The Council wanted to ensure that those in rural areas, not covered by other programs, had access to recovery assistance.

\$20.3 MILLION RECAPTURED GENERAL FUND

The Minnesota Legislature appropriated over \$20 million in the 1997 legislative session to enable the state to pay any required federal matching funds. This package includes the recommendation of the Council to recapture those dollars from the General Fund and reappropriate them to fill those needs not met fully by the federal assistance programs.

\$100,000

Empowerment Zone Planning

- The Empowerment Zone Planning Grant will provide planning and assistance to develop an application for a Federal empowerment zone and enterprise credits. Once approved, communities are given a variety of tools to help them make their strategic revitalization plans a reality.
- There are currently nine empowerment zones in the U.S. (six urban, three rural) receiving between \$40 and \$100 million each in flexible block grant funding. To encourage hiring, businesses located in an empowerment zone receive a wage tax credit of up to \$3000 per employee for the cost of wages and training for employees who are zone residents. Zone businesses will also receive tax deductions for capital investments and tax-exempt bond financing.
- The designation of flood ravaged communities as an empowerment zone could be a powerful tool in helping communities recover from flood damage. It would help communities leverage private sector resources for the recovery process. Although some waivers may have to be granted in the current program, similar benefits to the flood ravaged communities could serve as a national model for future disaster recovery.



- This proposal would provide immediate planning assistance to local communities on future development while potentially making available millions of federal dollars and tax incentives for development and job creation.
- This Council recommendation would be matched by private and other governmental sources.

\$1.2 Million *Border City Competitiveness Fund,
Department of Trade and
Economic Development (DTED)*

- This proposal would make grants available to communities for funding their locally administered programs to retain and grow their job base.

\$6.5 Million *Single Family and Rental New Housing
MN Housing Finance Agency (MHFA)*

- The Council recommends that \$4.5 million be allocated to the Community Rehabilitation Fund, which has previously committed \$1.5 million (25 percent of the 1998-1999 biennial appropriation) to single family new construction projects in the flood recovery effort. The program provides assistance in the form of no-interest, deferred loans, forgivable after a period of time. This additional money will continue to fund these activities as approved by the Minnesota Recovers Task Force.
- The Council's recommendations also include \$2 million to for the Affordable Rental Investment Fund. This assistance goes to fund both new construction and rehabilitation of rental property.

\$6 Million *MN Investment Fund Business Loans
Department of Trade and
Economic Development (DTED)*

- The Council recommends that \$6 million be appropriated to the Minnesota Investment Fund in DTED for loans to assist businesses directly and adversely affected by the 1997 floods. The grants would be provided to local units of government for locally administered operating loan programs for businesses. The funds will be used for businesses eligible for assistance based on local criteria and requirements with approval by the Department of Trade and Economic Development.
- Because some businesses are not eligible for SBA assistance or may need additional gap financing to recover, the Council deemed additional assistance to business necessary for recovery.

\$600,000 *Local Government Stability Fund,
Department of Revenue*

- This funding would be used to assist local governments experiencing financial difficulty and/or risk of defaulting on loan obligation.
- Although the need has not yet been documented, the Council recommendations take into consideration the fact that many local governments may experience future difficulties in meeting debt obligations in the wake of the expense of flood recovery.



\$900,000

*Ring Dikes,
Department of Natural Resources*

- Ring dikes and levees would prevent flood waters from impacting individual farmsteads and buildings. The \$900,000 recommended by the Council would go the DNR to assist Watershed Districts with construction of ring dikes. The state funds 50 percent of the cost with the local government responsible for the remaining 50 percent of the cost.

\$5 Million

Debt Service, Department of Finance

- This amount is necessary for the state to meet the additional debt service obligation resulting from the \$55 million in new state bonding for flood recovery in this flood relief package.

