

U.S. Committee on Small Business and entrepreneurship
Field Hearing

Lesson Learned, Progress Made, and Challenges that Remain from Hurricane Ike

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Galveston, Texas

TESTIMONY

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Madam Chair, it is indeed an honor and a privilege to provide testimony to this distinguished Committee regarding our experience as business owners here in Galveston during and after the ravages of Hurricane Ike. It is not often that a business of our size and economic profile gets this opportunity and we are indeed grateful for this moment.

Our profile as a small business in Galveston is one of a newly established family business located in an inner city neighborhood facing the challenges of urban blight. Despite its current condition, the neighborhood holds historic significance as the center of economic development for African Americans in Galveston during the '50s, much like Harlem held for New York City. We are located on the North side of the Island at one of its lowest elevations with an outdated drainage system and outdated infrastructure. Despite the presence of a densely populated public housing community, few businesses such as stores and restaurants existed in the area to serve residents. Although the neighborhood is in close proximity to Galveston's historic downtown Strand District as well as its growing cruise ship industry, the area has not benefited from the improved infrastructure and comprehensive planning that has propelled the Strand into a strong economic position on the Island.

Challenges

Within 3 years of opening our doors, *Y'a Bon Village Coffeehouse* survived two arson attempts and even more damaging, two hurricanes. Hurricane Rita damaged the building and delayed our opening in 2005. In 2008, Hurricane Ike dealt our business a crushing blow. The business was inundated with 5 feet of water, destroying everything inside including supplies, furniture, fixtures, appliances and refrigerated boxes. The historic structure in which the building is located also sustained significant damage.

Hurricane Ike also devastated the neighborhood in which our business is located. Our business was about 3 feet above grade, but the public housing community across the street, Cedar Terrace, was on grade; instead of the 4 -5 feet of water that

our business suffered, Cedar Terrace got 8 - 9 feet, completely inundating the first floor and leaving the units uninhabitable. Shortly after the storm and after much discussion, Cedar Terrace was torn down and suddenly hundreds of families no longer lived within steps of our business. The whole area was so significantly damaged that traffic patterns completely changed. Although it was once a major north-south corridor to the downtown and Strand areas, traffic along 29th Street died. Similarly, the east-west traffic to and from downtown that once passed our business on Church Street instantly dried up. The area around our business became a ghost town. The storm had not only damaged our business' physical plant, it eliminated our business' customer base.

We were faced with restoring our business in a local economic climate that had drastically changed.

- Our local customer base from the neighboring housing complex was gone.
- Our customer base from major employers such as UTMB was gone.
- Traffic along the north-south and east-west corridors in front of our business was gone.
- We were in a Catch 22 situation with insurance and federal assistance organizations such as FEMA and SBA.

Although our building was insured for flood and wind, the contents of the building, including our business equipment and supplies, were insured under wind only. The damage we sustained was from "rising waters" and therefore we found ourselves without coverage for business interruption or business contents because our damage was not primarily from wind. We were able to use the insurance proceeds to restore the building, but we had no money to replace the thousands of dollars of business equipment and supplies.

We were not able to obtain assistance from FEMA because our business had insurance. We were reluctant to apply for the SBA loan because we did not want to assume any additional debt in an economic climate that had so radically deteriorated. We were told that in order to qualify for any available grants that we had to apply for the loans first. And so, we applied for an SBA loan and we were denied, most likely because we were a new business and could not show an ability to repay the loan with our other existing debts. We did not receive any offers of grants to help us recover.

The future of our business remains unknown. We have made significant progress in restoring the physical plant, but we simply don't have the resources or the plan to start a new business in the existing economic climate. As perpetual optimists, we have not lost hope that we will again operate a business at this location. But we have an overwhelming need for interim assistance that will enable us to hold on to the property and reopen a business that will survive in the area's economic climate in the face of our depleted resources.

Opportunities

The City of Galveston has been dealt a serious blow, but with great adversity comes great opportunity. As a result of the storm, the City will realize improvements that may otherwise have been impossible.

- An impressive plan for the development and expansion of the downtown Strand Historic District has been advanced by the Downtown Partnership. The plan would extend the downtown historic area to 26th Street between Harborside and Winnie (Avenue G). Implementation of the plan will surely bring improvements to that area's infrastructure such as lighting, drainage and green areas, as well as improvements in the overall economic climate for small businesses.
- The public housing complex formerly located on the west side of 29th Street between Church and Avenue I will be redesigned and rebuilt to serve as homes for low-to-moderate income residents. The City and Housing Authority are making every effort to build a community that offers residents a safe, attractive and "green" environment conducive to healthy inner-city living.
- The City's Department of Recreation warehouse located on the northwest corner of 29th and Church is under construction, soon to be a modernized facility.
- The single-family homes built in the last 2 years on Church Street between 28th and 29th Streets are now occupied by families.
- Cruise ship parking businesses have popped up along 29th Street between Market (Avenue D) and Postoffice (Avenue E), bringing tourist traffic into the area.
- Wynn Funeral Home located at 31st and Church is nearing completion of an impressive renovation.
- Central Middle School, formerly Central High School, is under renovation and has received historic designation for its structure and its recognition as the first high school for African Americans in the state.

In short, development and improvements on Galveston's north side are ongoing or planned in the areas moving west of 29th Street and in the downtown areas from 19th Street west to 26th Street. However, there are no plans to include the 3 block area between 26th and 29th Streets between Harborside and Winnie, an omission that leaves a void in an otherwise exciting redevelopment plan.

If this 3 block area were included in redevelopment plans, it would give the City a tremendous opportunity to create a continuous development zone that starts at 34th

St (where the Housing Authority has already built a very successful moderate income housing community) to the eastern edge of the Historic Strand District at about 19th Street. Located in this continuous redevelopment zone is the old Falstaff Brewery which has sat vacant for many years as the City searched in vain for a developer to realize the vision of a diverse, mixed-use residential and commercial complex. Surely a developer might be more inclined to invest in such a project if the property was part of a comprehensive plan for the area.

