IN THE WAKE OF KATRINA: THE CONTINUING SAGA OF HOUSING AND REBUILDING IN NEW ORLEANS

James H. Carr, H. Beth Marcus, Shehnaz Niki Jagpal, and Nandinee Kutty

JOINT CENTER FOR POLITICAL AND ECONOMIC STUDIES
HEALTH POLICY INSTITUTE
WASHINGTON, DC

IN THE WAKE OF KATRINA: THE CONTINUING SAGA OF HOUSING AND REBUILDING IN NEW ORLEANS

James H. Carr
H. Beth Marcus
Shehnaz Niki Jagpal
Nandinee Kutty

JOINT CENTER FOR POLITICAL AND ECONOMIC STUDIES
HEALTH POLICY INSTITUTE
WASHINGTON, DC

This research was funded by the **The California Endowment** Foundation. We thank them for their support but acknowledge that the findings and conclusions presented in this report are those of the authors alone, and do not necessarily reflect the opinions of the Foundation.

Joint Center for Political and Economic Studies, Inc.
1090 Vermont Ave, NW, Suite 1100
Washington, DC 20005
www.jointcenter.org

Printed in the United States of America

CONTENTS

PREFACE

People say we shouldn't still be living in a FEMA park…But take a look at the rents that people have to pay in New Orleans now—who can afford that?
{Former tenant of Yorkshire Mobile Home Park}

August 29, 2008 will mark the third anniversary of Hurricane Katrina. Yet even three years after the catastrophe, recovery remains slow and fragmented, subjecting residents who have returned to live in New Orleans neighborhoods to unhealthy and hazardous conditions. Without adequate housing for workers and residents, concerted efforts to rebuild essential infrastructure and reinvigorate the economy in New Orleans are still stalled. A myriad of factors have served as significant roadblocks to rebuilding requisite housing – both private and public – citywide.

In this paper, James Carr and his co-authors provide a thorough examination of the many factors that have delayed or continue to serve as persistent barriers to rebuilding housing stock in New Orleans. The authors start out by identifying several important pre-Katrina problems, such as those posed by large numbers of abandoned, blighted and adjudicated tax properties. Although the City of New Orleans and the New Orleans Neighborhood Development Collaborative in 2004 had asked a national non-profit to suggest strategies for identifying and disposing of such properties, Katrina hit before the city had been able to implement any recommendations from the National Vacant Properties Campaign. Likewise, there were significant problems with property assessments prior to Katrina that have served to compound difficulties in rebuilding after the storm.

The co-authors also highlight racial disparities and the social determinants of displacement, inadequate housing and poor health, both pre- and post-Katrina. Citing a study by the Congressional Research Service, they underscore the fact that seventy-five percent of those the storm displaced in Orleans Parish were African Americans. Moreover, more than one-third of these displaced African American residents live below the poverty line. A report last year by the Kaiser Family Foundation corroborated racial disparities across housing, health and job experiences in New Orleans. According to this report, the proportion of Black respondents who described their lives as "disrupted" by Katrina was close to 60 percent, which is double the proportion of White respondents who concurred with a "disrupted" designation.

The paper outlines the range of government barriers to rebuilding, from bureaucratic delays in processing requests for housing assistance to problems in verifying titles of home ownership as well as delays in disbursal of Road Home grants to homeowners whose primary residences had been destroyed. At the same time, the pre-Katrina, undervalued property assessments have reduced the size of Road Home grants going to affected homeowners. After much dispute, homeowners now have the right to get new private assessments of home values. However, the time it takes to get those new assessments poses another delay in disbursal of Road Home grants. Moreover, disagreement between the state of Louisiana and the U.S. Department of Housing and Urban Development (HUD) over lump sum payments has resulted in further disbursal delays.

More alarming still is the scant attention being paid to restoring rental units for low-income New Orleanians. Only 13.1 percent of Community Development Block Grant (CDBG) funding allocated by the state of Louisiana is designated for rebuilding affordable rental housing. Yet before the storm, the vast majority of New Orleans residents - especially low-income residents - were renters. According to the Greater New Orleans Fair Housing Action Center, to date the Road Home Small Rental program has provided a mere 13 rental units. It thus comes as no surprise that the number of homeless residents in New Orleans has doubled from 6000 to 12,000 in the aftermath of Katrina. Without a significant increase in affordable rental units in the city, homelessness may become an even more pressing concern, especially in light of plans pending for removal of all FEMA trailers.

Close to three years after Katrina, thousands of people in New Orleans are still living in the temporary trailers distributed by FEMA right after the storm. The toxins in formaldehyde used in the manufacture of these trailers have raised serious safety and health concerns for residents. New Orleans Mayor Nagin has recently announced he wants all FEMA trailers removed from the city by August 15, 2008. Yet the high costs of renting an apartment and significant delays in rebuilding storm-ravaged homes may leave trailer residents with no other place to go. At the same time, the city and HUD have started demolition of a number of public housing units, despite staunch opposition from the National Trust for Historic Preservation, residents, and other organizations. Yet steps to construct new public housing units for low-income residents have not yet begun. As such, significant controversies continue with respect to efforts to rebuild housing in New Orleans.

In closing, we are extremely grateful to James Carr and his co-authors for the thorough research it took to write this informative paper. We thank Gina E. Wood, Deputy Director of the Health Policy Institute, for ensuring completion of the disaster mitigation project and wide dissemination of its findings. We also want to thank former Joint Center staff member Susanna Dilliplane, who served as general editor for this paper and our current consultant, Dr. Marsha Renwanz for completing the review and editing of this paper along with the five background submissions. We appreciate the efforts of two Joint Center staff members, Carla Gullatt, who served as project manager and Marco White, who contributed to the design and publication of this paper as well as all the background papers. Most of all, we are grateful for the generous financial support of The California Endowment, which made the entire project possible.

Ralph B. Everett
President and CEO
Joint Center for Political and Economic Studies

INTRODUCTION AND OVERVIEW

Hurricane Katrina struck the New Orleans area early morning, August 29, 2005. The storm surge breached the city's levees at multiple points, leaving 80 percent of the city submerged, tens of thousands of victims clinging to rooftops, and hundreds of thousands scattered to shelters around the country. Three weeks later, Hurricane Rita re-flooded much of the area. The devastation to the Gulf Cost by these two hurricanes has been called the greatest disaster in our nation's history.

The Times-Picayune, Hurricane Katrina Archive

On August 29, 2005, Hurricane Katrina made landfall in the Gulf Region. It proved to be the sixth-strongest storm in recorded history of the Atlantic seaboard. Storm surges produced by Katrina affected more than 200 contiguous miles of the Region's coastline. Overall, Katrina displaced over one million U.S. citizens from an area spanning 92,000 square miles. By the time the storm subsided, over one-quarter of a million houses had been flooded; more than 62,000 building structures were completely destroyed; some 12,000 businesses were shut down; and more than 1,600 people lost their lives.

The greatest concentration of damage occurred in New Orleans. The breach of the levee system is the single most widely cited reason for Katrina's disproportionate toll on New Orleans. It was the *failure* of the levee system—termed a system in "name only"—that caused the massive flooding in New Orleans.[1] Standing water remained in the city for nearly a month after Katrina subsided, compounding the hurricane's initial damage and creating significant environmental health hazards, such as toxic mold. For all practical purposes, much of the city remains in ruins.

The rebuilding of New Orleans has been a slow and often chaotic process. Despite the number of reconstruction plans proposed for New Orleans, to date significant rebuilding has not taken place. Reasons for this failure range from systemic problems in existence long before Katrina struck, disproportionate adverse effects of the hurricane on residents least equipped to rebuild and recover, the enormity of the degree of devastation wrought to the city's economy and infrastructure, critical shortages of people with relevant training and reconstruction skills, and significant delays in getting federal recovery funds to homeowners so they can rebuild. Even though there has been an increase in housing sales, the issuance of residential building permits has slowed to a halt. At the same time, infrastructure rebuilding remains stagnant, as evidenced by the slow progress in re-opening schools or bringing back public transportation.[2]

This paper focuses on the central role played by housing in New Orleans in determining the city's social and economic recovery, reconstruction progress and long-term survival. Initial signs of progress surfaced in late 2006 as some private homeowners received funds to help them rebuild. At the same time, a program was launched to help owners of small rental properties. However, private housing reconstruction efforts remain very uneven. Although demolition of certain public housing stock began in midwinter 2008 – despite protests by the National Trust for Historic Preservation, other groups and residents – construction has yet to start on replacement housing. Despite the establishment of the city-wide Office of Recovery Management at the end of 2006 to provide much needed coordination and accountability, many challenges remain. Even with the momentum from the creation of a Unified Plan and release of $1.1 billion in redevelopment funding, New Orleans' future remains precarious.

NEW ORLEANS: ENVIRONMENTAL, ECONOMIC AND HOUSING CHALLENGES BEFORE THE STORM

New Orleans is critical to the nation's economy. Today, southern Louisiana is as important to the nation's energy supply as the Persian Gulf, with natural gas and oil refineries located close to New Orleans.[3] In addition to oil and natural gas, New Orleans is critical because of its two ports, which are, by tonnage, the nation's largest.[4] These ports facilitate the export of grains, seafood, and furs. Some 40 percent of U.S. export grains, for example, are handled through Louisiana's ports.[5]

The city's location, however, is environmentally fragile—and this fragility has been exacerbated over the years. New Orleans' susceptibility to flooding led to a reliance on natural flood protection offered by the river's levees and bayous. According to Bruce Nolan, reporter for *The Times Picayune*, "For all its existence, New Orleans has had to protect itself against three kinds of flooding: from the Mississippi River, from hurricane surge from the Gulf of Mexico, and from torrential rain threatening to

[1] Most of the flooding resulted not from the overtopping of levees but from the breaking of levees caused by a storm surge that the levees were supposed to withstand. In May 2006, a research team sponsored by the National Science Foundation concluded that four-fifths of the water that flooded greater New Orleans was a result of the breaches that had occurred where the levees failed to meet design specifications. Reported in Charles C. Mann, "The Long, Strange Resurrection of New Orleans," *Fortune* 154 (4) (29 August 2006).

[2] The Brookings Institution, *The Katrina Index: Tracking Recovery of New Orleans & the Metro Area.* (Washington D.C.: Brookings Institution, 14 March 2007).

[3] Charles C. Mann, "The Long, Strange Resurrection of New Orleans," *Fortune* 154 (4) (29 August 2006).

[4] Ibid.

[5] Facts about Louisiana may be found online at: http://gatewayno.com/history/Facts.html

fill its leveed bowl."[6]

Prior to Katrina, the impact of storms on New Orleans in the 20th century, due to its fragile environment, was evident. The city suffered major storms beginning with the 1909 hurricane season storms, followed by similar large storms in the 1915 hurricane season. The Great Mississippi Flood of 1927 came close to topping the river levees; property damage of approximately $1.5 billion (in inflation-adjusted dollars) was sustained; over 200 lives were lost; and more than 600,000 residents were displaced in that flood.[7] In 1947, when the Fort Lauderdale Hurricane hit, although the pumps and levees protected the majority of the city, many areas in the new suburbs were flooded. Hurricane Betsy struck in 1965, breaching the Industrial Canal and producing catastrophic flooding in the Lower Ninth Ward. In May 1995, New Orleans experienced massive flooding from the Louisiana Flood, as heavy rain deluged the city, the capacity of pumps was overwhelmed, and low-lying neighborhoods in particular experienced near-catastrophic flooding.