\$24.45 CURRENT STATE AGENCY SPENDING

\$24.45 Million Current Agency Designated Spending on Flood Recovery

- This amount reflects state agency spending of current budgets and dollars from existing programs committed to flood recovery projects. The Minnesota Recovers Task Force, with representation from state agencies involved in flood relief, identified various sources of funds which could be directed to flood relief. The programs with current funding committed to flood relief include \$4 million from DTED for community and business assistance, \$7.1 from the Department of Transportation for road and bridge repair, \$1 million from several agencies for childcare and \$4 million from the Department of Natural Resources for the Flood Damage Reduction Program.

\$23.98 MILLION EXPRESSED LEGISLATIVE INTENT FOR 1998 G.O. BONDING

\$23.45 Million Federal Flood Control Projects

- This would allow planning to move forward for federal flood control projects in Crookston, East Grand Forks, Marshall, Stillwater and Warren.
- The Council recommends that these projects move forward based on the principle that investment in flood control projects will save the communities and the state money from losses in the future.



waivers



The Department of Agriculture - Changes to Loan Programs

The Department of Agriculture has requested that the Agricultural Improvement loan program expand its eligibility for new initiatives to include refinancing in the event of building damage due to snow or flood damage.

Additionally, the Department of Agriculture requests the eligibility of the Restructure II Loan Program be expanded to include farmers with a debt to asset ratio less than 50 percent and have experienced flood damage to property. Current law limits the eligibility to those with a debt to asset ratio more than 50 percent.

Department of Commerce - Use of Petro-fund for Buy-outs

The Department of Commerce has requested a waiver to allow petro-fund dollars, the petroleum tank release cleanup program, to be used to buy out property substantially damaged by a petroleum tank release during the spring flood of 1997.

Department of Economic Security - Re-employment Insurance Benefits

The Department of Economic Security has requested language changes in Minnesota Statue 268.125 to provide up to 13 weeks of additional reemployment insurance benefits to certain flood victims. In particular, employees of the nursing home in Ada.

This request is modeled after the Farmstead Foods provision which targeted benefits to a local jurisdiction with a significant level of unemployment.

Department of Natural Resources - Waiver of Limits for General Fund Flood Damage Projects

The Department of Natural Resources requests a waiver of the \$75,000 limit for projects resulting from a declared flood disaster.

The Department of Revenue - Solid Waste Generator Assessments and Homestead Ag Credit

The Department of Revenue has requested a waiver of the Solid Waste Management Taxes in federally declared disaster areas. This provision is to waive the tax on debris removal such as homes demolished and moved from the flood plain.

The Department of Revenue would also implement a homestead ag credit law change for farmers who have lost their homes due to flood damage. Farmers would be allowed to construct a new home and retain their homestead and agricultural credit.

The Department of Trade and Economic Development - Minnesota Investment Fund

The Department of Trade and Economic Development has requested several waivers in the Minnesota Investment Fund. Those waivers include: the requirement that the Minnesota Investment Fund participation not exceed 50 percent of the cost of the project, the prohibition on assistance to retail stores, the requirement for businesses receiving assistance to be contractually obligated to pay 110 percent of the federal poverty level for a family of four, the requirement for businesses to establish wage and job creation goals and report on those job and wage goals to the Department of Trade and Economic Development.



on-going issues



HOUSING ALTERNATIVES CONSIDERED

Assisted Living: Minnesota's demographer reported that many flood affected communities had substantial populations of individuals over age 65 living alone. Many of these people are widows housed in large, older homes requiring significant maintenance which were further damaged or destroyed by flooding.

Lower cost alternative housing may be constructed as one story, one bedroom patio townhomes. Such housing requires minimal upkeep and lesser land use minimizing needs for infrastructure. This type of housing is an attractive and reasonably affordable alternative to repairing large, obsolete housing previously occupied.

Co-ops: Multifamily apartment units and rental housing stock may be replaced with low cost ownership by constructing and creating co-op housing. With the bonding capacity of the local Housing and Redevelopment Authority used to provide financing, co-op housing is significantly less costly than the same space as market-rent apartments.

