

U. S. Senate Committee on Small Business and Entrepreneurship

“Rebuilding the Gulf Coast: Small Business Recovery in South Louisiana”

**Written Testimony of Mayor Randy Roach
Lake Charles, Louisiana
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The City and Small Business Recovery

Hurricane Rita devastated Calcasieu Parish and Southwest Louisiana, and Cameron Parish was totally devastated. The coastal community of Cameron literally suffered the loss of a way of life, and it continues to struggle to get it back.

According to The Rita Report, in Calcasieu Parish:

The southern portion of Calcasieu Parish is 30 to 35 miles inland from the Gulf of Mexico; it suffered extensive wind damage as well as moderate flooding. The northern portion was spared flooding, but suffered severe wind damage due to heavy forestation.

The City of Lake Charles sits between these two regions and suffered wind and flood damage. Approximately 75% of the roofs in the parish were damaged or destroyed. Many homes buildings and vehicles were damaged by falling trees, utility lines were down, signs were torn from buildings and posts, downtown Lake Charles was flooded with four to six feet of water as were many residential areas around the lake and south of the city, and key infrastructure was damaged or destroyed.

There were approximately 85,000 persons employed in Calcasieu Parish prior to Hurricane Rita, and the median household income of \$36,587 was one of the highest in the state. The unemployment rate was 5.3% in the second quarter of 2005.

Nearly two thirds of the housing stock was damaged or destroyed by wind and/or flooding. The U.S. Army Corps of Engineers installed 17,104 temporary “blue roofs” on houses, apartments and a limited number of other structures that sustained roof damage but were deemed to be at least 50% structurally sound.

According to The Rita Report, in Cameron Parish:

In 2004, there were 3,756 persons formally employed in Cameron Parish and an undetermined number of self-employed and seasonal workers engaged in fishing, shrimping, hunting and fishing – traditional cash businesses – whose income many not have been reported. The unemployment rate was 9.8% and median household income was \$35,232. Table 15 lists the largest employers in the parish and their estimated number of employees.

Most of these jobs still exist, and new jobs have been created by the rebuilding and redevelopment of the parish, and development of the new LNG terminals. However, housing is not available in the southern part of the parish so many of these workers must make long commutes to their jobs. Cameron Parish does not have a sales tax, so it is difficult to track commercial activity, but few stores or restaurants are open and the general perception is that this sector has been very slow to recover.

The shortage of housing became one of the primary problems to face Southwest Louisiana following the storm, and this issue continues to persist.

In SWLA, immediately following Rita, a labor shortage occurred. FEMA and other relief agencies hired workers for cleanup and reconstruction efforts at artificial salaries. Refineries and petrochemical plants had to increase wage scales by \$4.00 per hour and offer sign-on bonuses. Some workers were brought in from other areas. Many small businesses could not afford to pay higher wages and had to cut back on operations.

Soon following Hurricane Katrina, the Southwest Louisiana Cares Task Force, comprised of government, business, non-profit entities and individual and group volunteers, was created to pool resources and react as a community to take care of the needs of the SWLA community and the evacuees from Hurricane Katrina. Economic Development was one aspect of the Task Force, with help for businesses impacted by Katrina coming from the Chamber SWLA, agencies of the State – i.e. LA WORKS, Dept. of Economic Development; the Calcasieu Workforce Investment Board; the SWLA Partnership; the Realtors Association; Louisiana Association of Business and Industry; FEMA; the SBA, and others.

Within a month of Katrina, Hurricane Rita hit Southwest Louisiana and the Task Force was renamed the Hurricane Rita Task Force to now assist the local community itself recover from its own major hurricane catastrophe.

Since Hurricane Rita, assistance to Southwest Louisiana has come from a variety of agencies, organizations and programs, including:

- The Gulf Opportunity Zone Act of 2005;
- Community Development Block Grant monies;

- FEMA Long Term Community Recovery Team;
- The LRA;
- The SBA and FEMA;
- The State - i.e., the “Louisiana Bridge Loan” program for small businesses in 13 parishes hardest hit by hurricanes Katrina and Rita;
- The Chamber of SWLA;
- Louisiana Family Recovery Corps;
- EPA Brownfields;
- US Army Corps of Engineers – Governmental & Planning; and
- Non-profits, volunteers, and others.