"New Orleans – A Troubled City before Katrina" is the title of a section of an October 2005 paper written by Alan Berube and Bruce Katz of the Brookings Institution.[8] As these authors demonstrate, in addition to New Orleans' physical vulnerability to Katrina, the city had a population that consisted of many people who were also very vulnerable.

Census information shows that pre-Katrina New Orleans had significant poverty concentration. The 2000 Census data on extreme poverty neighborhoods[9] placed New Orleans as second among the nation's largest 50 cities. Thirty-eight percent of New Orleans' poor lived in these concentrated neighborhoods and 25 percent of the city's neighborhoods, or some 100,000 residents, fit the definition of extreme, concentrated poverty. Ironically, the same day the levees broke and flooded New Orleans, the Census Bureau reported that, "Between 2003 and 2004, the percentage of parish residents living below the poverty line rose from 20.8 percent to 23.2 percent. This poverty rate ranked Orleans Parish seventh overall among the 290 largest U.S. counties in 2004."[10]

Based on 2000 Census data comparing New Orleans residents living in extreme poverty neighborhoods to residents living in other parts of the city, those in extreme poverty neighborhoods earned less than half the income and had almost twice the number of single-parent families. There is one key indicator for which there appears to be minimal difference: the percent of renter households paying more than 30 percent of their income for housing. Fifty percent of those in concentrated poverty neighborhoods fit this category, compared to 47 percent living in other parts of the city.

Poverty and race are intertwined in New Orleans. African Americans in the city before Katrina were most likely to have an income below the poverty level. While the concentrated poverty rate for the city as a whole was 38 percent, for African Americans, the rate was 43 percent. In 2000, 67 percent of New Orleans' residents were African American, but 84 percent of New Orleans residents below the poverty line were African Americans. "The typical black household had income one-half that of the typical white household. Troublingly, among out-of-school, out-of-work young men and women in New Orleans, Census 2000 counted just 133 whites but more than 3,700 blacks."[11]

New Orleans' neighborhoods also showed notable separation between African Americans and whites. "Between 1980 and 2000, segregation between blacks and whites in the city grew, bucking the national trend. By 2000, the average African American resident of New Orleans lived in neighborhoods where 82 percent of fellow residents were black."[12]

The Lower Ninth Ward, which was 98 percent African American,[13] was a prime example of concentrated poverty and its consequential outcomes. While many households in this neighborhood had a family member who worked, nearly half of these families had incomes below $10,000 a year, suggesting that the employment was mostly part-time, unstable, or did not provide family-sustaining wages.[14] Although 59 percent of Lower Ninth Ward residents owned their own homes, local conditions were such that these homeowners had little chance to enjoy any house price appreciation or wealth accumulation that is usually associated with homeownership.

---

6 Bruce Nolan, "Failing Grade," *The Times-Picayune*, 25 October 2006.

7 The U.S. Army Corps of Engineers, New Orleans District, The Mississippi River and Tributaries Project, may be found online at: http://www.mvn.usace.army.mil/pao/bro/misstrib.htm

8 Alan Berube and Bruce Katz, *Katrina's Window: Confronting Concentrated Poverty across America* (Washington, DC: The Brookings Institution, 2005).

9 Extreme poverty neighborhoods are census tracts in which at least 40 percent of the population is part of families with incomes below the federal poverty level.

10 Alan Berube and Bruce Katz, *Katrina's Window: Confronting Concentrated Poverty across America* (Washington, DC: The Brookings Institution, 2005), p. 2.

11 Ibid., 3.

12 Ibid.

13 Greater New Orleans Community Data Center, *Lower Ninth Ward Neighborhood: People and Household Characteristics* (2005). This may be found online at http://www.gnocdc.org/orleans/8/22/people.html

14 These figures are based on The Brookings Institution's analysis of IRS data for tax year 2002, for Zip Code 70117. That zip code's boundaries extend far beyond the Lower Ninth Ward and include the city's Bywater neighborhood and portions of East New Orleans. This was reported in: Alan Berube and Bruce Katz, *Katrina's Window: Confronting Concentrated Poverty across America* (Washington, DC: The Brookings Institution, 2005).

The Katrina flooding hit all types of neighborhoods in New Orleans—from the wealthiest to the poorest. New Orleans' African American population, however, was hardest hit. A staggering 80 percent of the city's African Americans lived in the flooded areas, compared to 54 percent of the city's white population.[15]

Many of those who did not evacuate and sought shelter at the Superdome were the poorest residents of New Orleans from the flooded neighborhoods. These residents were less likely to own a car or have funds for a round-trip bus ticket or for a hotel room that would be essential if they lacked social networks outside of New Orleans. The timing of the Hurricane may also have complicated the ability to evacuate. It took place just before the first of the month, when government checks and other funds are routinely sent out. What happened in New Orleans, especially to its poorer citizens, highlights the vulnerability of disadvantaged populations in other U.S. cities with high concentrations of poverty.

When Katrina hit, New Orleans exemplified the high concentrations of poverty and minority populations that can be found in other large urban centers throughout the country. As Berube and Katz state in their report, "Unfortunately, New Orleans is hardly the only place in America where concentrated poverty persists. Despite positive trends in the 1990s, almost every major American city still contains neighborhoods that mirror the Lower Ninth Ward demographically and economically."[16]

Housing Challenges Before the Storm

As reviewed above, New Orleans was a city with many challenges prior to Hurricane Katrina. These challenges make rebuilding New Orleans significantly more difficult. Two areas—the handling of blighted properties and property valuation—exemplify pre-Katrina systemic challenges of note.

Well before Katrina struck the city, New Orleans had a large number of blighted, abandoned, and tax adjudicated properties—and a system for dealing with these properties that did not function effectively. These pre-Katrina properties added up to 26,000: that includes 6,000 adjudicated tax properties plus another 20,000 blighted homes that had not been adjudicated and were not under city control.[17]

In March 2004, the New Orleans Neighborhood Development Collaborative and the City of New Orleans asked the National Vacant Properties Campaign[18] (NVPC) to help the city identify strategies that would improve the identification and disposition of these properties. In February 2005, NVPC issued its report. It stated that, although developing neglected properties is key to the city's revitalization, this is greatly impeded by the "maze of inconsistent programs guided by contradictory policies applied to differing definitions of applicable property that can be acquired or transferred in fundamentally different ways for radically different purposes. The sheer complexity of these programs has itself become a major barrier to a functioning market."[19]

As a result of this complicated systemic problem, potential developers found it very difficult, time-consuming, and costly to acquire and develop such properties. The report stated that: "there are at least five different City programs that originate in [various agencies][20] that deal with property acquisition and disposition, and no central place to get information about properties, programs or neighborhood plan. Ultimately, the current structure and functioning of land use and redevelopment systems in New Orleans *discourage investment*. While many for-profit and non-profit developers remain hopeful, most are also cynical and some have given up completely."[21]

The NVPC report provided the city with four detailed recommendations in the areas of: (a) property information, data, and tracking systems; (b) acquisition and disposition of adjudicated and blighted properties; (c) management structure; and (d) planning, zoning, and land development procedures. When Katrina hit, the city had not yet implemented the NVPC recommendations.

The property assessment problem does not result in damaging effects to the same degree as the ineffective, blighted property system, but it does provide another key example of a pre-Katrina systemic obstacle. Before Katrina hit, New Orleans was starting to rethink its method of assessing real estate values for property tax

15 Metropolitan Policy Program, *New Orleans after the Storm: Lessons from the Past, a Plan for the Future* (Washington, DC: The Brookings Institution, 2005).
16 Alan Berube and Bruce Katz, *Katrina's Window: Confronting Concentrated Poverty across America* (Washington, DC: The Brookings Institution, 2005).
17 Greg Thomas, "Developers bidding for blighted properties in N.O.," *The Times-Picayune*, 24 June 2006.

18 The National Vacant Properties Campaign (NVPC) was co-founded in 2002 by the Local Initiatives Support Coalition, the International City/County Management Association, and Smart Growth America.
19 National Vacant Properties Campaign (NVPC), *New Orleans Technical Assessment and Assistance Report: Recommended Actions to Facilitate Prevention, Acquisition, and Disposition of New Orleans' Blighted, Abandoned, and Tax Adjudicated Properties* (21 February 2006).
20 The NVPC report lists the following agencies/departments as having some property acquisition and management responsibilities: NOAH, NORA, DHND, the Office of Property Management, the New Orleans Building Corporation, and the City's Law Department.
21 National Vacant Properties Campaign (NVPC), *New Orleans Technical Assessment and Assistance Report: Recommended Actions to Facilitate Prevention, Acquisition, and Disposition of New Orleans' Blighted, Abandoned, and Tax Adjudicated Properties* (21 February 2006).

purposes because these appraisals did not reflect the actual value of the homes. According to Stephanie Grace of *The Times-Picayune*, before Katrina: "The property rolls [were] corrupted by sloppy practices and laziness, and in some cases outright bad faith, by elected assessors who have long courted favor with voters by systematically low balling, rather than fairly and accurately evaluate property values."[22]

The reason for this may be that the appraisers were trying to keep the values within New Orleans' $75,000 homestead exemption. As a result, in 2005, "almost half of all homes were valued at less than $75,000 and left off the tax roles completely,"[23] which meant that a small number of homeowners paid a disproportionate share of property taxes. By having a property assessment system that did not reflect reality, New Orleans was not receiving appropriate funds from this important revenue source.

HURRICANE KATRINA AND ITS WAKE: IMMEDIATE IMPACT ON HOUSING

We need a massive Marshall-type plan to rebuild New Orleans… [T]his is America. We're not a Third World country. This is an embarrassment. It's a shame. It's a national disgrace.[24]

> John Lewis, U.S. Representative,
> Fifth District of Georgia

Hurricane Katrina and the resulting failure of the levees submerged 80 percent of New Orleans. Seventy-three percent of the city's population lived in damaged areas with flooding of two feet or more.

Over half of the housing in the State of Louisiana that experienced severe damage or was destroyed by Katrina was located in New Orleans. Based on data from the Federal Emergency Management Agency (FEMA) and the Small Business Administration (SBA), the U.S. Department of Housing and Urban Development (HUD) concluded that 86 percent of the owner-occupied homes and 76 percent of the rental properties in New Orleans received major or severe damage or was destroyed.[25] Destruction of rental housing was especially problematic because two-thirds of pre-Katrina New Orleans residents or some 250,000 residents were renters. The greatest damage to rental housing was inflicted on the very same small rental units in which the majority of New Orleans renters lived. According to the Bureau of Governmental Research (BGR), almost 80 percent of the rental housing stock with major or severe damage consisted of small rental properties.[26] BGR also estimated that 70 percent of the subsidized rental stock was damaged.

