



Building a Better New Orleans: A Review of and Plan for Progress One Year after Hurricane Katrina

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Executive Summary

One year ago, Hurricane Katrina struck metropolitan New Orleans and the surrounding Gulf Coast. While longtime residents of these communities can easily rattle off the names of past hurricanes, “Katrina” will be tattooed on their memories like no other. And for good reason: Hurricane Katrina ranks as the deadliest and costliest storm this country has ever seen, having caused over 1,800 deaths to date and approximately \$81.2 billion in total damage.

Now, it is time to take stock.

How—one year later—is the largest storm recovery and reconstruction in history going?

What have been the results of the year’s federal, state, and local efforts to rebuild a devastated region and facilitate economic recovery?

To date, the federal government has invested \$109 billion to provide relief and assistance to communities impacted by hurricanes Katrina, Rita, and Wilma. Of this, approximately \$35 billion has been targeted for longer-term recovery needs.

In the meantime, the New Orleans area is making a slow comeback. According to its “Special Edition of the Katrina Index,” the Brookings Institution found that, one year after the storm, the New Orleans area is both rebounding and stagnating, with much of the boon benefiting the least-impacted areas. The real estate market is finally re-awakening, yet rents have spiked 39 percent in just one year and home prices have escalated in the surrounding parishes, triggering concerns about affordability. Many key public services, such as schools, public transportation, and utilities, are operating at less than half capacity. And while some new jobs have been added to the region’s economy, the proportion of jobless workers remains higher than during the days prior to Katrina. Meanwhile, the latest population estimates based on U.S. Postal Service data show that just 171,000 original New Orleans residents still lived in the city as of the end of June 2006—only 35 percent of the city’s 2000 population.



The region's slow visible progress to normalcy raises legitimate concerns about the pace of government decisionmaking and spending. And yet, there is another question the nation should be asking as it considers the progress of rebuilding: To what extent is the overall federal, state, and local governments not just rebuilding the New Orleans region but remaking it *better* than it was before?

In this respect, the nation's massive public investment in that region should not simply put New Orleans back together as it was before—as a racially divided, physically vulnerable, economically struggling region. Instead, federal, state, and local leaders should use this rare opportunity to rebuild New Orleans as a better version of itself: one that is inclusive, sustainable, and prosperous. The result: former residents will return to a healthier community and taxpayers will benefit from the return of a major American city as a stronger engine of the U.S. economy.

In light of that, this paper reviews the federal, state, and local response to date as it relates to the important goal of creating a better—not just the same—New Orleans. Against these three dimensions of improvement, it highlights both areas of progress and areas in which more work needs to be done.

1. Building an Inclusive New Orleans

Prior to Katrina, New Orleans was plagued with the second-highest concentrations of poverty among the 50 largest U.S. cities and wide race and economic disparities. Consequently, the recovery effort should seek to improve the inclusivity and quality of the neighborhoods in which families live to ensure that all residents have access to good opportunities.

Areas of Progress

- The federal government has made housing recovery a top priority, providing \$10.4 billion in Community Development Block Grant (CDBG) funds to Louisiana to primarily help them rebuild damaged homes and apartments.
- The federal government, through the Gulf Opportunity Zone Act (GO Zone), has increased the availability of Low-Income Housing Tax Credits to provide incentives for developers and non-profits to build affordable, rental housing in the region.
- The state has designed and is in the process of implementing the Road Home program, a comprehensive program that primarily provides incentives and aid for homeowners to rebuild their houses. Meanwhile, some funds are available to assist owners of small rental properties and to encourage developers to create mixed-income neighborhoods.

But More Progress Is Needed

- Low-income residents and renters have been substantially neglected in the housing response. Nearly half of the damaged homes in the flooded areas of the New Orleans region were apartments yet the bulk of the housing response has been aimed at homeowners. The federal and state governments must work together to identify additional resources for the provision of affordable, rental housing to serve a full range of low-income and working families while enabling them to live in healthy, economically-integrated neighborhoods.
- There is no clear plan for the future of public housing in the city. The U.S. Department of Housing and Urban Development, which runs the troubled local housing authority, needs to take further steps to clarify the future of public housing and put in place a concrete plan to make sure that any displaced HUD-assisted families have access to housing in a shattered rental market.
- The funds and policies to support the development of mixed-income housing do not go far enough. The federal government needs to provide affordable housing subsidies to ensure that a portion of private apartments are truly set aside for low-income and working families. The state needs to inject some real incentives into the tax credit program that reward developers for pursuing mixed-income, mixed-finance developments that serve families of all income levels.

2. Building a Sustainable New Orleans

Prior to Katrina, the New Orleans area was growing in unsafe and unsustainable ways. Land development was consuming former wetlands, eroding the very natural barriers that protect the region. Jobs and opportunity were moving to the far reaches of the region, undermining the strength of the urban core. The opportunity now is to not replicate the same land use patterns and infrastructure policies but instead make greater New Orleans a model of high quality, safe and sustainable development.

