
April 5, 2006

Patchy Recovery in New Orleans

By [GARY RIVLIN](#)

NEW ORLEANS — Anyone looking for a potent symbol of the battered state of the economy here seven months after Hurricane Katrina might stop by the offices of Don Hutchinson, the city's economic development director. People seeking assistance from Mr. Hutchinson's agency are greeted by a pair of revolving doors that have been sheathed in plywood and shut since shortly after the storm struck at the end of August. Visitors must enter through a side door.

There are any number of signs signaling a steady but unsure recovery in New Orleans, from a vibrant nightlife in pockets of town to census estimates that suggest that the city is repopulating at a much faster pace than predicted a few months ago.

Yet those signs of optimism only bring into sharp relief the alarmingly sluggish pace at which the city's economy is recovering. By Mr. Hutchinson's count, fewer than one in 10 businesses has reopened its doors since a surge of water buried four-fifths of the city. By comparison, New Orleans officials estimate that 40 percent of the residents have returned home.

Before Katrina struck, New Orleans was home to 22,000 businesses, the vast majority of them small establishments with 99 or fewer employees. Today, barely 2,000 of those have reopened.

"The recovery in New Orleans is going more slowly than we had hoped," said David Wyss, the chief economist at Standard & Poor's, which grades the financial health of municipalities. "We look at the numbers from Mississippi and Alabama and see what we expect to see: a lot of people hurting, but lots of rebuilding activity to the point where I would describe the economies there as strong." By contrast, Mr. Wyss said, "there's far less activity in New Orleans than you would expect six or so months after a hurricane."

Most of the businesses that have resumed operations fall into one of two categories: restaurants (29 percent of the food establishments operating in the city before Katrina have reopened, according to the city) and large companies with the economic means to fix up their facilities and cover the extra costs of doing business in an area that is functioning but disabled.

"Small businesses don't have the large cash reserves like the big guys do," Mr. Hutchinson said.

A lack of working capital, though, is only one potential hurdle confronting a small business here. Another is a lack of customers.

Ruston Henry, for instance, the younger half of a father-son team that ran the H & W drugstore in the Lower Ninth Ward, figures that they need to borrow more than half a million dollars before they are able to reopen.

But money, Mr. Henry said, is not their main concern. The Lower Ninth Ward, still without drinkable water or gas, is an unpopulated swath of town that has lain in ruins since the levees were overwhelmed, drowning the area.

"We were a neighborhood pharmacy," Mr. Henry, 44, said. "And what's a neighborhood pharmacy without a neighborhood?" They have applied for a Small Business Administration loan to gut, refurbish and restock a store that Mr. Henry described as having been destroyed by the flooding. (Flood insurance, he said, would cover only a small part of their losses.)

But they are in no rush, Mr. Henry said, to reopen this storefront, which his father and a partner established in 1963.

Thousands of business owners are apparently confronting the same sorts of issues. There is no reason to reopen a shuttered auto repair shop in the Ninth Ward or New Orleans East, an area north and east of downtown where a majority of the city's black professionals lived before Katrina, when most of the cars one sees in these devastated communities are abandoned vehicles destroyed by the storm.

A tour of the ravaged eastern half of the city shows mile after mile of abandoned businesses and vacant malls. It does not seem to make a difference whether a business is part of a chain, like a [McDonald's](#) or a [Rite Aid](#), or a big-box retailer like Toys "R" Us, or simply a mom-and-pop dry cleaner or boutique store. All sit unoccupied — forlorn, damaged reminders of how far New Orleans must go to recover from what many describe as the worst natural disaster in modern American history.

In the meantime, Mr. Henry and his wife, Kim, a self-employed environmental engineer, are living with their two teenage children in Jackson, Miss., where Mr. Henry found work as a pharmacist with [Wal-Mart](#). The couple, who lived in the Lower Ninth before the storm, also lost their home.

Virgil Robinson Jr., the chief executive of Dryades Savings, a black-owned bank based in New Orleans, said, "You would think we would be making lots of commercial loans to business damaged by the storm, but so far we're not." Businesses, like homeowners, Mr. Robinson said, are putting off making big decisions until federal authorities publish new flood maps, which will provide critical guidance for rebuilding.

They are also seeking "a clearer sense of which communities will be coming back when," Mr. Robinson

said, before seeking money to rebuild.

"There's so much uncertainty that basically most of our customers are taking a wait-and-see attitude," he said.

