2007

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Economic Development Quarterly
http://edq.sagepub.com/

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Economic Development Quarterly 2007 21: 299
DOI: 10.1177/0891242407306355

Permanently Failing Organizations? Small Business Recovery After September 11, 2001

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Small businesses in Lower Manhattan after September 11, 2001, paint a telling portrait of vulnerability after disasters. This qualitative analysis of recovery for small retail and service firms with 50 or fewer employees is based on ethnographic fieldwork, interviews, and documentary research from September 2001 through 2005. A postdisaster emphasis on place-based assistance to firms conflicted with macro-level redevelopment plans for Lower Manhattan. Small business recovery was impeded as aid programs responded to a new sense of urgency, attachment to place, and prestorm conceptions of the neighborhood at the expense of addressing community-wide economic changes accelerated by the disaster. Ingredients for effective programmatic response to the shifting environment and recovery needs of small businesses include (a) long-range planning assistance and relocation options, (b) intelligence on all redevelopment initiatives that affect firms' recovery, and (c) a blend of grants and loans that acknowledges realistic disbursement schedules of private versus public monies.

Keywords: *small business; disasters; September 11; urban development*

Small businesses in Lower Manhattan after September 11, 2001 (9/11), provide a telling portrait of how the most vulnerable in communities experience the worst impact in a disaster.[1] Most were not well capitalized, and the disaster required an outpouring of cash to meet ongoing costs while profits fell off dramatically and immediately. Often uninsured or underinsured, small businesses were subject to rent increases at the whim of speculative landlords, consumed with equity and maximization of disaster aid, and faced with varying degrees of physical damage and social loss. They endured the emotional toll of surviving a disaster, a subsequent economic recession, transient support from various agencies, a changing customer base, construction obstacles, and the sheer uncertainty of how to navigate these challenges.

Disaster recovery frequently revolves around victims' access to capital. The primary remedies aimed at small business stabilization and recovery were grants for lost revenues and loans toward continued operations. Nonprofits throughout New York administered the bulk of this assistance, using a mix of public and private funds to complement or fill the gaps of government aid programs. This article is a qualitative analysis of the business recovery process for a sample of small retail

AUTHOR'S NOTE: The author thanks Phil Clay, Larry Vale, Karl Seidman, Frank Levy, David Stark, Daniel Beunza, Richard Locke, Keith Hampton, Kristina Graff, and her colleagues in MIT's 11.800 doctoral seminar for their helpful comments on earlier versions of this research. She also thanks the editors and reviewers at *Economic Development Quarterly* for their valuable input. She is particularly indebted to her former colleagues and Lower Manhattan businesses and practitioners for their time and input. She is solely responsible for any ommissions or errors. Please direct correspondence to Leigh Taylor Graham, Department of Urban Studies & Planning, Massachusetts Institute of Technology, 77 Massachusetts Avenue, Room 9-569, Cambridge, MA 02139; e-mail: leightg@mit.edu.

ECONOMIC DEVELOPMENT QUARTERLY, Vol. 21 No. 4, November 2007 299-314
DOI: 10.1177/0891242407306355

Conflicting redevelopment policies created a problematic bind for small businesses trying to recover after a disaster. A postdisaster emphasis on place-based assistance was at odds with the macro-level redevelopment plans.

and service firms with 50 or fewer employees, based on data collected from September 2001 through 2005.[2]

My research reveals how conflicting redevelopment policies created a problematic bind for small businesses trying to recover after a disaster. A postdisaster emphasis on place-based assistance was at odds with the macro-level redevelopment plans for Lower Manhattan that operated relatively independently from small business disaster relief. Rebuilding initiatives to speed the transformation of the largest business improvement district (BID) in the country into a 24/7 live-work environment generated a metamorphosis of the downtown population from a primarily commercial one to an increasingly residential one. As businesses accepted grants and low-interest loans to keep their doors open, their long-term customers did not return, slowly replaced by a new population with different consumer preferences.

In 2005, I found that downtown small businesses continued to struggle economically as expected profits failed to transpire, and they shouldered new, unprecedented levels of debt. Significant symbolism had been associated with their reopening, lending a sense of back-to-business normalcy to the community in the uncertainty of postdisaster redevelopment. Yet, the economic recovery policies that tied small businesses to local commercial zones in the hopes of revitalizing the neighborhood ultimately constrained the recovery options of individual proprietors.

This article responds to this conflict of interest prevalent in postdisaster and economic development initiatives. I ask: How do disaster recovery programs integrate both the short-term recovery strategies and long-term planning needs of small businesses with broader community redevelopment objectives?

Using ethnographic data, interviews, and documentary research, this article details the implications for small business recovery when postdisaster initiatives respond to a new sense of urgency, attachment to place, and prestorm conceptions of a neighborhood at the expense of addressing macro-level economic changes spurred on or accelerated by the disaster. I conclude with suggestions on designing recovery programs that

- emphasize long-range decision making, provide planning, and when necessary, offer relocation assistance to meet small businesses' recovery objectives,
- provide intelligence on all community redevelopment initiatives that will affect small business recovery, not just incentives or specific aid programs, and
- acknowledge realistic disbursement schedules of private versus public monies and blend grants and loans from a variety of sources to meet the shifting recovery needs of small businesses over time.

THE LOWER MANHATTAN INITIATIVE

My ethnographic data primarily come from working on the nonprofit Lower Manhattan Initiative (LMI) from September 2001 through January 2004.[3] The LMI raised more than $40 million in public and private funds for a financial and technical assistance program that offered low-cost loans, grants, and free technical assistance (TA) to more than 1,500 small businesses. Program criteria linked financial assistance explicitly to a firm's commitment to remaining downtown.[4] The LMI reached more than 1,500 small businesses throughout New York, with the majority located in Lower Manhattan.[5] Until fall 2003, our offices were located several blocks from Ground Zero. At the time of my departure, I headed a TA team that had worked directly with 307 small business owners.

There was an inherent bias toward economic vulnerability in the LMI; we specifically targeted small businesses least likely to apply for or receive Small Business Administration (SBA) funding, due mainly to poor credit history, weak economic performance, or resistance to seeking government assistance. Furthermore, many TA clients were referrals from our collections or loan departments because they were in default or ineligible for loans, respectively. Both signaled that these businesses were in particularly uncertain financial circumstances, and they were often resistant to TA.