Along with residences, businesses were destroyed by Katrina. Fifty-five percent of pre-Katrina businesses in New Orleans accounting for over half of the city's employees experienced a flood depth of over 2 feet. Moreover, 40 percent of the businesses, employing close to one-third of the city's employees experienced flooding of over four feet.[27] Metropolitan New Orleans lost more than 200,000 jobs in the wake of Katrina. By November 2005, unemployment had risen 17.5 percent. This may be compared to an unemployment rate of 4.6 percent in New Orleans in November 2004.[28] Public infrastructure also suffered significant damage. For example, 84 percent of schools in Orleans Parish were damaged by Hurricane Katrina.[29]

With no acceptable, affordable place to live and few job opportunities, a significant percentage of residents were displaced to locations outside the city and, in many cases, outside of Louisiana. Half of the Louisiana residents who were displaced had lived in New Orleans. The Congressional Research Service (CRS) estimated that in Orleans Parish alone, 272,000 African Americans were displaced by the storm; this figure accounts for nearly three-quarters of the affected population in the parish. Further, it is estimated that more than one-third of displaced African Americans in Orleans Parish were poor. As such, lower-income African American residents of New Orleans confronted disproportionate displacement effects of Katrina.

The First Year

In the first year after Hurricane Katrina, much of the housing remained damaged and many New Orleans residents had not returned. By March 2006, the total number of displaced Orleans Parish residents still living outside of the greater metropolitan area stood at 329,000. Eight months after the storm, New Orleans had only approximately 187,000 residents – 41 percent of the pre-Katrina level – according to a study conducted by the Louisiana Recovery Authority (LRA)

---

[22] Stephanie Grace, "Honesty Is the Best Policy: Exhibit A," *The Times-Picayune*, 28 December 2006.
[23] Mark Singletary, "Commentary: Publisher's Notes: Assessment Inequities Punish All of Us," *New Orleans City Business* (20 May 2005).
[24] John Lewis, "This Is a National Disgrace," *Newsweek* (12 September 2005).
[25] U.S. Department of Housing and Urban Development, *Analysis: Current Housing Unit Damage Estimates* (Washington, DC: Government Printing Office, 12 February 2006).
[26] Bureau of Governmental Research, *The Road Home Rental Housing Program: Consequences for New Orleans* (18 September 2006).
[27] GCR & Associates, *Recovery by the Numbers* (New Orleans, LA, 23 March 2007).
[28] Chester Hartman and Gregory D. Squires, eds., *There Is No Such Thing as a Natural Disaster: Race, Class and Hurricane Katrina* (New York, NY: Routledge, 2006).
[29] GCR & Associates, *Recovery by the Numbers* (New Orleans, LA, 23 March 2007).

that then Governor Blanco had created to oversee redevelopment. Moreover, fewer than 15 percent of residents from the damaged areas of New Orleans had returned to the city by June 2006.[30] According to the U.S. Census special population survey for areas affected by Hurricane Katrina, by August 2006 the New Orleans population was only 191,139 residents. Based on data from Louisiana's Department of Health and Hospitals, the imputed net loss of population in the city of New Orleans stood at 302,253.

John Logan of Brown University found that approximately 160,000 households had relocated from Orleans Parish, with close to 66 percent moving out-of-state.[31] Much of the displaced population ended up in the Houston metro area. Based on data on change- of-address data collected by the U.S. Post Office on New Orleanian residents displaced by Katrina, one year after the storm hit: 88,000 had relocated to Houston, 55,800 had relocated to Baton Rouge, 32,500 had relocated to Dallas, and 89,500 had relocated to other states across the nation.[32]

In the end, some residents decided against rebuilding their lives back in New Orleans. Some who initially moved back to New Orleans decided to relocate after being back for a few months. As a result, even well-organized neighborhoods have many empty and abandoned homes.[33] A USA TODAY/Gallup poll conducted about a year after Katrina found that about one-third of those who had returned to their neighborhoods said they might move away whereas half of those who had not moved back said they probably would return.[34] The survey found that one in four displaced persons had not returned.[35]

The lack of available housing and the poor delivery of housing assistance were cited as major factors in the slow return of private companies to New Orleans.[36] During the first year post-Katrina, 27 percent of businesses in Southeastern Louisiana failed according to a Louisiana University study.[37] Unemployment statistics from the Department of Labor indicate that of the 278,000 displaced workers, 23 percent were still unemployed one year later. In New Orleans, the unemployment rate had risen significantly. Just before Katrina, the unemployment rate stood at 5.8 percent. Six months post-Katrina, however, this figure had risen to 5.9 percent, and one year after that, it had jumped to 7.2 percent.[38] Although the private sector was quick to join immediate recovery efforts, but the return to operations by private sector companies was generally very slow. According to Richard Campanella, by the end of the first year after Katrina, fewer than half of the national companies had resumed operations along the three main downtown routes.

Another difficulty facing small businesses was the slow disbursal of disaster loans from the Small Business Administration (SBA). By June 2006, the SBA had processed almost all the disaster loan applications, but had disbursed only 20 percent of the money.[39] Businesses reported post-application waiting times of six months or longer, and many still awaited loans to begin rebuilding.

The infrastructure restoration in the metro area during the first year after the hurricane was also slow and uneven. For example, by the first-year anniversary New Orleans had only half the number of hospital beds that had existed prior to Katrina.[40] According to officials of the Louisiana Department of Health and Hospitals, by the time a year had passed after Katrina and Rita, the New Orleans metro area may also have lost about half of its physicians. BlueCross/BlueShield of Louisiana reported that even though nearly all its doctors had returned to Jefferson Parish at the one-year mark, there had been a 75 percent decline in filed claims from doctors in the harder-hit Orleans Parish, where several of the largest hospitals remained closed. It is estimated that the proportion of uninsured in the region may have doubled, from about 20 percent to 40 percent.[41]

The Second Year

New Orleans remains a city that is only a fraction of what it was prior to Katrina. The resident population, even though it is growing, is estimated to be approximately 230,000, or about 50 percent of its pre-Katrina level.[42]

The Katrina Index report released by Brookings Institution in March 2007, describes a scenario that remains difficult at best. As reported: "Eighteen months

[30] Ibid.
[31] Ibid.
[32] R. R. Wade, *Katrina Recovery - One Year after the Worst Storm Damage in U.S. History* (PowerPoint Presentation, 2006).
[33] Charles C. Mann, "The Long, Strange Resurrection of New Orleans," *Fortune* 154 (4) (29 August 2006).
[34] The survey contacted 602 adults from Louisiana, Mississippi, and Alabama who registered with the American Red Cross immediately after the storm.
[35] Susan Page and William Risser, "Katrina Struggle Goes on for Many," *USA Today*, 21 August 2006.
[36] Charles C. Mann, "The Long, Strange Resurrection of New Orleans," *Fortune* 154 (4) (29 August 2006).
[37] *Washington Post Express Edition*, March 9, 2007
[38] Amy Liu, Matt Fellowes and Mia Mabanta, *Special Edition of the Katrina Index: A One-Year Review pf Key Indicators pf Recovery in Post-Storm New Orleans* (Washington, DC: The Brookings Institution, August 2006).
[39] Ron Nixon, "SBA Nominee Says Disaster Aid is Focus," *New York Times*, 22 June 2006.
[40] R. R. Wade, *Katrina Recovery - One Year after the Worst Storm Damage in U.S. History* (PowerPoint Presentation, 2006).
[41] Liz Szabo, "A Need for Care in New Orleans," *USA Today*, 9 August 2006. This may be found online at: http://www.usatoday.com/news/health/2006-08-09-doc-shortage_x.htm.
[42] GCR & Associates, *Recovery by the Numbers* (New Orleans, LA, 23 March 2007).

after Hurricane Katrina, housing indicators are mixed, and economic indicators may be showing the first signs of increasing employment but infrastructure indicators remain basically stalled… Eighteen months after the storm, residents across the region are frustrated that so many schools are still closed, police and fire stations are not repaired, and streetlights don't work, despite the large amount of committed federal assistance and significant charitable giving to the area… The lack of progress on…critical projects leaves the New Orleans area vulnerable, with hurricane season less than three months away."[43]

The data provided in the Brookings report are current as of March 2007. Housing trends show a small increase in housing sales, but a slow-down in the release of residential building permits. According to a Katrina Index Summary of Findings, published in March 2007 by Brookings, "infrastructure repair indicators remain basically stalled."[44] "The number of operational buses and open public transportation routes has remained virtually stagnant for a year… Only one additional public school was opened last month in Orleans Parish. Despite pressing demand, 76 school facilities remain closed… No additional hospitals have opened in Orleans, St. Bernard, or Jefferson in the last four months despite pressing need."[45] New Orleans is the only major public school system with a majority of schools operated as charter schools.[46]

The Katrina Index summary reveals that one area showing improvement appears to be the economy: "The New Orleans metropolitan area gained more than 50,000 workers from November to January. Simultaneously, the unemployment rate dropped from 5 percent to 4.5 percent."[47] Another indicator signals a strengthening of the New Orleans' tourist industry: "91 percent of hotels are open… Louis Armstrong International airport...handle[d] a healthy volume of arriving and departing passengers in January—approximately 65 percent of pre-Katrina levels."[48]

[43] The Brookings Institution, *The Katrina Index: Tracking Recovery of New Orleans & the Metro Area* (Washington, DC: The Brookings Institution, 14 March 2007).
[44] Metropolitan Policy Program, *The Katrina Index: Summary of Findings* (Washington, DC: The Brookings Institution, March 2007), p. 6.
[45] Ibid., 7.
[46] GCR & Associates, *Recovery by the Numbers* (New Orleans, LA, 23 March 2007).
[47] Metropolitan Policy Program, *The Katrina Index: Summary of Findings* (Washington, DC: The Brookings Institution: March 2007), p. 7.
[48] Ibid.

REBUILDING HOUSING AND INFRASTRUCTURE IN NEW ORLEANS

All the past (major U.S.) disasters, they have hit suburban areas, not the central urban areas of major cities. Here we have a significant hit on the entire urban area—not just the core, but everything. It is going to be an incredibly complex staging operation.[49]

Mary Comerio, author of Disaster Hits Home

Shortly after Hurricane Katrina hit, the media and others began questioning who had failed New Orleans. At first, the question had more to do with the immediate crisis, but the same question is still being asked today, nearly three years later. Katrina's magnitude was so great that the hurricane overwhelmed all levels of government, each of which is responsible for its remaining share of the problems.

Federal Responsibility

In the case of Hurricane Katrina, federal mistakes were made before Katrina even hit, as well as in the days following the storm's departure from New Orleans and in the much longer period for recovery and reconstruction. Reasons for these failures include: ineffective implementation of the national response plan for catastrophes, levee deficiencies, lack of attention to follow-up, and a host of regulatory barriers to recovery.

- Catastrophes require an entirely different level of response from various stakeholders and decision makers. When a catastrophe strikes, large areas are affected, a significant proportion of the population suffers physical consequences, including death and injury, and local infrastructure breaks down as it suffers from decimation of both physical property and personnel. Thus, significant external assistance becomes essential. A catastrophe presents a dual dilemma: outside assistance is crucial but distribution of this assistance is hindered by the catastrophe's impact on the area where the event has occurred. Its consequences are far-reaching and complex, and unforeseeable problems are likely to arise as a result.[50]

Based on this definition, Katrina was a catastrophic event that required a much more significant federal role than the government itself was prepared to play.

