

Long-Term Recovery of Business –

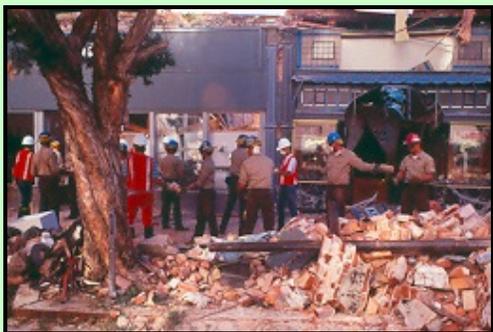
The Problem Is...

Disasters change the very fabric of a community. This problem is clearly shown by visiting downtown Santa Cruz, Watsonville, or Hollister during the years following the 1989 Loma Prieta earthquake, or more recently to New Orleans and southern Mississippi area following Hurricanes Katrina and Rita. Commercial retail and service business recovery can even lag behind housing recovery.

In any of a number of future earthquakes, impacts on the business community will be significant. Impacts can either be direct, due to damage to the building these companies are located in, or indirect, due to disruption of the customers, employees, or supplies that the business needs to operate profitably.

Thus, true business continuity is a function not only of a single business, but of its community and the region as a whole.

As stressed in the issue paper on long-term housing recovery, a major earthquake can be 30 seconds of “instantaneous” redevelopment. The odds are that the Bay Area will have at least one earthquake much more destructive than the 1989 Loma Prieta earthquake in the next 30 years.



Pacific Garden Mall in downtown Santa Cruz following 1989 Loma Prieta earthquake

Recovery Needs Vary by Business Type...

Businesses need a collaborative relationship with local governments to speed post-disaster business recovery. The needs of basic employers and local-serving businesses, while similar, are not identical. Thus, the recommendations on local government actions to speed that recovery in the following pages are separated by business type.

It is critical that the **basic employers** of the Bay Area are able to recover, whether those are the oil refineries of Contra Costa and Solano counties, the tourism industry of San Francisco or the financial sector businesses of its downtown, the winery and tourism industries of the north Bay, the information technology businesses of Silicon Valley, or the research facilities of our universities and national labs. Large basic employers have already done much in understanding how they will recover. Their needs are housing for their employees and a functional transportation and utility network.



Hancock Bank repair following Hurricane Katrina, Pass Christian, Mississippi

Local serving businesses, located in smaller downtowns and in neighborhood shopping centers, are less able to recover on their own. These are the grocery stores, restaurants, community schools, retail stores, and hair salons, and dentists. These businesses serve customers who work for the basic employers or are the employees of other local serving businesses. If basic employers are slow to recovery, if no one is able to live in an area, or if the transportation and utilities are disrupted, these businesses are unable to remain open.

Local-serving businesses, too, must have functional buildings, **but they also need to be located in areas where other businesses are in functional buildings.** Yet, statistically, these businesses are more likely to be in older vulnerable buildings than basic employers. In some cases, if their building is destroyed, they can move somewhere else in the area without losing customers. In other cases, they close.

Long-Term Recovery Needs of Basic Industry Employers...

Local Governments Will Need to Act Aggressively to Ensure that Large Businesses Do Not Leave

There are a variety of businesses that provide basic employment in the Bay Area. This variety makes the region more resilient in the case of economic downturns affecting a single industry sector. While many of the issues facing these employers are similar after disasters, some are different.

In general, these employers all need housing for their employees, a functional transportation system (including roads, ports, airports, and rail), and utilities.

Basic industry employers, in general, have more resources that they have been able to use prior to a disaster to plan for their own internal business recovery. Many also have offices, employees or data facilities outside the region which they are able to draw on during an emergency. Thus, planners have traditionally assumed that chain stores, banks, and manufacturing centers would be the first to recover in a disaster-impacted area. This has not occurred in New Orleans and southern Mississippi. If the headquarters offices of basic businesses do not have ties to the Bay Area, they may decide, from a purely financial standpoint, to abandon the region. **Economics, not good intentions, often drives decisions.**



Hancock Bank repair in Mississippi following Hurricane Katrina was based in part on regional commitment and customers in southern, Mississippi

Banks and other financial institutions have a pivotal role in regional disaster recovery. Because their data and records are backed up in multiple locations, they will be able to reopen quickly following a disaster. In fact, many have invested in portable ATMs. They may need local governments to allow these portable ATM trailers to park where they might not otherwise be allowed so that their customers can have access to cash and financial records.

Yet precisely because of these back-up systems, headquarters offices of financial institutions in San Francisco do not need to remain in San Francisco. The offices, together with their employees, can be moved outside the region or even outside the state if recovery of housing, transportation networks, and utilities is delayed.

Tourism is extremely sensitive to public perception – the “CNN” view of a disaster is more important than reality in the case of out-of-area, as well as international, visitors. Thus, damage to Oakland or the toll bridges may quickly lead to a perception that more damage has occurred to the Napa Valley than has actually occurred. Tourism industries may need assistance from local government elected officials and others in dissuading such “fears.” (New York City ran an effective “I Love NY” campaign after 9-11.)

Technology employers centered in Silicon Valley are in competition with tech centers in Seattle, Houston, Virginia, India, and Taiwan. These employers are here, in part, because they love our region. But after weeks with huge commutes or no water, they may leave. This industry has a full turnover in its technology every two years and depends on its creativity to remain in the forefront of the information revolution. To the extent that long-term delays in recovery impact that creativity, the employers may leave.

Traditional **chemical and refinery employers** have been leaving the region during the last twenty years. Those that remain are concentrated in Contra Costa and Solano counties. In general, disasters lead to an acceleration of existing trends. Local governments will need to target these employers and examine their needs so the exodus does not accelerate.