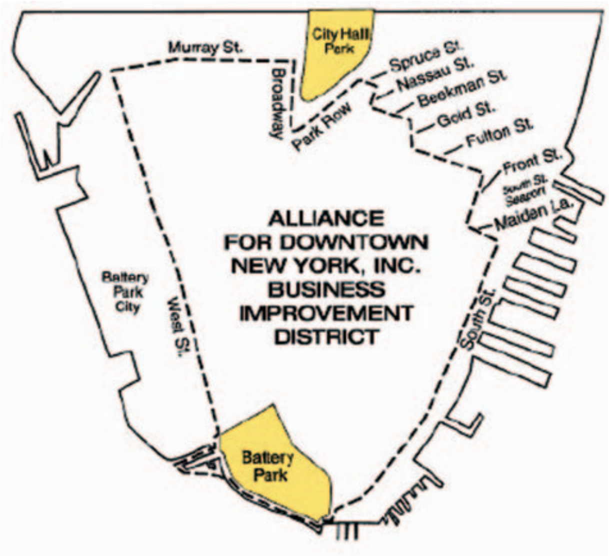

Figure 1 The Alliance for Downtown New York District Map

The LMI received $19 million in lending capital in Community Development Block Grant funds from the Empire State Development Corporation's (ESDC) $50 million World Trade Center Business Recovery Loan Program. These funds made up the bulk of our lending capital; we relied on private funds for grants. With 38% of the overall Business Recovery Loan funding for small business lending, the LMI was often conflated by business owners with government disaster aid programs. Although I distinguish between types of assistance (e.g., loans vs. grants, federal vs. private, our program vs. others) whenever possible, businesses often received a combination of funds from a variety of sources. This influences my qualitative data in that business owners often spoke generally about disaster funding and its effect on their recovery. It is beyond the scope of this article to specify how certain funds from a business's overall incentive package influenced its operations. Rather, I use the LMI as a departure point for a broader analysis of small business recovery within a range of economic redevelopment initiatives.

DATA AND METHODS

I combined interviews and documentary research with ethnographic data for this analysis. I focus on storefront retailers and service firms, who embody the small size and local customer base that often leaves them less likely to recover after disasters (Dahlhamer & Tierney, 1998; Webb, Tierney, & Dahlhamer, 2000). In Lower Manhattan, these firms were the most likely to experience directly the effect of the disappearance of 70,000 jobs (Fuerst, 2005) and more than 110,000 people coming downtown every day (Alliance for Downtown New York, 2003b).[6] To facilitate this research, I confined my follow-up visits in 2005 to within the boundaries of the Alliance for Downtown New York (ADNY), the BID downtown, and our primary partner in the LMI (see Figure 1 for the ADNY's district boundaries).

I used this demarcation for several reasons. First, the boundaries encapsulate City Hall, Ground Zero, and most of the Financial District; this is the epicenter of commercial and redevelopment activity downtown. Second, this is the symbolic and historic capital of the financial, insurance, and real estate (FIRE) sector, to which New York City's economic livelihood and identity are firmly attached. The ongoing decentralization of this sector out of Lower Manhattan was the subject of much concern in redevelopment (Chernick, 2005; Mollenkopf, 2005). Third, the area was transforming from a predominantly commercial neighborhood to a more mixed-use community, with

TABLE 1
Interviews: Redevelopment Practitioners

Organization	Position (Executive, Staff)	Source	Interview Location	Sector	Acronym
Lower Manhattan Initiative	staff, former staff	colleague	phone, e-mail	nonprofit	LMI
NYC Economic Development Corporation	former staff	referral	phone	city	EDC
Empire State Development Corporation	staff	colleague	phone	state	ESDC
NYC City Business Assistance Unit	staff	referral	in-person	city	CBA
NYC Department of Small Business Services	executive	colleague	phone	city	SBS
Lower Manhattan Small Business Center (Seedco)	staff	referral	in-person	city/nonprofit	LMSBC
Alliance for Downtown New York	executive, staff (2)	colleague/referral	in-person	nonprofit (BID)	ADNY
New York Grant Company	executive	referral	phone	private	NYGC
Wall Street Rising	executive	referral	phone	nonprofit	WSR
Lower Manhattan Development Corporation	executive	referral	phone	state	LMDC

TABLE 2
Interviews: Small Businesses

Business	(Nearest) Location	Source	Interview Location	New/Existing	Owner Gender
Deli	Ground Zero	former client	in-person	existing	male
Cobbler	Wall Street	former client	phone	existing	male
Salon	Ground Zero/Broadway	former client	phone	existing	female
Specialty food	Wall Street/NYSE	referral	phone	new	male
Coffeehouse	Fulton Street	former client	in-person (naturalistic)	new	female
Boutique	Water Street	NA	in-person (naturalistic)	new	female
Jeweler	Ground Zero	NA	in-person (naturalistic)	new	male
Camera shop	Ground Zero	former client	in-person (naturalistic)	existing	male
Deli	Hanover Square	NA	in-person (naturalistic)	new	male
Wine store	Wall Street	former client	in-person (naturalistic)	existing	male

substantial building conversions from commercial to residential use. Fourth, the ADNY has been a major partner of the Lower Manhattan Development Corporation (LMDC) in rebuilding downtown.[7] Finally, 59% of the 307 firms that my TA team worked with were in the BID zone.

I conducted naturalistic interviews with small business owners and other practitioners while at the LMI and in six return visits downtown in 2005 as I wandered among stores and observed the physical and social changes in the neighborhood.[8] Also in 2005, I conducted formal, semi-structured interviews with 12 practitioners and 10 proprietors (Tables 1 and 2, respectively).[9] I used convenience and snowball sampling methods to identify interviewees, using referrals from key informants.[10] For comparative purposes, I interviewed a small sample of retailers that opened within the ADNY's boundaries after 9/11. I interviewed the collections officer of my former company working with businesses no longer in operation.[11]

I also used documentary research to trace the trajectory of economic redevelopment since 9/11. I reviewed documents from the LMDC and other primary organizations working with small businesses: ESDC, the ADNY, the NYC Economic Development Corporation (EDC), and the small business advocacy organizations that emerged after 9/11. I used their materials as a source to locate other documents (e.g., commissioned studies) related to the disaster. I looked at media coverage of the LMDC, small businesses, and Lower Manhattan redevelopment, using Lexis-Nexis searches of the Northeast press.