[49] Bill Walsh, Katherine Lewis, and John McQuaid, "Will New Orleans Ever Be the Same?" *The Times-Picayune*, 1 September 2005.
[50] Adapted from UC Berkeley's *Program on Housing and Urban Policy* conference paper series (2005).

The Response: Immediate and Longer Term

Most critics place the blame on FEMA for the federal failure to respond immediately to Katrina. In discussing a bill designed to shift responsibility for post-disaster emergency housing assistance from FEMA to HUD, the bill's lead sponsor. Representative Richard Baker, (R-LA) stated that: "one of the major lessons learned from Katrina is how the storm completely overwhelmed FEMA's rules and ability for responding to a disaster that created widespread destruction of housing."[51]

The impact of Hurricane Katrina covered such a large area and was so damaging – especially in New Orleans – that it was well beyond anything FEMA had previously experienced. In addition to responding to other hard hit areas in the Gulf Coast, FEMA was trying to run the entire city of New Orleans, while also funding the cleanup, housing 200,000 evacuees, and channeling relief to the victims. The agency had to handle far more than it was equipped to do. FEMA was also dealing with such clear personnel challenges as the patent inexperience in disaster management among more than half of the agency's top leadership.[52] As a result, there were huge mistakes, inefficiencies, waste, and fraud.

Another problem with the federal response relates to regulatory barriers to renewal. The Robert T. Stafford Disaster Relief and Emergency Act ("the Stafford Act"), which is administered by FEMA, provides the statutory framework for a presidential declaration of an emergency or a disaster and opens the door for a variety of federal resources and assistance. While the Stafford Act's "major disaster" definition applies to the post-Katrina situation in New Orleans, there are some problems with the inflexibility in the use of federal funds under the Stafford Act. For example, the Stafford Act explicitly states that federal disaster assistance funds cannot be used for permanent housing. As a result, when structures designed to meet urgent housing needs are of a type that could be construed as permanent, the Stafford Act poses a significant hindrance to implementing such solutions.

Stafford Act restrictions are exemplified by those placed on "Katrina cottages." These affordable, cottage-style homes were developed by architects and developers, responding to the lack of appropriate housing options in the aftermath of Katrina. The Katrina cottage was seen by many as a welcome alternative to a temporary FEMA trailer. There has been an upsurge in the use of Katrina cottages along the Gulf Coast, in Mississippi and Louisiana. When compared with poor quality FEMA trailers that were in short supply, Katrina cottages qualify as a viable, affordable housing solution that would meet both temporary and potentially longer-term housing needs. However, because these cottages could also be construed as permanent housing, they are not eligible for federal disaster assistance funding under the Stafford Act.

To overcome this obstacle, Congress appropriated $400 million for a pilot project that would move thousands of residents living in FEMA trailers to Katrina cottages. Outside of this pilot project, however, FEMA maintains it is restricted from using Stafford Act funds to offer disaster relief through what might be construed as permanent housing.[53]

Many also criticize FEMA's unwillingness to waive the state's 10 percent match, mandated by the Stafford Act for each federal project. FEMA has granted such waivers in the aftermath of other disasters, including a waiver for New York City after 9/11 and waivers for the areas affected by Hurricanes Hugo, Andrew, and Iniki. One reason cited for FEMA's reluctance to waive the 10 percent match in New Orleans is concern about corruption. While not specifically stating this, Donald E. Powell, the Bush administration's prior Coordinator of Federal Support for the Gulf Coast's Recovery and Rebuilding, said that "extra money was given to Louisiana to cover the state's share and that's important for locals to take some 'ownership of these projects.'"[54] Adam Sharp, spokesman for Senator Mary Landrieu, went further and said that Congress is concerned about corruption in Louisiana in general and that: "The state certainly has its skeptics up in Washington…This is skepticism Sen. Landrieu is fighting against every day."[55]

The state attempted to do something about the 10 percent match. In February 2007, then Governor Blanco reported to the LRA Board that the Democratic leadership in Congress was going to help Louisiana get a waiver from the 10 percent match requirement,[56] and in mid-March, the House of Representatives passed legislation to eliminate the 10 percent match. However, the legislation still had to be approved by the Senate, where the head of the committee handling the bill, Senator Dodd, had taken no position on the legislation. President Bush also had threatened to veto the bill.[57]

---

51 Bruce Alpert, "Federal Bill Strips FEMA of Housing Duties," *The Times-Picayune*, 18 May 2006.
52 Spencer S. Hsu, "Leaders Lacking Disaster Experience," *Washington Post*, 9 September 2005.
53 Michael Kunzelman, "Katrina Spawns Cottage Industry," *Associated Press*, 4 July 2006.
54 Bill Walsh, "$110 Billion Relief Figure Is Not All That It Seems," *The Times-Picayune*, 11 February 2007.
55 David Hammer, "Blanco: Washington May Waive Matching Funds," *The Times-Picayune*, 13 February 2007.
56 Ibid.
57 Bill Walsh, "House Passes Gulf Coast Relief Measure," *The Times-Picayune*, 22 March 2007.

Another example of FEMA's inflexibility in implementing the Stafford Act relates to the Road Home Program. The program, which falls under the LRA and is funded by the U.S. Department of Housing and Urban Development (HUD), is designed to help Louisiana homeowners and owners of small rental properties restore their properties so that they can be used as residences again.

FEMA is blocking the state, which is trying to stretch its Road Home dollars, from using $1.2 billion in federal hazard mitigation money to pay some Road Home grants. FEMA is also objecting to a benefit the state of Louisiana has tried to give seniors citizens planning to leave the state. This provision would allow seniors, unlike others, to get the full $150,000 Road Home grant even if they move out-of-state. This proposed benefit caused a roadblock potentially affecting payment of all Road Home grants and complicating efforts to ensure the funds are reaching worthy recipients. Congressman Barney Frank, chair of the House Financial Services Committee, threatened to take congressional action in favor of the state of Louisiana if FEMA pursued its opposition.[58]

There is also criticism aimed at entities created by the state of Louisiana to lead the rebuilding efforts. The Louisiana Recovery Authority (LRA) is viewed as having had only limited success in promoting reconstruction efforts. The greatest criticism, however, is with the LRA's Road Home Program, which, as of March 20, 2007, had completed action on less than 4,000 grants, a mere fraction of the more than 100,000 applications received.

The Local Level

Mistakes made in efforts to rebuild New Orleans are best exemplified by lengthy delays in the redevelopment planning process. For both emotional and political reasons, it was difficult to determine what needed to be prioritized to move the city's rebuilding forward. As a result, a central place for coordinating rebuilding efforts was not established until the end of 2006.

Another reason for the lengthy delays in the planning process was that so many of the key actors – citizens of New Orleans and the city's planning department staff – were displaced themselves. As Michael Powers of the Center for American Progress pointed out in his study of the national disasters of the 1871 Chicago Fire and the 1906 San Francisco Earthquake, the involvement of the affected persons in their own recovery is of critical importance for a successful recovery.[59] Yet one year after Katrina, 59 percent of the citizens were still living outside of New Orleans. Many of the city's planners also were unavailable, either because their homes were destroyed or because reduced city revenue resulted in lay-offs of 3,000 salaried employees. As a result, the City Planning Commission, which had a pre-Katrina staff of 40, was reduced to nine employees.

Within this context, the planning process – without a central coordinator, clear direction, or prioritization, and with most residents still displaced – resulted in multiple plans being developed simultaneously by the mayor, the City Council, local neighborhood leaders, and a variety of other consultants. The first step in this process began in October 2005, when Mayor Nagin established the Bring New Orleans Back Commission (BNOBC) to provide a master city rebuilding plan. The commission employed three sets of consultants, none of whom worked with the others.

The commission first asked the Urban Land Institute (ULI) "to develop a process for the redevelopment of the city based on sound planning principles, strong economic development ideals, and a practical implementation strategy."[60] ULI's *A Strategy for Rebuilding* noted the importance of creating a plan within 120 days after a catastrophe and included a housing component that laid out specific recommendations to: (1) provide every household in New Orleans with the opportunity to return to an affordable home in a safe and viable city; (2) use funds from multiple resources to rebuild housing in New Orleans; and (3) rebuild 64,000 owner-occupied homes, create 10,000 first-time homeowners, and provide 47,500 units of low-income and workforce housing.

Under the ULI plan, the proposed allocation of funds would have allowed more than 300,000 residents to return to New Orleans. Together with those citizens already residing in New Orleans at the time of the plan's development, the population would be restored to close its pre-Katrina size. Although the ULI plan called for fair compensation for those residents who would not be allowed to rebuild because of safety concerns, it drew sharp criticism for proposing strategic limitations. ULI recommended that neighborhoods with minimal damage be rebuilt immediately, while those that had sustained significant damage needed to be evaluated for public health and hazard concerns. This plan was dismissed as marginalizing the right of all citizens to return and rebuild, even though the plan recognized

[58] "If That's What It Takes," *The Times-Picayune*, 9 February 2007.

[59] Chester Hartman and Gregory D. Squires, eds., *There Is No Such Thing as a Natural Disaster: Race, Class and Hurricane Katrina* (New York, NY: Routledge, 2006).

[60] The Urban Land Institute, *New Orleans, Louisiana: A Strategy for Rebuilding* (2005), p. 11.

the right of all New Orleans' citizens to return within practical environmental and safety concerns.

After the ULI plan was completed, the BNOBC asked the Philadelphia-based planning firm Wallace, Roberts & Todd to provide technical assistance in finalizing the BNOBC plan. John Beckman, the firm's main representative in New Orleans, rejected ULI's recommendations as a "plan for failure" and proposed that the new city be envisioned and rebuilt by citizens themselves. At a January 2006 meeting, Beckman proposed a four-month moratorium on construction in devastated areas. Citizens were expected to engage in public meetings to demonstrate that a minimum of one-half of each neighborhood's pre-storm population planned to return. Although it was unclear how displaced citizens would participate in this undertaking, Beckman's proposal included the additional caveat that neighborhoods that failed to provide such evidence could be purchased by a new redevelopment authority.[61] At first, Mayor Nagin endorsed Beckman's plan, but he reversed this position a few days later, stating that as a "property rights person," he believed in the abilities of the free market to produce the needed equilibrium in New Orleans' housing. This position gave the green light to individual homeowners to apply for building permits, regardless of the safety of rebuilding.[62]

Next, the BNOBC hired another team of consultants, Reed Kroloff, dean of Tulane's architecture school, and Ray Manning, a well-known local architect, to facilitate the development of rebuilding plans for neighborhoods in all 13 districts of New Orleans. The Kroloff/Manning team was given an unfunded mandate—neither the City Council nor FEMA would pay for the consultants needed to undertake this effort.