Areas of Progress

- To make the region safer and more sustainable, the state has taken the unprecedented step of integrating the management and planning of levees and coastal restoration under one state entity, the Coastal Protection and Restoration Authority. This ensures a comprehensive, seamless approach to protect coastal communities and industries.
- The federal government has committed funds to restore the levee system to withstand a Category 3 storm.



- After fits and starts, the city of New Orleans is on its way to developing a unified plan for its future, which sets the stage for the region's long-term sustainability.

But More Progress Is Needed

- The federal government has not advocated strongly enough for coastal restoration programs that will reinforce the long-term strength of the levee system they are now building. Such investments would also protect the oil and gas industry and other coastal economies that are critical to the nation. The White House needs to put forth an integrated plan for coastal restoration of the Louisiana coast, as mandated by Congress, while also approving a dedicated source of revenue for Louisiana to invest in coastal wetland restoration and protection.
- Federal and state leaders must make accountability on operations, maintenance, and overall performance of levees and coastal protections systems a top priority. The failure of the pre-Katrina levee system was not just a structural failure but also a lapse in ongoing maintenance and oversight at all levels of government. Both federal and state leaders must put in place standards and systems to monitor and maintain these mega-public investments.
- There has been weak mayoral leadership in the future planning of the city. Mayor Ray Nagin needs to articulate a vision for the future of his city and be a visible champion of the unified citywide planning process. The mayor has an opportunity to engage residents in an honest, citywide dialogue to establish a common set of values and goals around how and where to accommodate future growth. The mayor needs to release clear and honest facts to the public to inform their decisions, such as estimated population growth trends or the state of the city's budget to support full services. Ultimately, he needs to set a clear direction for the city and its neighborhoods, but also be honest about the tough choices ahead so the people of his community can weigh together the fiscal, market, and environmental realities facing the city.
- In the end, a plan is just a plan unless a mechanism is in place for implementation. The city needs to put in place a single entity to coordinate and implement large-scale redevelopment. The city needs to put in place a comprehensive plan to address the thousands of abandoned land and properties that the city has in its inventory and will acquire in the coming years.

3. Building a Prosperous New Orleans

Finally, prior to Katrina, the New Orleans metro area was struggling economically. While the region was blessed with some industry and cultural strengths, greater New Orleans suffered from weak job growth, a proliferation of low-wage services jobs replacing good industry employment, and a small pool of highly, skilled and educated workers. The goal is to transform the region's economy from the low-road to the high-road, with benefits shared by both firms and workers.

Areas of Progress

- To reiterate, the economy can not rebound without adequate housing for returning residents, new workers, and other consumers of the economy. Further, the sense of safety in the region matters to securing market confidence. Thus, the federal investments in housing and levee protection have been important first steps to putting the region on a stronger economic footing.
- Through its Go Zones, the federal government has issued a number of tax incentives to aid impacted businesses and stimulate private investment.
- The state has taken bold steps to fundamentally restructure two poor-performing public service systems in the state which are critical to the future quality of life a region. First, with the strong support and engagement of the federal government, the state has agreed to fundamentally reform the health care delivery system. Second, the state took over the troubled schools in New Orleans, converting many of them to charter schools.

But More Progress Is Needed

- While bold plans for reform are underway for schools and health care, the rest of the public service infrastructure is literally broken. Both the utility company and the public transit agency are bankrupt or nearly bankrupt, creating real concerns about the level and quality of future services and the pending rate hikes on customers. The water and sewer system is plagued by leaks, causing power outages and weak water pressure throughout the system. Crime levels have risen, and the full level of police protection is only made possible for the moment due to the help of state police and the National Guard. Overall, if these critical public services are not addressed soon, not only will they diminish the city's quality of life, but they will also add to the increasing cost of living and cost of doing business for families and firms, potentially sparking an exodus from the city. The federal and state governments must work together to provide urgent resources to restore the quality and level of public services in the city.
- The city has yet to be frank about the fiscal realities of providing adequate public services to all residents. The mayor must pursue a feasibility study to determine the extent to which the city can provide the full array of services to all neighborhoods at this time, followed by a plan for delivering those services in the short- and long-term.
- Finally, while broad-based tax incentives have been issued, there has been little attention to growing the knowledge assets of New Orleans' economy to help the region diversify its economic base and stimulate quality economic growth. This means both the federal and state governments must pursue well-targeted investments in: (1) protecting and growing small businesses which contribute to culture and tourism and local distinctiveness, (2) restoring the higher education infrastructure, including incentives to attract and retain quality scholars and medical and science researchers, and (3) providing planning and capacity grants to create an integrated, regional workforce development system that can more effectively use existing workforce training dollars.



In sum, federal, state, and local leaders have set the right priorities and made some smart decisions in the one-year recovery effort. But to date, whole communities and whole parts of the economy remain unaddressed by the response. This is just the beginning of a long-term recovery effort. More work needs to be done across all three levels of government to ensure that New Orleans is on track to becoming an inclusive, sustainable, and prosperous region. In doing so, New Orleans will not only generate wealth and opportunities for its residents but she will also emerge as a stronger economic asset to the nation.

For more detailed analysis of the recovery effort and specific federal, state and local policy recommendations, see the full report at http://www.brookings.edu/metro/pubs/20060822_Katrina.htm.

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