A lack of housing is proving another roadblock for even the most well-intentioned businesses, as is the lack of essential services. Dryades's crosstown rival, [Liberty Bank](#) and Trust, one of the country's largest black-owned banks, was situated in a six-story glass tower in New Orleans East before Katrina struck. It invested the money required for its head office to be ready again for occupancy by January, yet two more months would pass before [BellSouth](#) could re-establish phone service and Internet access in a part of town covered by six feet or more of water.

"We basically need to rebuild the entire telecommunications infrastructure in the eastern half of the city," said Merlin Villar, BellSouth's director in the area. Pockets, though only pockets, of New Orleans East have phone service, Mr. Villar said, and BellSouth is in the process of replacing switching stations and trunk lines destroyed by flooding.

Liberty reopened its headquarters in late March, though the building that was once occupied by some 75 employees now has perhaps 15 workers.

"Housing is still a big issue," said Alden J. McDonald Jr., the bank's chief executive. "We can only move back employees who have been able to find a place to live back in New Orleans." The majority of Liberty's employees, including Mr. McDonald, are working out of a temporary beachhead that the bank established in Baton Rouge shortly after the storm, 80 miles to the north and west.

"My feeling is we're only at the beginning of the Katrina curve," said Ken Murray, an entrepreneur who has founded two companies in New Orleans. "I think another year or two will pass before we fully understand how big a chunk of activity was taken out of the city's economy."

That is a phenomenon, however, that Mr. Murray will be observing from afar. Shortly after the storm, he moved his two businesses — one a 50-person sales and marketing firm called Parker, Murray & Associates, founded in 1990, and the other a software start-up, VanillaSoft, that employed 16 people before the storm — to Dallas. That affects other businesses because he relied heavily on local merchants for supplies and services, but he said he felt that he had no choice but to leave town.

Mr. Murray cited both a lack of housing and the uncertainty of the business climate for years to come as two of the primary factors prompting him to move his operations to Texas.

"I'm talking to a lot of other business owners who want to be part of the recovery, but share my concerns," he said.

Those who express optimism about the future of the New Orleans economy note that most of the city's

hotels are again open for business, as are the majority of companies in the central business district. Economic development ideas that languished before the storm — like a vague plan to establish New Orleans as a worldwide center for biotechnology innovation — have been revived as city leaders hope to leverage the sympathy expressed by people around the country into actual businesses.

At first glance, the employees of [Energy Partners](#) would seem to provide some hope. The company, a publicly traded oil exploration business, chose to move back into its downtown headquarters in December, despite the many headaches that persisted, including unreliable mail service and an incomplete health care system.

Yet while Energy Partners and its chief executive, Richard A. Bachmann, exhibited the kind of can-do spirit that the city needs these days, the company also embodies the precarious nature of the local economy. Whether Energy Partners and its 100 or so employees will stay in New Orleans remains to be seen. The company's commitment to New Orleans, Mr. Bachmann said, is no stronger than the city's will to reform itself. If he does not think that city, state and federal officials have made progress on a number of fronts over the next year — from shoring up the levee system, much of which is federal responsibility, to an overhaul of a public school system that ranked as one of the worst in the nation — then he may leave town.

"There are a number of companies like us that are working for change that will leave if it continues to be the same old business as usual," Mr. Bachmann said.

Yet for some, business as usual would be a dream come true. Mr. Robinson of Dryades Savings described "the general unreliability of everything right now." The electrical equipment at his downtown branch, two blocks from the corner of Canal and Bourbon Streets, was destroyed when the basement of his building took nine feet of water. He ordered new equipment and lined up electricians, but delivery of the equipment took much longer than expected. And he learned the hard way about the demands on tradesmen working in New Orleans now. He had initially hoped to reopen the branch in December, but it did not open until March.

"The concept of a completion date is a very fluid concept right now," Mr. Robinson said.

[Home](#)

- [World](#)
- [U.S.](#)
- [N.Y. / Region](#)
- [Business](#)
- [Technology](#)
- [Science](#)

- [Health](#)
- [Sports](#)
- [Opinion](#)
 - [Arts](#)
 - [Style](#)
 - [Travel](#)
 - [Jobs](#)
- [Real Estate](#)
 - [Autos](#)
- [Back to Top](#)

[Copyright 2006 The New York Times Company](#)

- [Privacy Policy](#)
 - [Search](#)
- [Corrections](#)
 - [XML](#)
 - [Help](#)
- [Contact Us](#)
- [Work for Us](#)
- [Site Map](#)