Inclusion of the 3-block area between 26th Street and 29th Street also represents an opportunity to extend recognition to another historically-significant part of town. Like New York City's Harlem, this area was home to the many Black-owned businesses that thrived during the years of segregation in Galveston. There are still many architectural treasures located along Market Street and on surrounding streets where Black doctors and dentists had offices and where we enjoyed a 25 cent movie on Sunday afternoon. Among the historic buildings is the 100+ year old storefront in which our business is located, the firehouse at the corner of 29th and Market and a Victorian mansion on 28th and Ball L (Ave. H), just to name a few. Inclusion and recognition of the historic significance of this area is an opportunity for the City to celebrate the rich diversity of its history and is consistent with the City's overall plan for the development of the historic downtown area.

Inclusion of this area would give small business people an incentive to invest in an area of Galveston once considered to be too dangerous and economically unprofitable. This 3-block area that will border the new housing community planned to replace Cedar Terrace is the perfect home for grocery stores, hair salons, barber shops, walking trails, gardens and parks. This 3-block area so close to the Strand and to the cruise ship industry is the perfect place to build an ethnically diverse community of shops that would appeal to international travelers.

Over the years, this once thriving area has fallen on hard times. When containerized shipping became the standard on the docks, laborers who could earn good, family-supporting wages as longshoremen were put out of work. The businesses supported by "screwman" wages suffered and failed. In the absence of economic alternatives, another type of businessman filled the void. Predators seized upon the opportunity to proffer a different kind of product and line of services; crime, drugs and prostitution proliferated. Now the City has an opportunity to rebuild.

My husband and I have invested much in this area in an effort to build our business, and also to build a community. Our vision is great and we hope that others will see it as well. But there are many challenges to the City and to this area that must be overcome if the vision is to become a reality. They are challenges that we as business owners and citizens of Galveston cannot accomplish alone. We need your help.

Challenges

In order for us to rebuild a viable business and to realize a viable business community in this area, we must be included...included in plans to rebuild, included in plans for infrastructure improvement, included in plans for economic development, included as an integral part of the City's recovery plan. That is the first and perhaps the greatest challenge, exemplified by the area's omission from the plans for the development of the historic Downtown area.

We appeal to City, State and Federal officials to recognize that failure to include this 3-block area in the redevelopment efforts will leave a void in the downtown area which threatens our ability to continue to operate a business in the area. In addition, this omission threatens the success of the housing community planned to replace Cedar Terrace and similarly, represents a significant threat to plans for the downtown historic district. It would be like leaving a cavity in an otherwise healthy mouth...eventually the cavity will spread decay to the adjoining healthy teeth.

In order for the Housing Authority to realize a new vision for a housing community that meets the needs of low and moderate income families, the surrounding area must provide opportunities for residents to shop, attend church, get medical help and other services that can be safely reached in walking distance of their homes. That means small businesses must be able to operate profitably. Tourists in the downtown area must be able to shop and explore the area safely, an opportunity for more small businesses. The 3-block area between 26th Street and 29th Street must be home to these businesses.

Predators such as drug dealers and criminals have enjoyed a foothold in this area for years. Only in the last few years has their "business" been disrupted to any degree, due in large part to the personal sacrifice and risk we took to keep *Y'a Bon Village Coffeehouse* on that key corner. Now development is planned to the east and to the west of this 3-block area...leaving a void, an area that will be recognized by predators as *their* opportunity to reestablish a foothold of depravity. Although they are predators, they too are businessmen, and they too will seize an opportunity to build their business if one is presented to them.

Our business will not survive if we are not included in plans for the economic development of the region...if we are not able to build a customer base that includes neighborhood locals, tourists, cruise passengers and downtown visitors. Our business will not survive if an economic climate does not exist that attracts other small businesses to the area and forms a business community that serves the residents and tourists alike.

We did not qualify for loans nor can we afford them after the personal and financial sacrifices we have already made to establish our business in this challenging area. We cannot garner the kind of incentives offered to large developers to build new economic zones in Galveston. Yet business development is desperately needed in this blighted area...an area that shows so much potential. Small businesses in this

area need incentives to establish here; we need access to grants that will enable us to overcome the challenges of a neglected community.

Other challenges abound, a few of which are listed below. None can be overcome without a cooperative working partnership between federal, state and local officials, business owners and citizens. Galveston alone cannot address the problems that residents and business owners face in this area and in many cases, the rest of the city.

- Rising costs of insurances that still leave coverage gaps which threaten any recovery efforts and pose an enormous financial burden on small businesses;
- Need for small business training to help increase chances for business success; topics include business planning and management, tax and insurance issues, record keeping, and marketing;
- Aging drainage systems on the north side that leave businesses vulnerable to flooding even in a moderate rain.
- Insufficient lighting, street trash cans, green spaces, and recreational areas that create a hostile business and residential environment;
- Vacant and dilapidated buildings that attract vagrants and squatters;
- An overall perception that the north side of Broadway (with the exception of the Strand and downtown) is not a good place to live, work or grow a business.

Conclusion

In conclusion, we would like to thank Senator Landrieu and this Committee for the opportunity to address you and to provide input on the critical matters related to our personal recovery from Hurricane Ike as well as the regional recovery challenges that face us. It is our sincere hope that our testimony will be of value to you as you craft plans to aid in the economic recovery of Galveston's small business community. We know that it is the pioneering spirit of the small business owner that builds communities and strengthens our country, and we know it is that spirit that will prevail as we rebuild Galveston. Thank you for your time and for your caring.