In March 2006, Mayor Nagin approved a rebuilding plan that would allow all residents to reconstruct their homes in neighborhoods destroyed by Hurricane Katrina. At the same time, the mayor said, "I don't recommend you going in areas I'm not comfortable with. I am comfortable that the citizens can decide intelligently for themselves."[63]

Shortly after the BNOBC hired the Kroloff/Manning team, the City Council established its own rebuilding commission, comprised of two consultants, Miami-based Paul Lambert and Sheila Danzey of New Orleans. This commission was to develop a neighborhood rebuilding plan for all 49 neighborhoods that had been affected by more than two feet of flood water. The City Council approved almost $3 million for this endeavor and was criticized because of the non-competitive hiring of the Lambert/Danzey team.[64]

In a mid-July 2006 interim report, the City Council's Lambert/Danzey team raised concerns regarding the neighborhood rebuilding meetings with the Council. Chief among these concerns were the inability of older residents to access homes that comply with the new FEMA flood elevation guidelines, the economic viability of repairing older and smaller homes, and the inadequacy of the $150,000 ceiling on the Road Home grants to rebuild homes larger than 3,500 square feet. The Lambert/Danzey team highlighted the need for clearer public policy direction to address the complex challenges inherent in the rebuilding process, emphasizing the population losses seen in the Lower Ninth Ward, Central City, and other areas.[65] While the consultants offered positive recommendations and solutions based on their review of the neighborhood plans, their work was based on three assumptions: (1) the rebuilt levees would be in place and the flood protection system would have public trust; (2) the new flood guidance issued by FEMA, requiring many homes to be raised by three feet, would be complied with; and (3) the Road Home Program would provide adequate funds for moderate and middle-income homeowners who wished to return to New Orleans.[66]

While the consultants hired by Mayor Nagin's BNOBC and the City Council were working on their plans, community leaders – frustrated by the slow pace of rebuilding – began to initiate their own neighborhood planning process. An additional reason for disparate and uncoordinated neighborhood plans was timing. Congress did not approve funds allowing for comprehensive implementation of the Road Home Program until early June 2006. Several grassroots level plans were developed in the interim, but all functioned in a vacuum, with no clear guidance on the safety of rebuilding in certain areas.

At the same time, city officials and local community leaders developed multiple plans to rebuild New Orleans, several other major policymakers and researchers simultaneously developed rebuilding strategies. Among them were the Brookings Institution, the Urban Institute (UI), and PolicyLink.

In October 2005, the Brookings Institution published *New Orleans after the Storm: Lessons from the Past, A Plan for the Future*. Brookings recommended replacing

[61] Charles C. Mann, "The Long, Strange Resurrection of New Orleans," *Fortune* 154 (4) (29 August 2006).
[62] Ibid.
[63] "Mayor Nagin Announces New and Improved Rebuilding Plan," *The Institute for Southern Studies*, 21 March 2006.

[64] Coleman Warner, "N.O. Blazes Trail for Grant Money: City and State Agree on Planning Process," *The Times-Picayune*, 6 July 2006.
[65] Coleman Warner, "Consultants Convey Neighborhood Pitfalls," *The Times-Picayune*, 14 July 2006.
[66] Ibid.

concentrated poverty neighborhoods with mixed-income neighborhoods. It proposed to achieve this by: (1) providing housing vouchers that encourage choice and mobility; (2) increasing Community Development Block Grant (CDBG) and HOME funds to expedite clean up and land renewal; (3) adopting a Single Family Home Ownership Tax Credit to stimulate affordable housing production; (4) using low-income housing tax credits (LIHTC) strategically; and (5) adopting an inclusionary zoning ordinance.

In April, 2006, the Urban Institute published *After Katrina: Rebuilding Opportunity and Equity into the **New** New Orleans*. The nine essays in the UI document discussed ways to facilitate and rebuild the social fabric of New Orleans and covered a variety of issues, such as mixed-use communities, improvements in the areas of education and health care, infrastructure rebuilding, and the city's social safety net. A recurring theme in the UI analysis was the concept of crisis as opportunity. While Katrina brought striking social inequities to the forefront, rebuilding the city offered an opportunity to address and overcome these challenges. Most of the essays, however, offered policy recommendations without complementary implementation mechanisms.

PolicyLink, which played an advisory role for the LRA, was also brought into the planning process by Calthorpe Associates, a nationally renowned urban design firm currently leading the state's Southern Louisiana regional planning project known as Louisiana Speaks.[67] PolicyLink proposed ten policy solutions:

1. Using CDBG funds to promote private sector investment in mixed-income settings;
2. Adopting an inclusionary zoning ordinance;
3. Promoting the use of housing trust funds to create affordable housing;
4. Using Section 8 to facilitate mixed-income neighborhoods;
5. Expediting the use of LIHTC;
6. Imposing rent control during the recovery phase;
7. Increasing funds to non-profits offering financial counseling and other services;
8. Undertaking large workforce development programs to build housing and green materials manufacturing;
9. Providing housing repair and rebuilding jobs for displaced and returning residents; and
10. Building linkages between levee reconstruction and minority business/workforce development.[68]

[67] See http://policylink.org/Communities/Louisiana/PolicyandPlanning.html.
[68] This list may be found online at: http://policylink.org/Communities/Louisiana/TenPoints.html.

Rebuilding Housing

The lack of affordable housing is strangling our community. How do you have food, music, culture? How do you have hospitals, schools and drugstores? Every one of our institutions is built on working class people who historically have been underpaid, but one of the excuses for underpaying people has been that New Orleans was a relatively low-cost place to live. It's not anymore.[69]

William Quigley, Law Professor and
Director of the Gillis Long Poverty Law Center
at Loyola University

The Road Home Program is the grant program designed to help Louisiana homeowners and owners of small rental properties restore their properties so they can be used as residences again. Approximately $9 billion of Community Development Block Grant (CDBG) funds have been allocated to Louisiana under the Road Home Program.[70]

Homeownership Program

Most of the funding, some $7.5 billion, in the Road Home Program is designated for grants to pre-Katrina homeowners whose primary residences were either destroyed or suffered major damage due to Hurricanes Katrina and Rita. About 123,000 homeowners are estimated to be eligible.[71]

Homeowner assistance grants are based on the extent of damage and the owner's commitment to repair, rebuild, or relocate within the state. Homeowners may also agree to sell their home to the state with no requirement to resettle or otherwise remain in their original community. The Road Home grants, based on the pre-hurricane value of the homes, are intended to cover repair costs above what was covered by insurance policies and FEMA grants, ranging from $5,200 to $150,000. The U.S. House of Representatives approved legislation in mid-March 2007 that would retroactively increase the grant funds an average of $20,000 and not require that insurance proceeds or other disaster payments be deducted before payment is made.[72] A 30 percent penalty would be assessed for those residents living in a flood plain without insurance, while those individuals opting not to rebuild in Louisiana would be offered buyouts at 60 percent of the homes' pre-storm value. An exception would be provided to senior

[69] Quoted in Jeffrey Meitrodt, "Rising Rents," *The Times-Picayune*, 15 October 2006.
[70] "HUD Approves $4.2B for Louisiana's 'Road Home' Rebuilding Program," *USA Today*, 11 July 2006. This may be found online at: http://www.usatoday.com/news/nation/2006-07-11-hud_x.htm.
[71] "LRA Plan Approved Locally," *Associated Press*, 9 May 2006.
[72] Bill Walsh, "House Passes Gulf Coast Relief Measure," *The Times-Picayune*, 22 March 2007.

citizens, allowing them the maximum $150,000 grant even they opted to move out-of-state.[73] For those planning to sell their property who can demonstrate continued permanent residence in the state, the grants would cover the difference between a home's pre-storm value and post-storm insurance settlements and FEMA grants.

The program was set up so that the grants would be placed in a disbursement account to be drawn as funds are needed for repair. However, under pressure from HUD, then Governor Blanco agreed to allow for lump sum payments for homeowners without a mortgage and discussions were underway for consideration of lump sum payments for those with mortgages.[74]

The LRA selected ICF, International, a contractor based in Fairfax, Virginia, to serve as the program manager and disbursal agent for the grants. ICF has been strongly criticized for the slow disbursal of grant funds. While over 100,000 homeowners have applied for Road Home grants, only 2,268 grants were closed by the end of February 2007.[75] This was short of the 3,000 goal that then Governor Blanco gave to ICF after much negative publicity resulted in stronger oversight. By mid-March 2007, the number of disbursed grants increased to 3,805.[76]

In response to the slow disbursal of funds to homeowners, Mayor Nagin created the two-year "One New Orleans Road Home Fast Track" pilot program. Under this program, the city is using $11 million in grant funds combined with locally generated dollars to lend up to $50,000 to approximately 1,000 eligible homeowners out of the 53,000 expected to get Road Home grants.[77] The purpose of the fast track program is to allow some homeowners to begin making home repairs while they wait for proceeds under the Road Home Program. The city promised to pay closing costs and the first six months of interest. Two local banks matched the city's investment five to one, and are administering the program.[78]

There have been many reasons for the delayed disbursal of Road Home money to eligible homeowners. Some of the delay stems from problems in verifying required documents. For example, the Road Home program has to verify how much the insurance company and FEMA have already paid in order to avoid "duplication of benefits" barred by federal regulations. Homeowners disputing insurance company decisions, particularly over the question of "water versus wind damage," do not yet have the insurance payout amounts that would enable them to receive a Road Home grant. Delays also have been caused by homeowners not having clear titles to their homes. In many cases, the documents were destroyed in the flooding. In other cases, homeowners never had their names on the titles of their own homes, respectively. Hundreds of people, who were living in family homes, are now seeking legal help in order to prove that they own those homes.[79]

Every time there is an issue regarding program parameters, there is an opportunity for further delays. As noted above, pre-Katrina property assessments were understated, which affected grant amounts since pre-Katrina property values were included in the grant calculations. While the Road Home Program will now allow homeowners to get new private assessments, the time it has taken to resolve this controversy and obtain new appraisals has affected grant closings. Another potential delay is the dispute between HUD and the state over lump sum payments.

By far, the greatest blame for the slow distribution of funds has been placed on the LRA, its Road Home Program, and ICF. Regarding ICF, emails from state officials "have questioned ICF's sense of urgency, its ability to act as quickly as promised, and its willingness to admit problems and mistakes."[80] Further blame is put on ICF's insufficient staffing levels. For example, its first call center initially was prepared to handle 6,000 calls a day but received over 32,000 calls. *The Times-Picayune* stated that ICF adds staff "only after the pipeline is clogged" and that this is "true for data entry clerks, Road Home advisors, building inspectors and resolution counselors, and in each case those staffing shortages caused delays for homeowners."[81]

The way Louisiana chose to handle the funds, in contrast to Mississippi, may also explain some of the problems. In Louisiana, the state chose to disburse money based on actual rebuilding, possibly to minimize fraud. Mississippi, in contrast, issued checks simply to compensate homeowners for losses regardless of the decision to rebuild. Louisiana's approach has resulted in funding delays for homeowners who are not sure about rebuilding, especially if they are uncertain about plans to remain in the home for three years or to sell to someone

[73] "HUD Approves $4.2B," *USA Today*.
[74] Coleman Warner, "Road Home to Pay Some Lump Sums," *The Times-Picayune*, 23 March 2007.
[75] Joe Gyan Jr., "'Road Home' Begins to Meet Goals," *The Advocate*, 2 March 2007.
[76] Coleman Warner, "Road Home to Pay Some Lump Sums," *The Times-Picayune*, 23 March 2007.
[77] Michelle Krupa, "City Unveils No-interest Loan Offer," *The Times Picayune*, 25 January 2007.
[78] C. Ray Nagin, "Hurricanes Katrina & Rita: Outstanding Need, Slow Progress," Testimony before the U.S. Senate Committee on Homeland Security & Governmental Affairs, 29 January 2006.
[79] Leslie Eaton, "Slow Home Grants Stall Progress in New Orleans," *New York Times*, 11 November 2006.
[80] "Our opinions: Detours on the Road Home," *The Times-Picayune*, 31 January 2007.
[81] Ibid.