FINANCING DISASTER RECOVERY IN AN EVOLVING URBAN LANDSCAPE

Disasters permanently disrupt communities. Community transition after disasters begs the question of what recovery means and challenges the implication of a return to the status quo.[12] Questions of equity are intrinsic in rebuilding after disasters, from who sets the agenda for recovery and reconstruction to who benefits from those decisions (Vale & Campanella, 2005). Disaster victims try to shape the postdisaster environment to suit their recovery needs, whereas government decision making at multiple levels, from the framing of disasters to investment strategies, influences the effectiveness and direction of a community's recovery. Federal disaster allocations are "deliberately imprecise" (Platt, 1999) and lack objective criteria. Sentimental media coverage of disasters facilitates "wide political discretion" behind funding decisions[13] (Platt, 1999). Lack of transparency and specificity contributes to confusion and debate over uses of funds.

Disasters permanently disrupt communities. Community transition after disasters begs the question of what recovery means.

Communities also face the intrusion of outsiders in the form of relief workers and programs. These initiatives may be designed arbitrarily and reflect a view that victims are part of the problem. "Relief creates dependency," Blaikie, Cannon, Davis, and Wisner (2003) write, by creating unrealistic expectations and long-term dependency on material aid. In particular, research demonstrates that small business recovery is usually long and arduous, with failure typically occurring after an extended period (Alesch & Holly, 2005).

"Show Me the Money": Victimization, Entitlement, and Attachment to Place

On December 26, 2001, New York Governor George Pataki and Assembly Speaker Sheldon Silver announced $700 million in HUD Community Development Block Grant funding for ailing small businesses downtown (Weissenstein, 2001). By February 2002, the first of four area small business advocacy groups, From the Ground Up, organized to protest the distribution of disaster aid.[14] These groups formed over the next 6 months to advocate for change in the government's distribution of the primary grant program, the ESDC's World Trade Center Business Recovery Grant.[15] Loans versus grants, the size of each, the uses of the money, and the cost associated with loans became the primary obsession of small business owners in the recovery efforts in Lower Manhattan. They perceived money, especially grants, as the only solution to their recovery. As late as 2005, a cobbler we funded commented on his struggling operations: "The only thing that can help is money."

Small businesses interpreted a judgment about their importance in the government's recovery priorities based on the availability and structure of disaster funding. "Business owners define themselves by September 11," explained the person at the City's Business Assistance Unit during an interview. They believe that the city was not "sympathetic" to them after 9/11, he added. As the cobbler put it, he got $28,000 in grants "for what?" He explained that he lost his best store in the World Trade Center (WTC) and "all [he] got is $28,000." According to the head of From the Ground Up, a former WTC tenant and LMI client, "After the ones who lost their lives or were injured, the small businesses of ground zero are the most affected group. . . . What we got in comparison to what we lost was nothing" (Collins, 2002).

Business owners' emphasis on disaster aid was emotionally exacerbated by their belief that the federal government was to blame for the terrorist attacks.[16] In one conversation with three owners from the former WTC, they concurred that the government knew about the impending attacks before 9/11 but did nothing (personal communication, fall/winter 2002). In 2005, the owner of a local wine store remarked how the government was responsible for his depressed sales. In press coverage of one of our borrowers, his colleague described him and others as "victims of terrorism . . . [needing] special help" (Hamill, 2002).

. . . owners' "Victimization, Anger, Helplessness" over having "too many hoops to go through for aid."

This victimization was reinforced after 9/11 in applying for disaster aid. In an internal company presentation, I noted owners' "Victimization, Anger, Helplessness" over having "too many hoops to go through for aid." There was also a sense of entitlement of compensation for their suffering (e.g., Aquino & Bradfield, 2000). Owners compared their rewards to those of other owners and those of other victim populations (e.g., residents; Moore, 1991). For example, the owner of a delicatessen proximate to Ground Zero, who received funding from every available source, told me in 2005 that there was inequity in distribution of disaster aid. A disproportionate amount of aid to Chinatown seemed overly generous to him, especially when compared to the aid given to businesses immediately surrounding Ground Zero. He assumed it was politics that drove that decision; probably "[Congressman] Nadler or [Assemblyman] Silver needed their votes."

Loans and inadequate grants often were perceived as insulting financial compensation; businesses argued for additional funding or loan forgiveness.

Loans and inadequate grants often were perceived as insulting financial compensation; businesses argued for additional funding or loan forgiveness. Expectation of repayment in the wake of stagnant, depressed profits inspired irate, emotional defiance on the part of business owners: an optical store owner who staunchly refused to repay his loan, an owner of a failed restaurant who threatened bankruptcy to avoid our invoking his personal guarantee, the aesthetician who cried repeatedly over her failing business after her loan and marketing TA did not increase traffic.

Although this anger was positively harnessed to spur the organization of small business owners around recovery equity, the emphasis on money ultimately detracted from their ability to see the bigger picture of the irreversible changes to the economic landscape after 9/11.[17] Small businesses owners are typically too time- and resource-constrained to engage in political activism, and their competition with one another for the local customer base impedes their ability to organize (Raco, 1997). Businesses had little time and resources after trying to repair day-to-day operations post-9/11. Most were reluctant to invest in TA for strategic planning around recovery monies.

Yet, in multiple studies of more than 6,000 businesses subject to natural disasters nationwide in the 1990s, Webb et al. (2000) found that disaster aid either had a negative or no effect on businesses' ability to recover. Businesses taking on aid (e.g., SBA loans, insurance claims, and occasionally grants) were more adversely affected by the disaster and struggled with new levels of debt from the loans. One possible explanation may be that market forces render the aid inadequate if, for example, a business owner replaces damaged property or inventory only to find all his customers gone (Dahlhamer & Tierney, 1998).

By 2005, although business owners affirmed that funding helped them reopen or stay open, they also acknowledged that funding forced them to continue working. According to the LMI's collections officer working with small businesses in default or closed, those businesses that survived were "fighting to stay alive" by "[putting] everything on the line." The owner of a camera store diagonal from Ground Zero added that he was trying to "hang on" until Building 7 went up (slated for the end of 2005). All the business owners and the practitioners who work with them acknowledged this sense of waiting for business to return—for the cobbler, it is 3 to 4 years; for the deli owner, the construction workers he is waiting for are not arriving fast enough for him.[18] A practitioner at the Lower Manhattan Small Business Center explained, "For businesses to overcome debt [from 9/11 loans], they have to keep growing. Growth is the only solution." At this point, it takes a lot of "moxie" to expand downtown, she said.

A common response among business owners to the terrorist attack was a renewed commitment to Lower Manhattan as a place to do business.