There are several reasons for the cost savings. Co-op housing has the same property tax rates as all other homestead residential housing. Co-op housing is less costly to manage, unit turnover is lower and maintenance is lower. Furthermore, cost is fixed at the time of purchase and not subject to the same increase as apartment rents. Owners also receive the tax benefits of deducting mortgage interest and property taxes that do not accrue to tenants.

As a general proposition, co-op home ownership costs only 65-75 percent as much as the same market rate housing.

Modular housing: Too often people and communities view modular as "double-wide" housing on a permanent foundation as nothing more than "trailers" and the subdivision with such housing as a "trailer court." This is an antiquated prejudice that no longer applies to manufactured housing.

The modern reality is that manufactured housing can be constructed for \$45,000 or \$250,000. It is attractive and indistinguishable from its "stick built" counterpart. Manufactured housing is also lower cost than conventionally built housing.

The barrier to the use of manufactured housing to bridge the affordability gap in flood ravaged communities is zoning and/or building codes which prohibit its use. Cities and counties seeking state financial assistance to rebuild housing should be asked to modify their zoning/building codes to accommodate lower cost manufactured housing. State financial assistance could be limited or conditioned upon the modification of local ordinances.

FLOOD INSURANCE

While providing some benefit to those who purchased flood insurance, the National Flood Insurance Program (NFIP) has some deficiencies which should be addressed.

First, for those who qualify for a buyout, homeowners who did not purchase flood insurance are receiving the same financial benefits as homeowners who purchased flood insurance. In the end result, those who bought flood insurance have paid insurance premiums that are of no direct benefit. In these cases, there is no incentive to purchase insurance protection and may detract from the sale of flood insurance.



When the option to obtain insurance protection is declined, a choice is made to personally bear the financial loss should a flood occur. Equity demands that those who failed to purchase flood insurance bear a larger share of their loss than those people who paid for insurance. If this issue is not addressed, federal and state efforts to mitigate flood losses mean that the purchase of flood insurance is an expensive and meaningless act.

Second, the issue of limited coverage should be addressed. Flood insurance does not cover basements, where much of the damage from flooding occurs, and content coverage must be purchased as a rider to a flood insurance policy. For these reasons, many homeowners do not feel flood insurance provides any benefit to them and choose not to purchase a policy. Consumer awareness seems to be a barrier to the program, especially in Minnesota where the penetration of coverage is low compared to surrounding states.

The Council suggests that this issue be dealt with in a collaborative effort between the federal and state levels of government. With some improvement, the NFIP could alleviate much of the loss experienced by individuals and the state as a whole. Everyone would benefit from expanded insurance coverage. Government should tailor programs to reward those who make individual efforts to protect against the costs associated with flood damage.

LONG-TERM ECONOMIC DEVELOPMENT

The Council has expressed concern over some communities' inability to compete in border communities. Because of this relative competitive disadvantage, communities bordering other states may experience even greater difficulty in the recovery process and may decide to relocate.

Economic incentives which make western Minnesota's business climate closer, or equal, to their North and South Dakota neighbors would be considered helpful but insufficient and inadequate.

If long term development is a goal, Western Minnesota would benefit from the creation of enterprise zones within which sales, income and property taxes are abated for 15 years. A recommendation to develop a proposal for creating enterprise zones is included in the relief package; however, the Council recommends that the legislature address issues of border competitiveness in a more comprehensive fashion.

Because economic development in the disaster areas depends on a long-term commitment, the Council recommends that the following efforts be considered by lawmakers: prevention and mitigation efforts which will reduce potential damages in the future, infrastructure maintenance, the impact of the flood on property tax and local government aid formulas, border competitiveness issues, and incentives for private investment.

SOIL EROSION

The Council recommends that the issues of non-agriculture soil erosion, bank slippage and other types of erosion not related to agriculture be addressed in future sessions.

In addition to homes that sustained water damage, there are a number of homes that have been put in peril due to severe erosion and bank slippage taking place on the Red River. The bank slippage is the result of severe flooding that took place this year and in recent years.