else who would commit to be an owner/occupant for three years. Louisiana's approach has also meant funding delays for those homeowners uncomfortable with the local real estate market; concerned about being able to afford the home with rising utility and insurance bills; and those questioning the award amount itself. A state official claimed that homeowners who have received the award letters are holding onto them while they wait to see if their neighborhoods are coming back.[82] An estimated 13,000 people who have received grant letters fall into this category of "fence-sitters."[83]

The disbursal delays have created many other problems, especially for those who have been unable to return or to rebuild because of the lack of funds. Loss of insurance is a critical problem for some of those whose properties have been vacant because of the lack of rebuilding funds. The Louisiana Department of Insurance essentially prohibited insurance companies from dropping policies or trimming coverage until the end of 2006. According to *The Times-Picayune*, "there is reason to expect wholesale cancellation of insurance on [vacant] homes as the policies expire over the coming year. Metro New Orleans has a lot of vacant homes. Most are vacant because they were severely damaged by Katrina, forcing owners to move out until the houses are repaired or sold. Many homeowners, paralyzed by indecision, have yet to begin rebuilding or repairing. The problem is, insurance companies usually avoid covering vacant homes—defined by the industry as homes that are not inhabited and not actively under construction or repair—because of the special risks they present."[84]

Rental Program

The bulk or four-fifths of the funding under the Road Home Program is for pre-Katrina homeowners. However, two-thirds of New Orleans residents, or some 250,000 people before Katrina, were renters living in about 100,000 units. About 70,000 rental units[85] were in small multifamily properties, defined as having 10 or less units. Two-thirds of all rental units were in structures that are by standard definition "single-family" structures. Single family structures have four units or fewer. About one-third or 33,000 of these rental units were in single-family homes and another third were in 2- to 4-unit properties. More precisely, there were 19,000 2-unit properties and 15,400 3- to 4-unit properties.[86] Of structures with 5 or more rental units, totaling about 32,600 units, about 3,000 of these units were in small rental properties with 5 to10 units.[87] According to the Bureau of Governmental Research, most of these units were "affordable to low-income renters and many were owned by 'mom and pop' landlords. Most were underinsured or uninsured."[88]

Experts[89] agree that most of the 100,000 rental units were seriously damaged by the storm. The Bureau of Governmental Research (BGR) states that Katrina damaged more than two-thirds of the rental units. About 78 percent of the damaged rental units or more than 52,000 units were located in small rental properties.[90] Most of this damage was very severe. According to the BGR, of rental housing stock with major or severe damage, almost 80 percent, or 40,700 units, consisted of small rental properties. In addition, the BGR reported estimates that 70 percent of the subsidized rental stock was damaged.

As noted above, four-fifths of the post-Katrina funding is for owner-occupants even though two-thirds of the residents were renters. The title of a *New York Times* article that appeared a few weeks after the first anniversary of Katrina sums up how renters fared compared to homeowners when it comes to Community Development Block Grants (CDBG): "Renewal Money for New Orleans Bypasses Renters." The article stated: "The Louisiana Recovery Authority (LRA) has set aside $869 million to help landlords compared with $7.5 billion that has been set aside for homeowners."[91] Although there is an additional $667 million in CDBG funds allocated as "piggyback" funds to be used in conjunction with $1.7 billion in LIHTC for the Gulf Opportunity Zone (GO Zone),[92] the difference in relative funding for rental properties compared to owner-occupied properties is very significant.

In addition to the funding difference, the Road Home Program makes two other major distinctions between homeowners and renters. First, homeowners can be eligible to receive Road Home funds regardless of their income. Renters, however, benefit only if their incomes are generally below 60 percent of the area median income, with a small consideration for those up to 80 percent of area median income. Thus, in most cases,

82 Laura Maggi, "So Far, Road Home's Money Trail Doesn't Lead to the Flood Victims," *The Times-Picayune*, 5 November 2006.
83 David Hammer, "Indecision Clogging Road Home," *The Times-Picayune*, 19 February 2007.
84 *The Times-Picayune*, 25 June 2006.
85 This number is determined by combining figures provided by the Urban Land Institute and the Bureau of Governmental Research.
86 From an Urban Land Institute paper distributed at a February 2006 New Orleans Housing Finance Forum.
87 Bureau of Governmental Research, *The Road Home Rental Housing Program: Consequences for New Orleans* (September 18, 2006).
88 Ibid.
89 These include experts from the Brookings Institution, the Urban Land Institute, the Bureau of Governmental Research, the Urban Institute, and the NAACP.
90 Bureau of Governmental Research, *The Road Home Rental Housing Program*.
91 Susan Saulny and Gary Rivlin, "Renewal Money for New Orleans Bypasses Renters," *New York Times*, 17 September 2006.
92 The information on current allocations and proposed changes comes from Bureau of Governmental Research, *The Road Home Rental Housing Program*; however, the numbers are consistent with those provided in reports and papers by others.

a pre-Katrina renter, with above 60 percent of the area median income, would receive no benefits from the Road Home Program. Second, homeowners are required to remain in their homes for only three years whereas landlords are required to retain rents for the designated income levels for 10 years in order to have their Road Home loans totally forgiven.

The marked disparity in assistance between homeowners and renters is best illustrated by the 12,000 households in Louisiana living in FEMA mobile home parks. As the *Washington Post* reported, "Almost all of the trailers' occupants were renters before the storm; unlike homeowners, they received no direct rebuilding assistance from the federal government."[93]

The details for an $869 million dollar assistance program were announced in January 2007 as part of the Road Home's Small Rental Program. Under the first round starting in late January, $200 million would be awarded to owners of 3- to 4-unit structures and small-scale owners by late spring 2007, close to two years after Hurricane Katrina hit New Orleans. The rest of the funds would be awarded in multiple rounds over the following two years.

The Small Rental Program is available to owners of pre-Katrina small rental properties and 3- and 4-unit structures, in cases where the structure has at least $5,200 of damage from the hurricanes and served as a rental structure prior to the hurricanes. Owner-occupants of 2-unit structures are also able to apply for a loan under this program as long as they did not receive funding under the single-family program. However, the funds they receive only cover the rental unit. There also is a set-aside for non-profit organizations that keep the housing affordable for 20 years.

The award-recipient determines how the funds will be spent. Applicants have to go through federal requirements for an environmental review, hire a contractor, document their repair costs, and work with participating lenders before a final loan can be awarded. Eligible borrowers receive a no-interest, 10-year forgivable loan. The amount of the loan is based on the income level of the tenants being served, with the largest amounts going to those offering rents affordable to people with lower incomes. There are three income tiers at 80 percent, 65 percent, and 50 percent of the area median income.

There have been significant disbursal delays in Rental Home Program. As noted above, ICF failed to announce program details or requirements of the application process until almost one and a half years after the hurricane hit. It is too early in the implementation of this program to know if there are any components that will cause further disbursal delays. However, while many landlords are glad that the Small Rental Program is now underway, there are legitimate concerns that it has come too late. Tammy Esponge, executive of the Apartment Association of Greater New Orleans which represents owners of about 20,000 units, was quoted in *The Times-Picayune* as saying: "Sixteen months after the storm, are they really going to do it at this point? This should have been done 12 months ago."[94] Another concern expressed is that "many [small rental landlords] wouldn't be able to commit to renovating their rental properties until they knew the city's specific plan for restoring services."[95]

Establishing a Central Recovery Center: The Office of Recovery Management

For a very long time, New Orleans did not have one central entity to deal with recovery efforts. This changed at the end of 2006, when Mayor Nagin announced the creation of the Office of Recovery Management (ORM) and the appointment of Edward J. Blakely as its director. ORM was created to centralize and manage recovery efforts and accelerate the flow of resources. Dr. Blakely, an internationally known disaster recovery expert who oversaw recovery efforts in New York City after 9/11, views ORM as "the accountability structure" for all recovery-related operations of all city and state agencies. He, in turn, is accountable to the LRA.[96]

One of the first actions Blakely took was to announce a five-point recovery strategy for New Orleans, which included a focus on housing, as follows:

- Development of a Safe, Secure and Environmentally Sustainable Settlement Pattern: ensuring that the residential and commercial rebuilding and resettlement plan improves community physical land use while meeting economic, social and physical challenges.[97]

The major thrust for ORM as it pertains to housing is to jumpstart housing development by creating replicable mixed-use models through targeted critical mass developments. Blakely stated that: "Recovery projects will be 'highly visible' and 'designated' to leverage further development. Rather than scattering

[93] Peter Whoriskey, "We Called it Hurricane FEMA," *Washington Post*, 12 March 2007.

[94] David Hammer, "Relief Far Off for La. Rental Owners," *The Times-Picayune*, 4 January 2007.

[95] Ibid.

[96] David Hammer, "Recovery Czar Throws Down the Gauntlet before LRA," *The Times-Picayune*, 13 February 2007.

[97] C. Ray Nagin, *State of the City Report*.

rebuilding efforts throughout the city…they will be concentrated in small areas so that they can revitalize entire neighborhoods."[98]

Increasing Homeownership: Roles for Other City Leaders

The Road Home Program for pre-Katrina homeowners and the one for rental housing are designed, effectively, to retain the pre-Katrina status quo. However, many in New Orleans working on the housing crisis see this as an opportunity to help transform the city from two-thirds renters to at least 50 percent homeowners. They highlight the community benefits typically associated with higher homeownership rates, such as a lower crime rate, better property upkeep, and greater community participation. Several business leaders have been promoting lease-to-own programs so that previous renters could purchase 1- to 2-unit properties after renting them for typically up to two years, during which time they improve their credit history or save for the down payment.

One proposal under consideration is to have additional CDBG funds—available under the Louisiana Housing Finance Authority (LHFA) but managed by local housing finance agencies such as the Finance Authority of New Orleans—for pre-Katrina renters at or below 80 percent of the area median income who purchase for ownership pre-Katrina 1- to 2-unit rental properties. This program would initially be capitalized with a small CDBG allocation of about $30 million to help fill in the affordability gap preventing former renters from becoming homeowners. Current thinking regarding this renter/rental-to-ownership proposal would provide a five-year forgivable loan to help with new construction and existing property rehabilitation. For newly constructed homes on properties where eligible rental structures stood, the properties would be sold directly to the eligible borrower. For eligible existing homes currently owned by an investor/owner, the investor/owner would be able to choose to renovate the home per code requirements and sell directly to the eligible borrower or sell the home to an approved non-profit that would then renovate the home per code requirements and sell the home to an eligible borrower. While this program was still in the discussion stages as of March 2007, if put in place, it would provide pre-Katrina renters with a homeownership option and give owners of 1- to 2-unit rental properties an alternative to the Road Home Small Rental Program and its rental restrictions.

Another effort underway involves New Orleans area employers under the leadership of Greater New Orleans (GNO) Inc., a regional partnership of public and private leaders focused on the economic resurgence of the greater New Orleans area. These efforts, supported and assisted by the Fannie Mae Foundation and the Federal Reserve-New Orleans, demonstrate the business community's recognition that their economic success is severely affected by the housing crisis faced by their employees.