This "moxie" was in abundance immediately after the attacks. A common response among business owners to the terrorist attack was a renewed commitment to Lower Manhattan as a place to do business. The owner of Papoo's, a downtown restaurant, concluded, "Papoo's will reopen because this is my neighborhood. . . . This is my business. This is my life. And no bully landlord, red-tape bureaucracy, indifferent bank, insurance company, or goddamned terrorist will stop me" (Hamill, 2002). The salon owner described her "emotional" commitment to downtown, explaining that "fear" is not in her "agenda" and that if she leaves, "they" succeed. She said the reality of small business life downtown is that people are "resilient," they "keep going and going," and "[they're] here." The deli owner remodeled his store to include framed photos and tributes to the fallen WTC and victims. Two business owners who lost their locations in the WTC said they would go back to Ground Zero if they are still around when the site is rebuilt. A survey of the members of the World Trade Center Tenants Association showed that most group members wanted to see at least one tower of equal or greater height built on the 16 acres. Association head Meyer Feig explained, "It makes the statement that we may have been attacked, but we'll rebuild and come back stronger than ever" ("Ground Zero Decision," 2003). As the practitioner at the Lower Manhattan Small Business Center summarized, businesses want to stay and take advantage of the redevelopment. For many, this was a direct affront to terrorists' attempt to destroy their community.

Yet, by 2005, many business owners expressed regret that they remained downtown. The cobbler said it was his "biggest mistake."[19] The deli owner said he would not advise others to do business downtown. The practitioner at the NYC Department of Small Business Services (SBS) explained that many business owners told her, "If I knew on September 12 what I know now, I would have been out of here." She told me that she has talked within her department about relocation plans for small businesses, but many are now too indebted to leave.

She added that, in hindsight, someone should have been asking "the tough questions" on behalf of small businesses, projecting survival rates, given they have neither the time nor the capacity to do so. Instead, small businesses were subject to a series of mixed messages about their economic sustainability in Lower Manhattan. She explained that the message disseminated post-9/11 was reminiscent of a "group hug," with the city urging businesses to stay, and that businesses put "blood, sweat, and tears" into reopening. The city is in a political bind, she said, given that they know where businesses might be better served but are unable to offer the help or even the suggestion on where else they might go. Although the psychology of eminent domain is never good, she concluded, the resulting opportunity for assisted relocation is a strategy that may have served small business owners more effectively in the wake of 9/11.

"Everyone Wants to Buy a Pair of Chinos": The Lower Manhattan Growth Machine

Opportunity followed 9/11 to speed a residential transformation of Lower Manhattan in process prior to the attacks (ADNY, 2004; Haughwout, 2005).[20] By 2004, Lower Manhattan was the fastest growing residential neighborhood in New York, driven in part by relocation incentives.[21] With a stable economy, booming residential growth, and a diversifying commercial sector, the ADNY described Lower Manhattan recovery as "underway" (*sic*) but "fragile" (ADNY, 2004).[22] Yet, consistently in my interviews and conversations in 2005, rising rents and the growing residential population were cited as the primary obstacles to small business recovery downtown. In 2002, a sample of 20% of the ADNY's retail population demonstrated that average revenues were down 42%, mainly because of the decrease in the commercial workforce (ADNY, 2002). By 2003, 55% of survey respondents had lower revenues than 1 year prior, and the percentage of those "very likely" to renew their leases in Lower Manhattan had dipped from 51% to 39%. Furthermore, 42% said disaster funding influenced their decision to remain downtown; almost all recipients had used these funds to cover ongoing costs, such as rent, salaries, and utilities. Retailers also continued to see a decline in business customers but noticed an increase in residential customers (ADNY, 2003a). The cobbler, struggling to make ends meet at his shop down the street from the New York Stock Exchange, believed "it [would] be 3 to 4 years before business comes back, as the residents get settled."

A cohesive community base is critical to defining a successful small business mix (Lanaido, 2005). The growing residential population after 9/11, especially young professionals in the FIRE sector, expressed dissatisfaction with existing retail; a shift in the retail mix ensued (ADNY, 2004). By 2005, a lack of grocery stores remained a major concern, but new retail in the form of gourmet markets, boutiques, and coffee houses was sprouting up. The ADNY cited these "smaller, high-quality" retailers as a positive addition to the neighborhood to fill unmet demand (ADNY, 2004). An employee in and resident of Lower Manhattan for the past 7 years told me that the growing residential population was "woefully underserved." With "anchors and small, funkier shops we could really get things going," she said.

Small business owners used to a commercial clientele felt different. A liquor store one block south of Wall Street said his customer base had shifted from corporate clients to local residents, mainly students from the local universities who were attracted to the rental incentives offered in the first few years after 9/11. He explained he had to shift his product mix to lower priced wines to attract this market and was no longer able to rely on corporate accounts as corporations tightened their budgets. As I left his store, I watched three young women of college age drop luggage out a window of a high-rise, packing a car idling in the street. A salon owner explained that the new population downtown was younger and, therefore, was willing to accept lower wages. The LMI's collections officer agreed that the conversion of commercial to residential properties was having an effect on local retailers.

Interviews with new businesses downtown confirm the shift of the retail market there. New businesses in 2003 were attracted by incentives and positive expectations of the future (see Fuerst, 2005). Conversations with employees at a new branch of a popular Hell's Kitchen home boutique as well as a new upscale jeweler confirmed that although business was slow, expectations were for growth and increased hours in the future to cater to the buildings being converted in the neighborhood. A new deli in Hanover Square was one of the few open 7 days a week. A coffee house on Maiden Lane was started by a local resident who felt the neighborhood was lacking quality independent coffee shops. Since she opened in 2003, she had expanded her menu, hosted evening events, and begun selling art displayed in the store. An employee at the ADNY mentioned that a Starbucks Coffeehouse recently opened on weekends, and Sunday became its busiest day. Wall Street Rising and the Downtown Alliance both pointed out new specialty food retailers in the neighborhood that were doing well. An interview with the CEO of an upscale specialty food shop spoke of being drawn to Lower Manhattan by the incentives but discovering a quiet community without the "attitude" of Midtown but with the "dynamism" of being redeveloped. He also believed his firm had had a positive effect on the street, spurring the opening of a "nice" bar next door. He saw the "low-end" stores "up on Broadway" closing and expected that more stores "like [his]" will be opening slowly.

Small businesses downtown, old and new, were vulnerable to hedging of landlords for alternative, more upscale tenants. For example, a new proprietor expressed difficulty with his landlord, describing him as a "two-headed dragon," who showed the space even though this owner has a lease to the property. A practitioner at SBS says her businesses are experiencing rents "through the roof," sometimes three times as high when leases come up for renewal. My TA team saw at least one third of our TA clients struggle with landlord-tenant issues, mainly renegotiating long-term leases at affordable rates. In contrast, the deli owner credited his landlord as his "saving grace," offering him an affordable rent because he did not want to give up his location.