This condition is not eligible for FEMA Hazard Mitigation



Grant Program funding or the Natural Resource Conservation Service funding through the Emergency Watershed Protection Program to control soil and bank erosion. Unless something is done to alleviate the slippage problem along the river bank, these properties will ultimately sustain severe damage or possibly total loss.

FLOOD CONTROL MEASURES

The Council identified various flood control measures which deserve more attention. Many of flood prevention and mitigation projects are covered in the proposal; however, another suggestion is to promote coordination among agencies at various levels to develop watershed-wide strategies for water absorption and diversion in order to lessen or even prevent future flooding.



meetings and agendas

The Governor's Recovery and Redevelopment Planning Council was charged with coming up with recommendations for a special legislative session dealing with flood issues.

In coming up with the recommendations the council met five times and took a two-day tour of the flood communities. Council members were also involved in numerous meetings with state, federal and local officials and many individuals affected by the floods of 1997.

The council's initial meeting on June 2 was an overview of the flood damage and what was being done to aid recovery. State agency officials discussed the progress that had been made to date, the governor's office gave an update on federal legislation and two of the mayors on the council discussed the damages and needs of their communities.

At the council's second meeting on June 18, state officials discussed funding issues regarding infrastructure, business and housing and went over the one stop community application process. The council also heard community profiles including detailed demographic information, a discussion on redevelopment strategies, an overview of legislation passed in the 1997 legislative session dealing with the floods and a discussion of what general obligation bonds can be used for.

The next week, June 23-24, the council took a two-day trip to see firsthand the damage in the Minnesota and Red River Valleys. The council visited Granite Falls, Montevideo, Breckenridge, Moorhead, East Grand Forks and Ada. The council met with local officials and citizens to learn firsthand some of the problems the communities faced and some of the gaps in the current flood recovery process.

The council's subsequent meeting was held on July 16. At this meeting the Department of Revenue gave a presentation on cash flow and the debt service requirements of the local governments of the flood affected communities. There was also more discussion on development issues, the one-stop application process, updates on the commitments the state had made to date and a discussion on how the state agencies were funding flood relief projects. The mayor's also gave an overview of the council's trip the previous week and the council discussed preliminary legislative funding issues and empowerment zones and the efforts the state has made to get the 90/10 federal funding ratio to ensure fair and equitable treatment for Minnesotans affected by the floods.

At the council's fourth meeting on July 30, the council was given presentations on the state's financial outlook, bonding capacity, the credit enhancement program and the tax capacity for flood stricken communities. The council also discussed legislative proposals relating to housing acquisitions, ring levees, flood response, business assistance and housing assistance.

The council's last meeting was held on August 7. The council was given an update on the Community Development Block Grants that HUD (Housing and Urban Development) had announced earlier in the week. The council then proceeded to discuss the legislative recommendations including the flood relief package, waivers, sources of funding and disaster assistance for those disasters outside the Minnesota and Red River Valleys. The council unanimously approved recommending a \$124 million state response package to the Governor.



**Governor's Recovery and Redevelopment
Planning Council**

June 2, 1997

Time: 1:00 p.m. - 4:00 p.m.

Room 5 South - State Office Building

1. Dave Gruenes, Chairman GRRPC
 - Overview of the GRRPC's Mission
2. Jim Franklin, Director of Emergency Management
 - Overview of Flood Damage
 - Progress to date
 - Overview of State & Federal Assistance
3. Kit Hadley,
Commissioner, MN Housing Finance Agency
Louis Jambois,
Community Finance Director (DTED)
 - Overview of State Programs
 - Application Process
4. Todd Johnson, Governor's Office
 - Federal Legislation
5. Mayor Stauss, East Grand Forks
Mayor Curtis, Montevideo
 - Briefing on damages, needs and concerns of their cities

**Governor's Recovery and Redevelopment
Planning Council**

Second Meeting

June 18, 1997

1:00 p.m. - 4:00 p.m.