The GNO Inc. housing task force discussions are moving toward consideration of employer-based financial support of programs that help turn renters and rental property into homeownership opportunities. The renter-to-homeowner program evolved out of four larger concepts that were developed as a result of the GNO Inc. housing task force discussions. The ideas accompanying each potential employer role, described below, may be pursued at some point in the future:

- Be a catalyst for innovative new or improved housing finance, encouraging lenders and others to be more creative with "out-of-the-box solutions" and becoming a partner themselves in the solutions. For example, employers could create a recourse pool that would be used to cover a certain percentage of a lender's losses, contribute to a fund or foundation that might provide grants to cover recourse risk, or encourage others to offer employee discounts.

- Act as direct or indirect suppliers of housing, creating ways for employers to help increase the housing supply by working together or independently. For example, employers could purchase homes that they rent to employees, as has already been done by Tulane University;[99] provide financing to help create new homes, as was done by Southern University of New Orleans; or contribute to housing trust funds, as was done by employers in Santa Clara, California.

- Serve as providers of direct employer-to-employee assistance (an Employer Assisted Housing, or EAH, benefit), as some New Orleans employers have already done to reduce their recruitment and retention costs (e.g., Harrah's Casino, Whitney Bank, and Touro Hospital). Typically, these benefits support homeownership and, to a much lesser extent, rental housing, and are second loans to assist with down payment and closing costs or rental security deposits. The benefits may also be non-

[98] Bruce Eggler, "Focus on Unique, Recovery Czar Says," *The Times-Picayune*, 22 March 2007.

[99] Charles C. Mann, "The Long, Strange Resurrection of New Orleans," *Fortune* 154 (4) (29 August 2006).

monetary, such as time off for closing or home buyer education and counseling. The most efficient models also involve employers using a third party to manage administrative and operational responsibilities.

- Ensure continuation of GNO Inc.'s affordable housing advocacy by encouraging, promoting, and supporting affordable housing solutions with public and policy leaders, with special emphasis on areas impeding housing recovery in New Orleans such as insurance-related issues.

Draft proposals for a renter-to-homeowner initiative would have employers providing gap funding so in the case of a lease purchase transaction, initial rents would be more affordable, and in the case of a direct purchase transaction, there would be additional financial assistance to help with the down payment and closing costs. In general, many employers are emphasizing the need to encourage employees to transition from renter to homeowner, however this is best accomplished.

REMAINING CHALLENGES

In short, without housing for returning families and workers, as well as new temporary workers, it would be nearly impossible for businesses to stay open and the economy to come back... So much of the recovery of this region's economy – from the strength of the local tax base to the number of jobs in the city to the scale of business starts and retention—are dependent on factors related to housing and infrastructure which affect market confidence about the region. Are there homes for workers to live in?[100]

Brookings Institution Special Analysis,
August 2006

In the last several months, progress in putting key initiatives into place will greatly facilitate the rebuilding of New Orleans. Funds are starting to flow under the Road Home Program. Also, there is now a central plan that will serve as the foundation for moving the City's planning process forward. At the same time, the city plan will be integrated into a regional plan, which is close to being finalized. Others, such as the Finance Authority of New Orleans and the business community represented by GNO Inc., have developed creative approaches to bring more funds to the table aimed at transforming New Orleans from a city primarily of renters to one with a larger percentage of homeowners. A central recovery office was created to pull all the recovery efforts together and move them forward in a strategic and effective manner. The impact of the ORM is bound to be considerable given the announcement of a new 17-zone redevelopment plan, with $1.1 billion in public funds available to attract private investment.

The steps forward listed above do not exist in a vacuum. Their success also will depend on how well New Orleans is able to overcome underlying problems such as those regarding housing affordability, insurance, and blighted property disposition.

Housing Affordability

According to Mary Comerio's book *Disaster Hits Home*, housing stock must be rebuilt quickly to ensure a full post-disaster recovery.[101] Housing is one of the most important issues in the recovery of New Orleans because it affects not only individuals and families but also the business community and the fiscal health of local governments. In a mid-2006 survey of employers in New Orleans, about half of the respondents said that they still had unfilled positions because of the lack of housing.[102]

Following Katrina, housing affordability in New Orleans has worsened a great deal. Both housing prices and rents have gone up; on average, housing prices have risen by 25 percent and rents by 39 percent. And, as reported in *The Times-Picayune*, in some cases, "a shortage of apartments sent rents surging 70 percent last year in Orleans Parish, which contains 70 percent of the state's severely damaged rental properties, according to figures gathered from FEMA."[103] Construction costs have increased by 30 to 100 percent.

While housing scarcity is a significant problem, the rising cost of insurance is also a major factor in housing affordability. Six months ago, reports suggested that homeowner insurance and rental insurance costs had increased by 14 to 100 percent.[104] Now, this may be even worse. James R. Kelly, CEO of Providence Community Housing, and Catholic Charities in the Archdiocese of New Orleans, reported in his February 6, 2007 testimony to the U. S. House of Representatives Committee on Financial Services that "Insurance quotes, when we can get them, are coming in 400 to 600 percent over pre-Katrina rates." In addition to increased premiums, most property owners are likely to

[100] Amy Liu, Matt Fellowes and Mia Mabanta, *Special Edition of the Katrina Index: A One-Year Review pf Key Indicators pf Recovery in Post-Storm New Orleans* (Washington, DC: The Brookings Institution, August 2006).

[101] Mary C. Comerio, *Disaster Hits Home: New Policy for Urban Housing Recovery* (University of California Press, 1998).

[102] Fannie Mae Foundation, *Homes NOW (Homes for New Orleans Workers)—An Employer-Led Housing Initiative*, Working Paper (Washington, DC: The Fannie Mae Foundation, 2006).

[103] David Hammer, "Relief Far Off for La. Rental Owners," *The Times-Picayune*, 4 January 2007.

[104] Amy Liu, Matt Fellowes and Mia Mabanta, *Special Edition of the Katrina Index: A One-Year Review pf Key Indicators pf Recovery in Post-Storm New Orleans* (Washington, DC: The Brookings Institution, August 2006).

see steeper deductibles and lower coverage maximums.[105]

Another increased cost is flood insurance, which has gone up partly because of new FEMA rules. In the past, slab-on-grade properties resting below the minimum elevation qualified for discounted flood insurance because they were "grandfathered in" and had never been substantially damaged by a flood. Now, with the new FEMA guidelines, any home classified as having more than 50 percent damage will lose that subsidy and be subject to steep flood insurance hikes unless the owner elevates the home. The new guidelines will have a massive impact on homeowners in flooded neighborhoods; about 75 percent of the 85,000 homes in Orleans Parish with flood insurance do not meet the new elevation requirements.[106]

The substantially higher insurance premiums after Katrina have added to the cost of housing—both owner-occupant and rental housing. Insurance costs directly affect the affordability ratios used in the underwriting criteria followed by the home mortgage lending industry so homebuyers are finding it more difficult to qualify for mortgage loans. According to a report by the Brookings Institution, one year after Hurricane Katrina "the increasing cost of homeownership, driven by the likely spikes in utility bills and insurance premiums, may prompt some former homeowners, especially low-income homeowners, to rent for a while."[107] However, becoming a renter may not be an affordable solution since insurance premiums for rental housing have increased even more than for owner-occupant housing. Multifamily property owners have stated that one reason why they have had to increase rents so much for new renters is that their costs increased due to dramatically higher insurance premiums.[108]

Housing costs also may increase due to higher property assessments. As noted, because of the understated values prior to Katrina and their impact on Road Home grants, homeowners are getting private assessments in order to justify higher grants. Also, home prices are going up due to scarcity and demand. These two factors combined could result in higher property assessments on top of all of the other increased costs of living for New Orleans homeowners.

The chief challenge to providing adequate housing for all New Orleanians, including the displaced who want to return, is obtaining financing for rebuilding and repair. In spite of the grant allocations made available under the Road Home Program, there remain significant affordability gaps in housing financing for those affected by the hurricanes. In addition, rebuilding costs for some homeowners could well exceed the maximum $150,000 Road Home grant.

Renters are most likely continue to face a shortage of affordable housing. As noted, the Road Home Program is aimed primarily at homeowners. Rental grant programs are for renters below 80 percent of area median income, with the vast majority of the funds for those at or below 60 percent of the area median income. For a pre-Katrina renter whose income is over 80 percent of the area median income, there is no funding program designed to help with housing needs. In addition, new residents of New Orleans who have come to work in construction and other jobs, are facing housing shortages and very high housing costs. These new residents will not receive any assistance from the Road Home Program.

Prior to Katrina, public housing made up a disproportionate share of the city's housing stock. Although New Orleans was the 35th-largest city in the U.S., it had the eighth-largest public housing authority.[109] Most of the public housing in New Orleans is now slated for demolition and possible conversion to mixed-income housing. This implies that the stock of housing available to the poor and very low-income families will shrink. Despite opposition from the National Trust for Historic Preservation and other organizations as well as residents, such demolition has begun. The U.S. House of Representatives passed a bill that would require HUD to provide apartments by October 1, 2007 to 3,000 former public housing residents, but this is considered to be one of the more controversial components of the bill, which still requires Senate approval.[110]

Insurance: A Continuing Crisis

The increased cost of insurance, as described above, is just one of the insurance problems that New Orleans is facing. Property owners in New Orleans have had difficulty in receiving insurance money for the property damage they already suffered in the wake of Katrina. To make matters worse, private insurance is no longer available in certain areas for certain types of property.

For those seeking insurance payments for their damaged homes, a recurring issue appears to be whether or

[105] Fannie Mae Foundation, *Post-Katrina Insurance Issues and Housing*, Working Paper (Washington, DC: The Fannie Mae Foundation, October 30, 2006).
[106] *The Times-Picayune*, 13 April 2006. Cited in Fannie Mae Foundation, *Post-Katrina Insurance Issues and Housing*.
[107] Ibid.
[108] Fannie Mae Foundation, *Post-Katrina Insurance Issues and Housing*, Working Paper (Washington, DC: The Fannie Mae Foundation, October 30, 2006).

[109] "Beyond the Razor-wire," *The Economist* (17 June 2006).
[110] Bill Walsh, "House Passes Gulf Coast Relief Measure," *The Times-Picayune*, 22 March 2007.

not the damage incurred is from wind or water. In responding to claims, insurance companies have attempted to minimize their liability by ascribing all or most of the damage to flooding rather than to wind. A study by Americans for Insurance Reform (AIR), which examined actual case studies of insurance claims by Gulf Coast residents, found cases where insurance companies tried to avoid any liability by declaring that all damage was flood-related—when the property owners did not have flood insurance—even though this position was not supported factually or legally.[111] There are other reports of insurance companies underpaying or denying coverage for wind damage through the use of biased or altered engineer reports that attributed all or most damage to water surge.[112] As a result, many homeowners have not received payments on their claims.