But by 2005, small businesses had lost many of their former advocates. The sentiment of a new proprietor revealed the disappointment in government incentives available downtown. He had yet to receive any of those promised to him since he opened in 2003 and added that he has "no one to go to for help" downtown. The "treatment is just unbelievable," he said. He had been petitioning the city for more than 6 months to have the street cleaned, and deliveries have not been made because suppliers cannot access his street. Of fighting for incentives, he lamented, "No one wants to hear it." As interviewees from the ADNY and SBS put it, sympathy for the effect of 9/11 on small businesses had subsided by 2005. "Even the media is bored of the story," one owner confirmed.

Media coverage of small businesses dropped off dramatically after 2002. By August 2002, the ESDC had redefined its Business Recovery Grant program eligibility in response to the publicized advocacy of the small business associations. But the combination of this achievement, followed shortly by the expiration of the program (on December 31, 2002), called into question the ongoing existence of some of these organizations. From the Ground Up pledged to continue lobbying government on behalf of small businesses on issues such as taxing grants or becoming eligible for other programs. But membership began to wane, as business owners burned out from their individual battles with landlords and insurers and the daily necessities of running a business took over. In 2005, a deli owner explained that From the Ground Up had not met since October 2004. He observed, "There used to be 100 people at the meetings, then it was 50, now we don't meet anymore."[23]

Although city agencies that existed to serve small businesses prior to 9/11 continued to work with them, a source from one of these agencies said that despite the city's Lower Manhattan Task Force, she is the only "voice" of small businesses. In addition, although the city officially appoints half the board of directors for the LMDC, the LMDC is ultimately a state entity that collaborates with city and state agencies "as needed." According to a vice president at the LMDC, the ESDC, EDC, and ADNY are their primary partners on the ground working with small businesses, acting as "mechanisms" for the LMDC at the city and state levels. Although the LMDC has a Restaurant, Retailers and Small Business Advisory Council, it had not met since 2002, and its members were mainly anchor tenants, "destination retailers" (e.g., J&R Music World, Century 21), or prominent restaurants in the upscale neighborhood of Tribeca. Although this person said the LMDC "always reaches out to [the advisory councils] when events are coming up," this council did not represent many of the mom-and-pop shops that risk becoming "permanently failing organizations" from their indebtedness amid the long-term effects of the disaster (K. J. Tierney, personal communication, March 2005).

In interviews with multiple staff at the ADNY, the BID acknowledged that its primary constituency is the larger commercial tenants in the community from whom they collect fees to provide services to the neighborhood. Its interest in small businesses, especially local retailers, is tertiary to their primary objectives of creating a clean and safe "live-work" community (ADNY, 2004). However, until May 2004, the ADNY had on staff at least one employee dedicated solely to working with local businesses through the LMI, and businesses came to rely on this individual for information and assistance. As one new business owner in Lower Manhattan put it, he "loved" this person—she was a "great ally," but now she was gone and the ADNY "doesn't pay attention" to the needs of local small businesses. An executive responsible for economic development at the ADNY confirmed this impression by describing retailers as "disorganized" with unattractive stores that don't offer the products and services desired by the changing population downtown. "Everyone wants to buy a pair of chinos," she explained in reference to the lack of better known retailers and gaps in the marketplace downtown.

The ADNY, despite its sentiment that older retailers are not exiting quickly enough, was an unintentional ally of these businesses in its efforts to conserve the commercial core of Lower Manhattan, via an incentives package in the works for commercial tenants. Nonetheless, a former EDC employee explained that local retailers have been ignored in Lower Manhattan redevelopment and that they are at the bottom of or removed from the roster of official rebuilding programs. The LMDC is at the helm of the "growth machine" (Logan & Molotch, 1987) driving the redevelopment activity in Lower Manhattan since 9/11. A top-down approach to development in Lower Manhattan, spearheaded by the LMDC, leaves small businesses subject to the outcomes of policy approaches that celebrate development as the ultimate panacea for every downtown inhabitant. In an interview with a vice president at the LMDC, he said that the LMDC is working to make Lower Manhattan "diverse" and "[friendlier] to residents, workforce, and companies." With all the development, more residents and visitors will follow, and that will increase the "community bottom line," he explained. He expected this to bring new retail downtown and wondered whether existing retailers will see opportunity with the growing residential population. He said it is the role of the LMDC to partner with city and state agencies to engage in "major capital projects."

The comments from this representative of the LMDC demonstrate what K. J. Tierney (personal communication, March 2005) describes as typical postdisaster recovery, a "systematically managed recovery process to which [small businesses] were not well connected," concurrent with "money flying in every direction." As businesses expect to be made "whole again," recovery practitioners wonder why these firms cannot adjust to the evolving economic climate by making changes in their businesses. The practitioner at the SBS explains, "There's an implicit assumption by many agencies . . . why can't retailers take advantage of the new . . . population?" The executive at Wall Street Rising, one of the small business associations, said that businesses must now be "on the ball" and target new customers, that the retail market is "unforgiving" this way. He believes the current process of neighborhood renewal will strengthen the retail sector over time. As representatives at the ADNY explained, businesses are failing now because they are not keeping pace with the new economic environment. The former EDC employee hoped that existing businesses will adapt and will "get with the program." "If there isn't the will to make those changes, then the market will decide for [them]," she concludes. However, she recommended that "small business development" be undertaken in parallel with other development activity, describing small businesses as "amenities" to the new residential population (e.g., Lanaido, 2005).

As businesses expect to be made "whole again," recovery practitioners wonder why these firms cannot adjust to the evolving economic climate by making changes in their businesses. . . . A primary challenge for small business owners since 9/11 has been to respond to the changing economic environment.

PLANNING FOR SMALL BUSINESS RECOVERY

A primary challenge for small business owners since 9/11 has been to respond to the changing economic environment in Lower Manhattan, especially with 9/11 following on the heels of the boom of the late 1990s. Many business owners were older and in business for 10 to 20 years downtown.[24] Many were loathe to change their business model in any way. Some evolved, such as a small newsstand one block north of the WTC site and the deli adjacent to the site, offering new products or hours to appeal to the new or growing populations of construction workers, tourists, and residents. Others, for example, a camera shop one block up from the site, described needing to wait for their old customer base to return. But these decisions were not strictly economic considerations. Instead, akin to the decision to stay open to contest the terrorist attacks, the concept of how to adapt business to a changing economic environment was also infused with sociopsychological and value-laden meaning. Returning to “business as usual” was an emotionally fraught decision for business owners—victims and survivors of the attacks—and oriented toward minimizing the psychological trauma of surviving in the shadow of the terrorist disaster. For small business owners in Lower Manhattan, getting up, going to work, and trying to make ends meet during the subsequent economic recession was the most they could manage. In addition, believing that the corporate workforce customer base would eventually return offered psychological distance from the reality that 9/11 had irrevocably altered the economic landscape of Lower Manhattan (Beunza & Stark, 2005), a reality that now threatens the survival of these small businesses.