SWLA/Local Response Initiatives Since Hurricane Rita:

Since Hurricane Rita, the City of Lake Charles has been working diligently to move forward with major initiatives that will help support the area’s economic development efforts. A \$90 million Bond Issue was passed by voters in November 2006 for major infrastructure projects throughout the City and a referendum for a Lakefront Development Plan was passed by voters in May 2007.

The City is working with the U. S. Army Corps of Engineers as the City pursues Riverfront Redevelopment.

The City is engaged in activities to encourage downtown development through the efforts of its Downtown Development Authority and the City’s Smart Code – Smart Growth principles.

The City is working on Hazard Mitigation issues.

The City and Calcasieu Parish are embarking on comprehensive master plans to manage growth.

The City is working with other agencies in pursuit of a Business Incubator.

The City is engaged in activities to build a better quality of life for its citizens through initiatives such as an expanded and enhanced parks system; a retirement community initiative; and opportunities that will help enhance the cultural quality of life for all its citizens.

The City is actively engaged with all aspects of the community, from education, to economic development, to non-profit, to other government partners to help establish alliances and partnerships that will encourage redevelopment and growth – all geared toward a better, more prosperous Southwest Louisiana.

Issues/Opportunities for Small Business:

Insurance –

Businesses and homeowners are facing higher insurance premiums with higher deductibles with less coverage. Small businesses must carry insurance to be open for business, but the insurance must be affordable – small businesses work on a very tight budget. Small business development will come, in part, with the increased ability of small businesses to manage their overhead costs - costs that come with being in business.

Housing -

- New building regulations, particularly along the coastal areas, such as lower Cameron Parish, must be addressed in such a way that all the citizens of coastal parishes who left because of the storm can afford to return without being overburdened with regulations.
- Affordable housing continues to be a critical issue since Hurricane Rita and particularly for young families wanting to buy their first home. Where are the “starter homes” for young working families just starting out who desperately want to buy, but can’t find homes in an affordable price range. The City is working to bring some affordable housing opportunities to the area that will hopefully ease the burden on families that want to buy a home but can’t afford to participate in owning a home.

Some Conclusions Regarding Workers and the Local Economy

The following is the Summary and Conclusions from,

“The Availability of Mid-Wage Workers in Southwest Louisiana,” A Study By: Michael M. Kurth, PhD and Daryl V. Burckel, DBA, CPA; for: Economic Development Alliance Southwest Louisiana, October 24, 2007

There appears to be a significant labor shortage at the low-end of the wage spectrum (under \$10 per hour) characterized by extended job vacancies, the hiring of under-qualified employees, and the importation of workers from other areas. This situation existed prior to hurricanes Katrina and Rita, but it was made worse by the storms. There also appears to be labor shortage among skilled craftsmen, construction and technical workers at all wage levels characterized by rising wages and recruitment of workers from outside the region. This situation did not exist prior to the hurricanes

Among medium-wage workers, however, there appears a labor surplus characterized to under-employment and lack of labor force participation. This situation existed prior to the hurricanes, but it has become more apparent due to the contrast with the situation in the other segments of the local labor market. There are a number of reasons for this which are not unique to Southwest Louisiana: (1) since World War II, education policy in the United States has emphasized college over technical training; (2) the labor force participation of women has risen sharply over the last three decades; (3) in many families, the woman's career is secondary to their spouse's with the result that many women are tied to a geographic area and unable to take advantage of higher wages elsewhere; and (4) few women are employed in construction trades and crafts. Thus, in the aftermath of the hurricanes, many females lacked the labor market mobility to take advantage of higher wages elsewhere, and they also lacked the skills and training needed to replace males who took higher-paying jobs elsewhere.

This "structural" unemployment presents both a challenge and an opportunity for the local economy. With the appropriate training, many medium-wage workers will be able to find higher paying jobs and satisfy the needs of local employers, but this will require restructuring and re-focusing our educational institutions. Moreover, when it comes to economic development efforts, all jobs are not equally desirable. For example, firms that require workers in segments where there presently is a labor shortage are likely to have difficulty recruiting workers and to be disappointed with the quality of those workers they do hire.

It is our recommendation the educational institutions and economic development initiatives in Southwest Louisiana work hand-in-hand to ensure that our population has access to the training and skills needed in our local labor market, and that the firms that locate here are able to find an ample supply of appropriately trained and educated workers.

With the availability of affordable housing and insurance, and training of the local labor market, the small business community in Southwest Louisiana can grow and many of our young people – the future of our area – will stay, slowing the current out-migration that has been a negative factor with regard to the full-recovery and economic development of our area.