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Local Business Recovery

"Government preparedness planning had not anticipated the demands from some 600 businesses in the downtown core who were trying to salvage their livelihood." (Charles Eadie, Lead Planner for the City of Santa Cruz Downtown Recovery Plan)

4.1 Typical Situation

Impacts on the business sector vary in a damaging earthquake. Large retail chains may experience some problems, but they will not be hurt seriously by the temporary or permanent closure of a few outlets. Manufacturing and other non-retail businesses most likely will not turn to local government for immediate help except for building permits and inspections and the restoration of utilities and transportation services. On the other hand, independent proprietors and small chains that are based locally, especially those in retail or services, will be hit hardest. Usually with very limited savings, they lose their leased or owned buildings, stocks and inventories, equipment and furnishings. For reasons of public safety, access to an entire commercial district may be denied because of widespread damage or the loss of utility services, thus impacting businesses with little or no damage.

Local businesses cope with the impacts of the earthquake in different ways. Some people close their businesses and "retire." Others find permanent or temporary space in other commercial buildings in or close to the community. Many merchants try to do business in trailers, tents or pavilions during the recovery and reconstruction process if such facilities are erected quickly. Local merchants try to seek ameliorative actions by turning to local businesses groups such as the Chamber of Commerce to serve as their advocates or liaisons to the governmental process.

The impacts on businesses also will have direct effects on the local economy. Local governments experience a drop in sales, hotel, entertainment and similar tax revenues due to the disruption of business operations and the consequent avoidance of the damaged area

by outsiders and even some community residents. This decline may be short-lived, one to two years, or long-term depending on the pre-earthquake economic trends of the community.

4.2 Key Issues Likely to be Raised

1. **Who pays for the direct losses and business interruptions?**
Small merchants generally lack earthquake and other forms of insurance to cover these losses. Liquidity is an immediate and major problem for many small businesses. Government disaster assistance programs probably will not pay for more than a small fraction of the losses, especially indirect ones such as loss of income. Disaster loans may or may not be granted based on the owners' abilities to assume larger debts. Applicants should be aware that the review process is lengthy because several criteria must be met before public money is provided.
2. **What happens to the place of business if it is damaged?** Early and definitive answers about the ability to use buildings are sought from the local building department. In spite of the difficulties, a "yes-no" decision is needed quickly so that building and business owners (often not the same person) can make rapid choices about the future of the building and/or enterprise. Aftershocks complicate problems and sometimes require reinspections. If the building is repairable, local government is asked questions about the standards that must be followed. There may be "due process" problems if demolition of the building is required, especially when an absentee landlord owns the building.
3. **What about the creation of temporary commercial facilities?**
The creation of temporary facilities to house displaced businesses is common practice after damaging earthquakes. Mobile home trailers, pavilions or other temporary structures often are the only alternatives to keep some businesses operating. The creation of these temporary commercial facilities is not an easy task, but, through private-public cooperative action, they can keep many businesses operating while major decisions on rehabilitation and rebuilding are being made.

4. **What sources of money are available to finance business recovery?** There is an initial tendency to look to government disaster assistance programs to compensate for losses; however, these programs are intended to help with long-term recovery; this generally assumes that the future prospects of the damaged businesses are reasonably good and all other sources of regular financial backing have been exhausted. Insurance settlements also help those with proper coverage. In the main, however, the usual private sources of business financing are needed for disaster recovery. Problems arise with marginal businesses and those unable to handle additional debt.

4.3 Recommended Actions For Local Governments

4.3.1 During the Preparedness and Mitigation Phase

1. Conduct an inventory of all commercial buildings in the community and have data about such things as value, ownership, type of structure, occupancy and nature of the business readily available. Include similar information about historic buildings. Such data helps public officials quickly determine the earthquake's economic impacts. It also may help determine priorities for inspection, repair, restoration of services and other actions. The data about buildings can be integrated into computerized parcel data bases for planning and tax assessment purposes as more localities develop them.
2. Adopt and enforce ordinances that require the strengthening or replacement of buildings that are known to be earthquake hazards.
3. Work with local business-oriented groups to develop a joint strategy for local business recovery that will go into operation immediately after a disaster. In addition to encouraging pre-earthquake mitigation and preparedness actions, business involvement in recovery planning could define mutually supportive actions that each sector should take after the event. One typical problem is that localities may have to keep sidewalks and

streets closed for public safety reasons until repair work on buildings is complete. This may prevent normal access to businesses that continue to operate and lead to serious conflicts. The degree to which government actions should be restrictive is a major dilemma for local officials.

4. Identify the most common government financial assistance programs and have a basic understanding of their programs and procedures. Keep this information up-to-date. Work to change them if they appear unsuitable.
5. Assure that newly constructed commercial structures adhere to the building code and are inspected regularly during construction. Use consultants for complex structures if local skills are not available.
6. Develop emergency procedures to obtain additional building inspection help from nearby communities, professional associations or via the California Office of Emergency Services' arrangement with the Structural Engineers Association of California.
7. Establish a computer-based parcel inventory with information about the buildings, their uses and other data for the community.

4.3.2 During the Emergency Relief Phase

1. Implement the procedures for securing extra building inspection personnel and establish a well-understood process for informing business owners and occupants of the inspection results and procedures for appealing the inspections or removing the "No Entry" tags on their buildings.
2. Cordon off only those areas or individual buildings that definitely are unsafe; if at all possible, allow other merchants to reopen.
3. Provide controlled access to the damaged area but allow enough time for merchants to remove their inventories.
4. Initiate the business recovery strategy under the general direction of the community's disaster recovery program.

4.3.3 During the Short-Term Recovery Phase

1. Complete final inspections and inform business owners and occupants of all relevant findings and procedures to be followed.
2. Identify and secure sites and facilities for the temporary use of small businesses as close as possible to their normal locations. Provide support and other actions to allow for the resumption of business, even on a limited basis.
3. Judging both ease of repair and economic value to the community, give highest priority to assisting in the repair of structures that provide important local services. Examples of such assistance include damage assessment, building inspection, processing of rebuilding plans and permits, and restoration of utilities. To the extent possible, avoid the practice of "first-come, first-served." Rather, apply the limited government resources to buildings that house functions that are more important than others to local economic recovery. For example, give a grocery store or factory priority over a building housing a dance studio, florist and greeting card shop.
4. Make sure all business-oriented disaster assistance programs available are offered and that all owners have the information and opportunity to apply for aid.
5. Establish a special review process for designated historic buildings in the community, especially if they are used commercially.
6. Review and modify the commercially oriented elements of the community's general plan and redevelopment strategies to further business development so that reconstruction contributes to these goals.
7. Implement emergency regulations that provide for shortened normal hearing and approval processes. Waive permit and related fees to help speed recovery.

4.3.4 During the Long-Term Reconstruction Phase

1. Implement and involve property and business owners and local officials in the planning process discussed earlier to support the long-term rebuilding process.
2. Be prepared to intervene on behalf of business and property owners with federal and state agencies to help them qualify for or receive extensions or exemptions from disaster assistance regulations and procedures that appear to inhibit the local recovery process.

4.4 Typical Groups Likely to be Involved in Business Recovery

Since they most likely will be very active after a disaster, several typical local groups that should participate in the recovery planning process exist. Examples include neighborhood, downtown and similar merchants' associations, chambers of commerce, boards of realtors, building owners and managers' groups, minority business associations, economic development councils and local chapters of trade, industry and labor groups.