Should I Stay or Should I Go? Presenting Information and Options

One recovery response to disasters is to pursue short-term objectives at the expense of long-term strategy. Short-term solutions are typically enacted to minimize uncertainty, to create a back-to-business mentality that enables individuals to cope with the immediate uncertainty of working in a devastated zone. (Indeed, it is not uncommon for localities to propagate a back-to-business “narrative” as a marketing tool.[25]) Yet, this clouds victims’ ability to consider the future. Instead, individuals are “‘on cruise to normality’ in the hope of bringing about that very outcome” (Beunza & Stark, 2005, p. 314).

Risk is inherent in pursuing short-term solutions in the hope that they will gel with long-term realities. Many small business owners, dependent on the return of foot traffic to Lower Manhattan, based their business decisions on the publicized rebuilding deadlines of the 16 acres at Ground Zero and surrounding downtown communities. Yet the larger rebuilding process is one rife with delays, politicking, and revisions; public announcements do not necessarily reflect private decision making. Businesses often overlooked the daily realities of operating in Lower Manhattan in the short-term hope that they could hold on, for example, until Building 7 went up.

Disaster recovery practitioners must design aid policies that address both short- and long-term needs.

Disaster recovery practitioners must design aid policies that address both short- and long-term needs. This is difficult to achieve when program eligibility is tied to location in the disaster zone. Businesses eligible for funding from the LMI were required to remain in their place of business for a minimum of 1 year or repay their grants and loans prior to maturity. Tying aid to place, although politically appropriate, trapped many business owners in a neighborhood that no longer wanted or had a use for them. The implications of disaster funding after 9/11 are still emerging. But many proprietors took on loans and grants that enabled them to stay open, only to find that business never recovered. Instead, they lingered on for a new downtown population to which they no longer catered, surviving only by great personal and financial leverage. Prospects for ongoing survival and imminent failure equally relied on staying open. They were unnecessarily financially marginalized because disaster funding could have been provided for relocation in addition to retention. Receiving funding to relocate relieves victimized small businesses of some of the emotional and economic trauma of continuing operations after a disaster. This is not an effort to evict small business owners akin to eminent domain and urban renewal policies but rather an expansion of the viability options for small firms seeking to recover from disasters.

It is unrealistic to expect business owners to pause for reflection on how to respond to an unknown future in the immediate aftermath of a disaster when there are bills to pay, facades to repair, and employees to compensate, comfort, or lay off. As highlighted by the salon owner who missed out on the utility incentives, a common need of small business owners and disaster victims overall is correct or up-to-date information in the ever-changing landscape of disaster recovery. As I saw in publishing a small business resource guide, reliable information is a critical gap for small businesses trying to make sound decisions about their recovery options. Yet this information must not be pared down to focus only on incentives and client-specific programs. Intelligence gathering must include ongoing information on the broader planning and redevelopment initiatives of disaster-stricken areas. Demonstrated by the practitioner at the Lower Manhattan Small Business Center who was managing businesses' expectations about the impending Fulton Street Transit Center development, the end of many funding programs led to greatly enhanced information dissemination that became the key service provision for small businesses attempting to evolve with downtown redevelopment.

Relocation alternatives are a necessary piece of an aid package that includes up-to-date, comprehensive information and short- and long-term planning assistance, in addition to financing for small businesses. As this article demonstrates, many local proprietors were committed to remaining downtown, only later feeling trapped there by disaster funding. Presenting retention and relocation options together encourages business owners to make more informed decisions about the future.

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Considering Sources and Uses of Funds in Recovery Planning

There are also timing and funding source issues in the disbursement of loans versus grants after a disaster. Although most grantmaking commenced shortly after 9/11, the source of funds affected disbursement schedules. Programs like the LMI designed funding to fill the gaps in or complement government programs, especially the SBA's Economic Injury Disaster Loan Program and the ESDC's Business Recovery Grant and Business Recovery Loan Programs. The ESDC's Business Recovery Grant Program offered more than $500 million in cash grants as compensation for lost revenue due to business interruption. Yet, although the program formally operated until December 31, 2002, it was revised through 2003, and more than 2,000 business owners did not receive grants until September of that year, in part because of disbursement stoppages from last-minute unprecedented demand (Fried, 2003). By the time many proprietors received their money, they had used personal funds to keep their businesses afloat or deliberately held off making overdue payments to landlords and suppliers as they waited for the grants to come through as promised. Inevitably, grants from the ESDC and supplemental private programs like the LMI were partial reimbursements for economic losses that business owners financed themselves. In contrast, $250 million in emergency discretionary charitable giving to businesses and victims concluded by March 2002 (Chen, 2002).

ESDC and EDC representatives explained designing a disaster aid program for the "moving target" of small businesses downtown as decision making in "a time of crisis." The agencies are not in a position for "credit-scoring" or to conduct "forensics." Instead, they sought to distribute grants in an "egalitarian" way to avoid "bureaucrats deciding who deserves what." Programs needed to be "self-executing," these representatives explained. Grants are politically popular and encourage the "moral claim" of disaster victims (Platt, 1999), especially in the wake of a terrorist attack. But given the difficulty in disbursing grants effectively and sufficiently through the limited and imprecise bureaucratic mechanism that is federal disaster aid, this grant making in its current form is an ineffective and distracting disaster response, delaying business owners from making necessary decisions about continuing operations in an altered economic environment.