On the other hand, the Bay Area is becoming an incubator for small bio-tech **research** facilities. It is also the home of two world-class research universities, as well as both Laurence Berkeley Lab and Laurence Livermore Lab. These employers depend on the educated talent pool of the region. To the extent that their employees are stressed, they, too, are impacted.

Local governments should develop strong relationships with the major employers in their area before disaster strikes.

Long-Term Recovery Needs of Local-Serving Businesses...

As a local government recovers, city and county finances are decimated by the reduction in property taxes and business taxes brought about by the property damage to businesses and housing. At the same time, it is unrealistic to expect to lay off police and fire personnel – the local emergency staff that were heroes during the immediate aftermath of the disaster. Yet the employees that are needed most are not only the police and fire personnel, but the community development, planning, and building department staff responsible for long-term recovery.

The ideas for local government action listed below discuss the role of these **non-emergency** response staff in long-term recovery both before and after a disaster.



Pacific Garden Mall, Santa Cruz, current view

Summary of Recommended Local Government Actions Pre-Disaster	Department
Mandate retrofit of any unreinforced masonry buildings in seismically vulnerable commercial areas. In less vulnerable areas, work to provide incentives for strengthening of those buildings.	Building
Identify key historic structures in business districts that are integral to the fabric of those neighborhoods and work with the owners to have the buildings participate in a process where local engineers familiar with those buildings can serve to design retrofitting solutions that are cost-effective, as well as be available for any post-quake inspection of the buildings so that they are not demolished unless necessary. (See http://quake.abag.ca.gov/business/BORP.html .)	Building
Pre-identify those businesses or business districts key to recovery. For example, the sooner grocery stores are back in business, the less likely people will leave their homes due to lack of supplies, and the faster hardware stores are back in business, the quicker people will be able to repair minor damage to their homes.	Planning
Ensure that your local government's General Plan (particularly, the Safety and Land Use elements) are up-to-date and consistent with local zoning so that the future recovery of damaged areas is pre-planned, not decided in a crisis environment. Such pre-planning will also improve the chances that fewer areas experience gentrification.	Planning
Examine your local General Plans and zoning in commercial areas to see if major damage to those areas might result in an unintentional loss of the historical or pedestrian-friendly character of that area due to current parking, street width, or other requirements for replacement construction .	Planning
Summary of Recommended Local Government Actions Post-Disaster	Department
Set up a stream-lined process for reviewing plans, granting permits, and scheduling inspections to expedite repairs. The community development, redevelopment, building, and planning department staff will need to process large numbers of permits in a short period of time, some of which will be submitted for approval by those not familiar with the process.	Community Development
Be flexible. If many older buildings must be demolished, they will probably need to be replaced with buildings that are larger just to support new mortgages and rents that will need to be charged to commercial tenants. Working out how these areas will rebuild is critical to speeding recovery. Creating specific area plans is one way of coordinating General Plan and zoning in a post-disaster environment. Recognize that there will be business turnover no matter what local government does. While creating a Specific Plan may take 1½ years, this may be quicker than other options.	Community Development
Be prepared to work with small local businesses during the recovery process. Local governments can assist in this effort through outreach to Local Chambers of Commerce in areas impacted in past disasters. They can help local businesses by informing them about where their customers may have moved. In turn, local government can assist in notifying the public about plans for the recovery of local commercial areas. This process can be started by encouraging the small business community to prepare, such as explained at http://quake.abag.ca.gov/business .	Planning and Redevelopment



NEXT STEPS FOR ABAG –

At the Regional Planning Committee meeting in June 2008, ABAG will be discussing the following optional steps for improving the recovery process.

ROLE FOR REGIONAL COORDINATION

ABAG needs to develop and maintain a regional “scorecard” of the best practices, together with those local governments who have taken the recommended steps. This information is being collected by ABAG using a survey of local government finance, building, planning, and emergency management departments.

ABAG is committed to developing and maintaining a website containing links to background documents and presentations provided to ABAG’s Regional Planning Committee related to recovery. That website is <http://quake.abag.ca.gov/recovery>.

Since it is essential that long-term recovery of local government finances, housing, business and infrastructure issues are solved in tandem at the regional level following a disaster, ABAG will be a provider of technical assistance, not an additional layer of government.

COORDINATION WITH STATE OFFICE OF EMERGENCY SERVICES

Local government personnel are the best able to support for local government disaster recovery efforts.

Thus, ABAG will continue to work with the State Office of Emergency Services and others to encourage training for planning and community development department staff related to long-term recovery of private businesses.

ABAG will also continue to encourage the use of the state-wide master mutual aid agreement to promote the exchange of planning, redevelopment, and community development staff to gain valuable work experience on long-term disaster-recovery and to assist impacted local governments. This program would be similar to existing programs related to fire, police, and building inspection departments.

CREATE FORUMS FOR COORDINATION BETWEEN LOCAL OFFICIALS AND BUSINESSES

Immediately after a disaster, most local government personnel are focusing on the response process. However, local businesses will have already started their recovery operations. Now is the time to start the conversation between local government officials and the large employers and smaller local-serving businesses in each Bay Area community. Open lines of communication and sharing of disaster recovery planning is essential to that process.

Local governments will be financially weakened by the loss of revenues. Thus, local governments will not be in a position to provide reduced permit fees or reductions in business taxes, even to smaller businesses. However, to the extent that time is money, the permit streaming process described on the previous page is particularly important. This process will be even more effective if the key local government and business personnel know each other.

CREDITS – Prepared by Jeanne Perkins. **PHOTO CREDITS** – Cal State LA–page 1 (left); J. Perkins–page 1 (right); J. Perkins–page 2; City of Santa Cruz–page 3