Disproportionately negative effects of insurance claim denials have hit minority and poorer residents. A recent analysis of data on appeals of insurance claims in Louisiana by the Associated Press revealed that, although poor and minority neighborhoods suffered the brunt of the damage from Katrina, residents living in white neighborhoods have been three times as likely as homeowners in African American neighborhoods to seek the state's help in resolving insurance disputes.[113]

The Associated Press analyzed more than 3,000 insurance-related settled complaints to the state's insurance by the demographics of the victims' current zip code neighborhood. It found that nearly 75 percent of the settled cases were filed by residents currently living in predominantly white neighborhoods; just 25 percent were filed by households in majority African American zip codes. This study also suggested that income was a factor in seeking the state's help to appeal the claims. The average resident who sought the state's help lived in a neighborhood with a median household income of $39,709, compared with the statewide median of $32,566. The study found no racial disparity in the outcome of the state appeals process, but found instead a clear racial divide in who accessed the system and how often they did so.[114]

There are also fewer insurance options since some private companies have decided not to write any new insurance policies. For example, State Farm and Alliance, which accounted for 57 percent of homeowner policies in New Orleans before Katrina, have decided not to write any new policies. As a result, more homeowners seeking insurance are going to the Louisiana Citizens Property Insurance Corporation, the state-sponsored insurer with very expensive rates because it is designed to be an insurer of last resort. The Louisiana Citizens Property Insurance Corporation, which had no policies in 2004, is expected to write 200,000 policies annually because of the withdrawal of private insurers from certain markets, post-Katrina.[115] In addition, Louisiana Insurance Commissioner Jim Donelon has proposed the creation of a $100 million fund to pay insurance companies writing policies along the Gulf Coast.[116]

Leveraging Vacant and Abandoned Properties

As noted above, one of the systemic issues that predated Katrina is an inadequate system to deal with blighted properties. Although recommendations for ways to improve this were made before Katrina, nothing had been done by the time the storm hit. In the fall of 2006, Mayor Nagin took actions to reinvent NORA in order to remedy the dramatic increase in blighted properties. Thus, blighted properties will be handled as part of the Mayor's 17 zone redevelopment plan, as well as properties coming from homeowners who agree to a buyout under the Road Home Program.

There are several situations in which the city can obtain properties:

- Adjudicated Properties: If a property owner does not pay his/her taxes, the city, following legal procedures, asks the court to assign the property with delinquent taxes to the city. The property owner, however, has a right of redemption of three years or more, thereby complicating the redevelopment of tax sale properties.

- Blighted Properties: A blighted property is one that has been declared vacant, uninhabitable, and hazardous by an administrative hearing officer. There are two ways to get control of the blighted properties from a neglectful property owner: code enforcement by the city or expropriation by NORA. Developing expropriated properties has become more difficult because of recent state constitutional amendments that place serious restrictions on expropriated land actions and provide greater rights for the original owners, making it much more difficult for expropriated land

111 Americans for Insurance Reform, *The Insurance Industry's Troubling Response to Hurricane Katrina* (January 2006).
112 Anita Lee, "State Farm Underpaid on Purpose, Ex-Workers Say," *McClatchy Newspaper*, 27 August 2006.
113 "Data: Whites Appealed Katrina Insurance More," *Associated Press*, 24 October 2006. This may be found online at: http://www.kvue.com/sharedcontent/dws/news/texassouthwest/stories/102506dntexkatrina.6e51760d.html
114 Ibid.
115 *Washington Post*, 30 April 2006. Cited in Fannie Mae Foundation, *Post-Katrina Insurance Issues and Housing*.
116 Ed Anderson, "Program Gives Insurance Firms Cash to Cover Coastal Properties," *The Times-Picayune*, 24 March 2007.

to be transferred to the private sector for development. However, these restrictions do not appear to apply to properties taken due to non-payment of code enforcement liens that were placed on blighted properties. Since the redemption obstacles associated with adjudicated properties also do not seem to apply in the case of code lien properties, these properties have fewer title issues too.

- Transferred Properties: The properties obtained through the Road Home Program that the homeowner chooses to relinquish should not present any of the legal issues found with adjudicated or expropriated properties.

In May 2006, the New Orleans Law Department reinstituted its "Sale of the Adjudicated/Abandoned Properties" (SOAP) and issued an "Invitation for Applications: Targeted Neighborhood Development on Adjudicated Properties." Approximately 2,500 "pre-Katrina" properties, about two-thirds adjudicated and the rest expropriated, were made available to non-profit and for-profit developers for redevelopment. The city asked the Fannie Mae Foundation, in partnership with GCR, a New Orleans consulting firm, to assist with the intake and review of the proposals. This included documentation and sorting of the requests, and evaluation of the proposals based on the city's six-point selection criteria stated in the Letter of Invitation.

Many of the properties included in the May invitation are located in areas that did not experience—and are not expected to experience in the future—unusually heavy flood damage. Moreover, many of these properties are concentrated in significant numbers, close to a functioning municipal infrastructure and to new private investment. Several of these properties are centrally located and convenient to major employment centers. Bundling these properties could serve as a critical mass for new housing developments and a catalyst for additional private investment.

On August 1, 2006, about 2,000 of these properties were allotted to 22 for-profit and non-profit developers. The legal complications noted above, especially regarding the redemption period for tax adjudicated properties, has meant that a portion of the 2,000 assigned properties do not have clear title and thus cannot be developed immediately. The City's Legal Department, NORA, title insurance companies, local attorneys, and the for-profit and non-profit developers are working together to identify those properties with clear title so that they can be developed. This would create much-needed housing and eliminate the blight that is making it harder for those considering rebuilding their homes to do so in the same neighborhoods as the blighted properties.

A new proposal, called "the Lot Next Door", is being presented to the New Orleans City Council and would give homeowners living next to abandoned or blighted properties the first right to purchase these properties. Paul Lambert, the consultant who worked on the City Plan sponsored by the City Council, helped the draft ordinance's author, City Councilwoman Cynthia Willard-Lewis, develop the proposal. If the next-door neighbors do not purchase the property, NORA would take responsibility for its disposition.[117]

Lessons Learned

FEMA recognizes that it has a responsibility to prevent fraudulent uses of its emergency funds. FEMA should not, however, be unwilling to use flexible programs like the Expedited Assistance Program for fear of a few mistakes.

Government has a responsibility to exercise greater flexibility in the aftermath of disasters than they might do otherwise. FEMA has the ability to waive the 10 percent Stafford Act match, for example, and has done so in several situations in recent years. When state and local governments are strapped for funds as a result of a catastrophe that reduces their revenues, FEMA should re-think its requirement of state matching funds. What Louisiana has ended up doing is using CDBG funds to help pay for its match. Senator Barack Obama was quoted in *The Times-Picayune* as stating at the January 29, 2007 Senate Committee on Homeland Security and Governmental Affairs that "he didn't see the wisdom of having the state use federal block grant funds, which are intended for other purposes, to pay the required match on other federal aid."[118]

Another example, which affected the Road Home Small Rental Program, is income limits for tenants. As noted, there are no income limits under the Road Home homeownership grant program, but in the case of the rental program, the tenant's income cannot exceed 80 percent of area median income and, in most cases, cannot exceed 60 percent of area median income. This restriction leaves out pre-Katrina renters with incomes over 80 percent area median income. There is no federal housing grant program to help them with the housing they need.

[117] Donze, F "Blight strategy picks up support," *The Times Picayune*, 20 March 2007.
[118] David Hammer, "Senators Blast Storm Relief," *The Times-Picayune*, 30 January 2007.

In proposing greater flexibility, there is always the possibility of fraud or mistakes. Everything that can be done should be done to ensure quality control. Within that context, however, flexibility and common sense should be the driving forces in responding to disasters and catastrophes.

CONCLUSION

Hurricane Katrina's impact on New Orleans is often referred to as "the perfect storm." This phrase means a great deal more, though, than the impact of weather conditions. Actions—or inaction—by people caused the failure of the levees and the exacerbated frail environment, all of which resulted in the flooding of New Orleans and its destructive aftermath. Delayed responses and poor recovery management turned what was already a tragic situation into horror stories that continue to unfold. The problems faced by those who made up a significant percentage of the New Orleans population—the poor and African Americans—were aggravated by pre-Katrina circumstances. On top of this, with so many New Orleanians displaced and living in other parts of the country, the challenge of rebuilding has become much more difficult.

As the examples in this paper demonstrate, serious mistakes were made at all levels of the government. They include federal pre- and post-Katrina failures, lengthy delays in getting funds to property owners on the state level, and problems in planning, prioritization and implementation at the city level. Although there is still a long way to go, indications during the first quarter of 2007 suggest some positive trends in the offing. These include: the completion of UNOP (albeit subject to modification), the increase in Road Home grant disbursals, the start of the Road Home Small Rental Program, the proposal for a renter-to-homeowner pilot program supported by employers, the launching of the City's ORM, and the announcement of the 17-zone redevelopment plan. A major concern, however, is whether New Orleans can overcome the negative effects that such lengthy delays in rebuilding pose for its people, housing, and businesses.

If New Orleans's five-point recovery strategy is successful, the city will be rebuilt and renewed in ways that provide its residents, especially those who bore the greatest brunt of Katrina's devastation due to poverty and racism, with better opportunities and quality of life. For the entire country, New Orleans' lessons must result in comprehensive reforms in the ways the nation responds to natural and non-natural catastrophes. This must occur so that what Representative John Lewis described as a "national disgrace" never happens again.

ABOUT THE JOINT CENTER AND ITS HEALTH POLICY INSTITUTE

The Joint Center for Political and Economic Studies is one of the nation's pre-eminent research and public policy institutions and the only one whose work focuses exclusively on issues of particular concern to African Americans and other people of color. For over three decades, our research and information programs have informed and influenced public opinion and national policy to benefit not only African Americans, but every American.

The mission of the Joint Center Health Policy Institute (HPI) is to ignite a "Fair Health" movement that gives people of color the inalienable right to equal opportunity for healthy lives. HPI's goal is to help communities of color identify short- and long-term policy objectives and related activities in key areas.

ABOUT THE AUTHOR

Jim Carr is Chief Operating Officer for the National Community Reinvestment Coalition, an association of 600 local development organizations across the nation, dedicated to improving the flow of capital to communities and promoting economic mobility. He is also a visiting professor at Columbia University in New York and George Washington University in Washington, DC. Prior to his appointment to NCRC, Jim was Senior Vice President for Financial Innovation, Planning and Research for the Fannie Mae Foundation and Vice President for Housing Research at Fannie Mae. He has also held posts as Assistant Director for Tax Policy with the U.S. Senate Budget Committee, and Research Associate at the Center for Urban Policy Research at Rutgers University.

JOINT CENTER STAFF ACKNOWLEDGMENTS

Gina E. Wood, Deputy Director
Joint Center Health Policy Institute

Carla Gullatt, Director of Operations & Outreach
Joint Center Health Policy Institute

Marco A. White
Creative Designer

Marsha E. Renwanz, Ph.D.
Consultant

JOINT CENTER FOR POLITICAL AND ECONOMIC STUDIES

Joint Center for Political and Economic Studies
1090 Vermont Avenue, NW, Suite 1100
Washington, DC 20005
jointcenter.org

Joint Center HEALTH POLICY INSTITUTE

This product is printed on paper that is 50% recycled, 25% post consumer, Elemental Chlorine Free (ECF), and acid free.

PRINTED WITH SOY INK