Grant making has important implications for the more complicated federally subsidized yet market-driven mechanism of disaster lending. Conversations with the ESDC and the LMI reveal that the farther out from the disaster lending commenced, the better prepared were businesses for taking on debt. The ESDC official explained in an interview that its relatively low losses (using the LMI's 2.6% write-off of its loan portfolio and 10% default rate as proxy for the overall ESDC portfolio) revealed that business owners were a "self-selecting group of borrowers who took seriously the task of taking on debt." Within the first year of the LMI, we made working capital loans without asking for justification or plans for their use. Urgent efforts like this, rather than more deliberative planning on behalf of our small business clients, compromised their ability to use loan funds effectively. Many used loan proceeds to cover outstanding costs rather than investing in future growth. As the LMI matured, we required business owners to accompany requests for loans with sources and uses for the funds. Furthermore, as we built out our TA program beginning in 2002, testing short one-on-one and extended-team delivery models for grant recipients, loan applicants, and borrowers, my team learned the degree of investment involved in engaging business owners in long-term planning and deliberative decision making. In addition to insight gained from individual successes generated from a high-touch model, we realized the overall necessity of intensive TA to support vulnerable businesses in crisis mode unfamiliar with debt financing. Conversations with the ESDC showed that it did not deal with as many "disgruntled beneficiaries" as expected, explaining that local nonprofit lenders effectively managed these populations. One of the principles of recovery is to decentralize decision making about recovery strategies (Blaikie et al., 2003). The success of the Business Recovery Loan illustrates the benefits of allowing ground-level practitioners to make disbursement decisions versus the higher level decision making that fueled government grant making.

Providing government grants to small businesses is rife with problems. Many of the borrowers in the LMI had never taken on debt before, annually reported losses to avoid paying taxes (as is the tradition with small businesses), and kept shabby records (bags of receipts were delivered to our loan officers on several occasions). Monitoring investments is incredibly different in the nonprofit and public sectors; government and nonprofit agencies are historically too resource-constrained. Had the money been free, there would have been less incentive on the part of the small business owners to invest it wisely and even fewer resources (via no interest payments) for the minimal loan monitoring that occurred. The evidence we saw of how much personal finance they were willing to pour into their businesses indicates that small businesses, via a combination of rapidly deployed charitable grants and personal investments, may have weathered the immediate after-effects of 9/11 while more long-range lending programs were put together.[26] For many firms, business rebounded within the first 2 years of the disaster, only to fall again in the last 2. The owner of a wine store a block south of Wall Street is not alone in explaining that 2003 was his worst year ever.

CONCLUSION

There is a lack of coverage of the experience of small businesses in the disaster literature (Tierney, 1997). This ethnographic research attempts to link the few large randomized surveys conducted on small business recovery after natural disasters in the United States (Dahlhamer & Tierney, 1998; Tierney, 1997; Webb et al., 2000) with the analysis of rebuilding New York's communities after 9/11 (Foner, 2005; Sorkin & Zukin, 2002). It specifically examines the challenges to a demonstrably vulnerable sample of the population of small firms in Lower Manhattan. It is limited by a lack of quantitative analysis of 9/11-related disaster aid, lack of consideration of individual characteristics of small business owners, and its reliance on the feedback of a small nonrandom group of local retailers and redevelopment practitioners. However, my intensive level of involvement working with this community for 2½ years after the disaster provides insight to support the major themes about challenges to small business recovery after a disaster.

Small local, resource-constrained firms will face a conflict between chasing place-based disaster aid and engaging in deliberative decision making about continuing operations in a highly uncertain, permanently altered economic landscape.

Small local, resource-constrained firms will face a conflict between chasing place-based disaster aid and engaging in deliberative decision making about continuing operations in a highly uncertain, permanently altered economic landscape. The challenges to small businesses in normal operating environments are exacerbated by a disaster. Small businesses are known for not being politically active, and the concept of recovery misleadingly implies a return to the status quo. Local governments will juggle the conflicting objectives of encouraging their small business communities to return to "business as usual" as they pursue policies that forever alter the prior economic environment. The redevelopment elite's focus on development as beneficial to the entire community further undermines the opportunities for recovery for small firms that cater to a customer base that changes irrevocably with redevelopment. Finally, disaster recovery for small businesses, if possible, takes years. The emphasis on retention and the urgency of disbursing disaster aid is incompatible with this reality and weakens the recovery options of small businesses by postponing or arbitrarily influencing their decisions about ongoing operations.

This research encourages study on the outcomes of disaster aid, that is, loans and grants distributed at federal and local levels by public, private, and nonprofit sector practitioners. There is a significant gap in the literature on the effectiveness of SBA disaster lending and a critical opportunity for rigorous analysis of the billions of public and private dollars that poured into Lower Manhattan after 9/11. The RAND Institute for Civil Justice, in its study of compensation following 9/11, asks to what extent government programs should seek to restore economic activity in disaster-stricken communities to predisaster levels (Dixon & Stern, 2004). Disaster researchers should take this a step further and challenge the subjectivity of disaster relief by suggesting appropriate sources and uses of funding for various victim populations after a disaster.

More research should seek to bridge the sociopsychological effect of disaster with victims' opportunities for economic recovery. Disaster research relies on models of resource access, sociopolitical ecology, open systems, and social capital to predict how victims will recover (e.g., Alesch & Holly, 2005; Blaikie et al., 2003; Pelling, 2003). Beunza and Stark (2005) link the sociopsychological literature with disaster recovery for individuals, and urban sociology incorporates identity and attachment to place in its analysis of urban development (e.g., Lanaido, 2005; Logan & Molotch, 1987). The disaster literature should make greater use of sociopsychological theories of sense making and place identification and attachment to interpret how victims make choices in evolving sociopolitical environments in which they have limited resources and networks.

Finally, substantial work is needed on small business disaster recovery beyond existing large surveys. Small businesses are a uniquely marginal population in communities. Although they have a vulnerability profile similar to poor households, different attachment to place (based on their dependence on local customers), different access to recovery resources (based on disaster relief design), and different opportunities for political activism offer them distinct choices about rebuilding in an altered environment. This victim population is significantly underrepresented in the literature, preventing informed decision making about how to best support them after disasters.

NOTES

1. Lower Manhattan here is defined as the area of New York City below Canal Street.

2. An estimated 14,000 small businesses with 50 or fewer employees south of Canal Street were affected by the terrorist attacks (Seessel, 2003). The U.S. Small Business Administration defines small businesses as those with 500 or fewer employees; most recovery agencies downtown used definitions of smaller size than this.

3. I worked for a nonprofit community economic development intermediary and community development financial institution headquartered in New York City. The Lower Manhattan Initiative (LMI) is a pseudonym for our Lower Manhattan small business disaster recovery program, launched in response to the terrorist attacks of September 11, 2001.

4. Firms were required to remain in Lower Manhattan for at least 1 year to access technical and financial assistance. Grants became recoverable if businesses moved out of Lower Manhattan.

5. The Lower Manhattan Initiative offered financial and technical assistance to businesses throughout New York City, tying eligibility for grants, loans, and/or technical assistance to a tier system based on proximity to Ground Zero. The bulk of our assistance packages were to businesses below Canal Street.