State Office Building, Room 5

1. Jim Franklin, Director of Emergency Management
 - Funding issues regarding infrastructure, business and housing
2. Louis Jambois, Director of Community Finance
 - Funding sources for applications
 - Questions regarding individual applications
3. Linda Kohl, Director of Minn. Planning
Tom Gillaspay, State Demographer
 - Community profiles
4. George Karvel, Distinguished Chair in Real Estate-
University of St. Thomas
 - Redevelopment strategies
5. Peter Sausen, Assistant Commissioner-MN
Department of Finance
 - GO Bonding
6. Tom Todd, Director of House Research
JoAnne Sellner, Director of Senate Counsel and
Research
 - Overview of 1997 flood legislation



**Council Bus Trip
Governor's Recovery and Redevelopment
Planning Council
June 23-24, 1997**

June 23

Granite Falls and Montevideo

- Meeting in Granite Falls
- Tour Granite Falls
- Tour Montevideo

Breckenridge

- Meeting in Breckenridge
- Tour Breckenridge

June 24

Moorhead

- Meeting in Moorhead

East Grand Forks

- Meeting in East Grand Forks
- Tour East Grand Forks

Ada

- Meeting in Ada
- Tour Ada

**Governor's Recovery and Redevelopment
Planning Council
1-4 PM, Wednesday, July 16**

1. Introduction
2. Jim Girard, Commissioner of Revenue
Matt Smith, Deputy Commissioner
 - Property tax initiatives to address local match disparities
 - Cash flow/debt service requirements/credit enhancements for local government
3. George Karvel
 - Development issues
4. Jim Franklin
 - Application process
 - Funding commitments
 - Funding within agency programs
5. Update on Trips
Council Bus Trip, Washington D.C. Trio
Mayor Smiglewski of Granite Falls
Mayor Curtiss of Montevideo
6. Dave Gruenes
 - Legislative Funding Issues
 - Empowerment zones
 - 90/10 legislation



**Governor's Recovery and Redevelopment
Planning Council
Wednesday, July 30, 1997**

1. Dave Gruenes, Chairman
 - Welcome
 - Update
 - Approval of Minutes
2. Department of Finance
 - Peggy Ingison, Assistant Commissioner
 - Peter Sausen, Assistant Commissioner
 - State's Financial Outlook
 - Bonding Capacity
 - Credit Enhancement Program
3. Department of Revenue
 - Commissioner Jim Girard
 - Matt Smith, Deputy Commissioner
 - Tax Capacity for Flood-Stricken Cities
4. Department of Natural Resources
 - Kent Lokkesmoe, Director of Waters Division
 - Acquisitions
 - Ring Levees
 - Flood Response/Preparations
5. Department of Trade and Economic Development
 - Louis Jambois, Director of Community Financing
 - Business Assistance
6. MN Housing Finance Agency
 - Commissioner Kit Hadley
 - Housing Assistance
7. Adjournment

**Governor's Flood Recovery and Redevelopment
Planning Council
Fifth Meeting
August 7, 1997
1:00 p.m. - 4:00 p.m.
State Office Building, Room 5**

1. Welcome
2. HUD Update
3. Legislative Recommendations
 - Flood Relief Package
 - Waivers
 - Sources of Funding
 - Disasters Outside of the River Valleys
4. Adjournment



INDIVIDUALS AND ORGANIZATIONS THAT PROVIDED INFORMATION TO HELP MAKE THIS REPORT POSSIBLE

CITY OFFICIALS

CITY OF ADA
CITY OF BRECKENRIDGE
CITY OF CROOKSTON
CITY OF EAST GRAND FORKS
CITY OF GRANITE FALLS
CITY OF MONTEVIDEO
CITY OF MOORHEAD
CITY OF SAINT PAUL
CITY OF WARREN
CITY OF MINNEAPOLIS