6. The New York City Partnership and Chamber of Commerce (2001) estimated that one job in the financial, insurance, and real estate (FIRE) sector supported two jobs in other economic sectors, such as restaurants and business services.

7. Lower Manhattan is the fourth largest Central Business District in the United States (see http://hsc.house.gov/files/TestimonyPryor.pdf).

8. The naturalistic paradigm emphasizes the primacy of context, the researcher, a natural setting, and reliance on grounded theory in data collection. That is, the researcher strives for "deep understanding and explication of social phenomena as they are observed in their own contexts." From the "thick description of one set of interrelationships in one social context" emerge hypotheses "that can direct inquiry in another" (Erlandson, Harris, Skipper, & Allen, 1993, p. 16). This

paradigm illustrates my data's deriving in part from my role as an LMI practitioner engaging with technical assistance (TA) clients and then using that prior history to guide my follow-up inquiries as a visitor and former practitioner in Lower Manhattan in 2005. For an in-depth treatment of the naturalistic paradigm, see Erlandson et al. (1993); for ethnography, see Van Maanen (1988). I must note that the length of time that has passed since I was an employee in Lower Manhattan is an important limitation to my ethnographic work. During my research, I frequently revisited my field notes I developed as a practitioner (e.g., written records such as internal memos, donor reports, funding proposals, e-mails, client databases, newsletters, case studies, presentations, correspondence with field staff, and budget and operational documents). I returned to Lower Manhattan six times from January to August 2005 to conduct interviews and follow-up observations on the changes to the community in the past 20 months. Each visit lasted 1 to 4 days.

9. One individual represents two agencies in this list.

10. My initial inquiries with former colleagues at my company and its affiliates led me to practitioners at other rebuilding agencies. I also approached owners with whom I had a prior relationship and followed up on referrals from these agencies.

11. None of the businesses in collections would speak with me directly.

12. There are four terms to describe the phases of the disaster management cycle: mitigation, preparedness, response, and recovery (see http://www.gdrc.org/uem/disasters/1-dm_cycle.html).

13. In 1992, disaster relief was officially reclassified as an entitlement program. Community Development Block Grant funds used as disaster aid—as was the case with U.S. Housing & Urban Development money for small businesses—are especially difficult to track (Platt, 1999).

14. From the Ground Up grew from an initial coalition of 12 proprietors to more than 600 members at its peak.

15. For more information on the efforts of small business groups (From the Ground Up, the World Trade Center Tenants Association, Wall Street Rising, and Tribeca Organization), see Fickenscher (2002a, 2002b), Fried (2002), Hamill (2002), and Morley (2002).

16. For more on the “subjective status” of money, see Zelizer (1989).

17. For more information on how emotions played a role in group mobilization and action after 9/11, see Bartel (2002).

18. The deli owner remarked that he pays $12,500 per month in rent and makes $3,000 to $3,500 per week, implying that he is likely not covering his operating costs.

19. This cobbler had two businesses in operation prior to 9/11 and used our loan to open a third branch to replace one lost in the WTC. He has more than $200,000 in personal debt in the businesses and is in the process of closing one of the branches. “There are no more funds left to help,” he remarks. In addition to decreased foot traffic, this business owner is squeezed by rent increases. In our conversation, he explained that he prefers to “work to live” versus having to live to work as he's doing now.

20. In 2005, proposed and current activity was under way to increase the housing stock by 38%, which would increase the number of housing units by almost 26,000. In the 3 years since 2001, two thirds of residential units came from converted commercial buildings, although new units grew and finally outpaced conversions in 2004 (ADNY, 2004).

21. For example, Liberty Bonds were one such incentive. Liberty Bonds are federal “low-cost, tax-exempt private activity bonds” made available to New York to support the Lower Manhattan rebuilding effort. The Liberty Zone is the area of Manhattan south of Canal Street, East Broadway, and Grand Street (see http://www.newyorkbiz.com/WorldTradeCenter/GrantsInfo/LibertyBondProgramAnswers.html).

22. Commercial leasing activity in 2004 was centered on small boutique firms and nonprofits, driven by the federally funded Small Firm Attraction and Retention Grant incentive program (ADNY, 2004).

23. This was not always the case. In 2003, the owner of a small newsstand one block north of Ground Zero told me that many small business owners felt that since 9/11, they were finally getting to know their neighbors. Beginning with evacuation on the morning of 9/11, through the slow process of clean-up and recovery, owners began to look out for one another and to communicate and visit with one another. As the owner explained, suddenly, she knew her neighbors on either side and up and down the block. During that time, I would get calls seeking help from particular TA consultants that small business owners were referring to one another. This emerging cohesiveness represented bridging capital, a form of social capital that forms over short-term periods but often weakens or disappears over the longer term as resources become accessible and networks revert to predisaster structures. This bridging capital assists victim populations who often need to negotiate en masse for their recovery after disasters. Yet its dissolution undermines a community's longer term “adaptive potential” (Pelling, 2003, p. 60). Although the four small business advocacy organizations represented bounded solidarity among owners, only organizations with broader missions survived over the long term by eventually evolving in different directions from their original missions. For example, the World Trade Center Tenants Association (WTCTA) merged with the Downtown Business Network, a networking organization focused on procurement from downtown small businesses. Wall Street Rising (WSR), with its diverse membership of corporations, small business owners, and residents, continues to thrive today as a nonprofit “dedicated to restoring the vibrancy and vitality that existed in Lower Manhattan prior to the devastating events of September 11, 2001” (see http://www.wallstreetrising.org/about.htm). According to an executive at WSR, the founder's vision was of “uniting the community in the most comprehensive way,” a “very inclusive” effort to link “different strands of Lower Manhattan.” He explained that their greatest organizational regret was not launching prior to 9/11. The founders of the WTCTA and WSR sit on boards or councils of the Lower Manhattan Development Corporation.

24. My random sample of impact statements that 25 small businesses submitted to the Lower Manhattan Initiative as part of their applications revealed an average business tenure of 21 years; the Alliance for Downtown New York found in its 2002 retail survey that almost half of surveyed businesses were in operation at least 10 years.

25. Please see Vale and Campanella (2005) for an expanded discussion of the use of “narratives of resilience” after disasters.

26. For example, 9/11 United Services Group, the umbrella organization coordinating the bulk of charitable grant making after 9/11, stopped accepting donations in early 2002 (Chen, 2002). Ongoing charitable grant making for 1 year after the disaster may have been more appropriate as federal and nonprofit partners were designing loan programs for those ineligible for Small Business Administration funding.

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