COUNTY OFFICIALS

CHIPPEWA COUNTY
CLAY COUNTY
KITTSOON COUNTY

FEDERAL OFFICIALS

WHITE HOUSE STAFF
SPEAKER'S OFFICE, U.S. HOUSE OF REPRESENTATIVES
MEMBERS OF THE UNITED STATES SENATE
MEMBERS OF THE UNITED STATES HOUSE
OF REPRESENTATIVES
FEDERAL EMERGENCY MANAGEMENT AGENCY
ARMY CORP OF ENGINEERS
HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

STATE AGENCIES

OFFICE OF THE GOVERNOR
STATE AUDITOR
MINNESOTA HOUSE OF REPRESENTATIVES
MINNESOTA SENATE
DIVISION OF EMERGENCY MANAGEMENT
MINNESOTA PLANNING
DEPARTMENT OF REVENUE
MINNESOTA HOUSING FINANCE AGENCY
DEPARTMENT OF ADMINISTRATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF FINANCE
DEPARTMENT OF TRADE AND
ECONOMIC DEVELOPMENT
DEPARTMENT OF NATURAL RESOURCES
DEPARTMENT OF COMMERCE
DEPARTMENT OF PUBLIC SERVICE
DEPARTMENT OF HUMAN SERVICES
DEPARTMENT OF EMPLOYEE RELATIONS
DEPARTMENT OF CHILDREN, FAMILY AND LEARNING
DEPARTMENT OF ECONOMIC SECURITY
DEPARTMENT OF TRANSPORTATION
DEPARTMENT OF HEALTH
POLLUTION CONTROL AGENCY



PRIVATE ORGANIZATIONS

FANNIE MAE
TRI-VALLEY OPPORTUNITY COUNCIL
INDEPENDENT MORTGAGE BROKERS ASSOCIATION
INSURANCE FEDERATION OF MINNESOTA
INDEPENDENT COMMUNITY BANKERS ASSOCIATION
INDEPENDENT INSURANCE AGENTS ASSOCIATION
ST. PAUL COMPANIES
UNIVERSITY OF ST. THOMAS

NORTH DAKOTA OFFICIALS

OFFICE OF THE GOVERNOR
CITY OF GRAND FORKS
STATE ENGINEER
STATE FLOOD COORDINATOR
DIRECTOR OF PUBLIC WORKS



thank you

I just wanted to take this opportunity to commend all those who played a role in helping in the preparation of this report and in bringing together a flood recovery plan. The long list of names of people who need to be lauded for their efforts is too numerous to include in this report.

I would however like to specifically thank Governor Carlson for his leadership and vision, the council members for the hours they dedicated to putting together a comprehensive, fair, equitable and appropriate flood response plan; members of the Minnesota Recovers Task Force for the hours they dedicated to helping restore people's lives, the Minnesota congressional delegation, Speaker of the House Newt Gingrich for his commitment to bring fair and equitable federal treatment for Minnesota, the state agencies and their staff who have worked tirelessly throughout the long recovery process, the local communities for their leadership and cooperation with us, and last but certainly not least the many flood victims for the courage, resolve and most certainly their patience.

A special tribute should also be made to Breckenridge Mayor Kal Michels who passed away while fighting to help Breckenridge recover from the floods. Mayor Michels served as a member of the Governor's Recovery and Redevelopment Planning Council. As Mayor Michels selflessly fought to help his community recover for the flooding he also waged a war against the cancer in his own body. His leadership, courage and determination will be missed.

I would also like to thank the staff at the Department of Commerce for the absolute dedication to the successful completion of this project.

Recovering from a disaster of such magnitude is a daunting task to say the least. I truly believe the process Minnesota has put in place to recover from this spring's floods will serve as a national model for future disaster recovery and relief programs.

Again, I would like to thank the countless number of individuals who are so dedicated to seeing the recovery process through.

David B. Gruenes

Chairman, Governor's Recovery and Redevelopment
Planning Council
Commissioner, Department of Commerce

