



Special Edition of the Katrina Index: A One-Year Review of Key Indicators of Recovery in Post-Storm New Orleans

Amy Liu, Matt Fellowes, and Mia Mabanta

Findings

A review of dozens of key social and economic indicators on the progress of recovery in the New Orleans region since the impact of Hurricane Katrina finds that:

- **Housing rehabilitation, and demolition, are well underway while the housing market tightens, raising rent and home prices.** Across the most hard-hit parishes in the New Orleans area, the pace of demolitions has accelerated in the last six months while the number of permits issued for rehab has nearly doubled in the city. Yet, housing is less affordable as rent prices in the region have increased by 39 percent over the year and home sale prices have spiked in suburban parishes.
- **Across the city, public services and infrastructure remain thin and slow to rebound.** Approximately half of all bus and streetcar routes are back up and running, while only 17 percent of buses are in use, a level of service that has not changed since January. Gas and electricity service is reaching only 41 and 60 percent of the pre-Katrina customer base, respectively.
- **The labor force in the New Orleans region is 30 percent smaller today than one year ago and has grown slowly over the last six months; meanwhile, the unemployment rate remains higher than pre-Katrina.** The New Orleans metro area lost 190,000 workers over the past year, with the health and education services industries suffering the largest percentage declines. In the past six months, the region has seen 3.4 percent more jobs but much of that may reflect the rise in new job seekers. The unemployment rate is now 7.2 percent, higher than last August.
- **Since last August, over \$100 billion in federal aid has been dedicated to serving families and communities impacted by hurricanes Katrina, Rita, and Wilma. In the meantime, the number of displaced and unemployed workers remains high.** To date, the federal government has approved approximately \$109 billion in federal aid to the Gulf Coast states most impacted by the storms. Of these funds, nearly half has been dedicated to emergency and longer-term housing. In the meantime, an estimated 278,000 workers are still displaced by the storm, 23 percent of whom remain unemployed.

One year after Katrina, New Orleans is showing signs of early rebirth. The housing market is beginning to turn around and increased business and visitor travel have helped bolster the region's tax base and economy. But the majority of indicators are troubling, pointing to much-needed progress in basic city services, infrastructure, and affordable housing for workers in order to boost market confidence and move the region's economy affirmatively forward.



Introduction

New Orleans is moving beyond Katrina, but progress is uneven and at times tentative.

Now nearly a year since Katrina made landfall, key components of the city's economy are growing, schools and hospitals continue to re-open, and festivals and tourists have come back. That this progress has happened is remarkable. The hurricane emptied out the city to population levels probably not seen since the French Mississippi Company founded the city nearly 300 years ago. It also flooded over 80 percent of the city's land area, wiping out entire neighborhoods and countless businesses. The task of rebuilding is no doubt daunting.

Yet, New Orleans has rebounded unevenly, leaving entire neighborhoods mostly out of the recovery effort and many key pieces of the city's infrastructure—from childcare centers to affordable housing to utility service—lagging. Job growth has been weak and workers appear more vulnerable than a year ago.

This is the state of New Orleans today, nearly twelve months after Katrina. Aided by the federal and state governments, it is a city moving—albeit haltingly—beyond Katrina.

This paper builds on the Katrina Index, a monthly snapshot launched in December 2005 to monitor the state of recovery in New Orleans and the states of Louisiana and Mississippi. The Index relies on the best available data sources from federal, state, and local agencies and other organizations. These sources represent the best estimates of key social and economic trends in the impacted areas.

This special edition of the Katrina Index will focus solely on the recovery progress in the New Orleans metro area, highlighting key trends in housing, services and infrastructure, the econ-

omy, and the federal emergency response over the past six and 12 months.

For more detailed and other trend information, including more complete parish- or state-level data and month-to-month changes, please see the full Katrina Index. The Index will be updated through August and made available on the website at http://www.brookings.edu/metro/pubs/200608_KatrinaIndex.pdf.

This report on the indicators of progress in New Orleans will be followed shortly by a paper assessing the federal, state, and local recovery response.

Findings

A. Housing rehabilitation, and demolition, are well underway while the housing market tightens, raising rent and home prices.

In many respects, Hurricane Katrina was a housing disaster. The hurricane destroyed tens of thousands of homes and displaced a million people from the Gulf Coast. According to the latest estimates for greater New Orleans from the Department of Homeland Security, there were 160,000 homes and apartments destroyed or which suffered major damage from the storm.¹

An economist at Louisiana State University recently asserted the importance of housing to the recovery of greater New Orleans (Richardson, 2006). He cautioned, "If extensive renovations do not occur, or temporary housing does not become more prevalent, or commuting does not become more commonplace, housing becomes a binding constraint on the ability of the [New Orleans] region to recover."

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.

After six months of near stagnation, the housing market in New Orleans is finally churning, with signs of rehab activity, home selling and buying, and prices adjusting to the increasing demand yet limited supply of decent housing.

Housing Renovations and Demolitions

Across the most hard-hit parishes, housing demolitions by the Army Corps of Engineers have picked up appreciably over the course of the year, from no official demolition activity in Orleans and Jefferson parishes six months ago to 185 and 110 tear-downs, respectively, by August. Even more robust demolition work can

be seen in Plaquemines Parish. Meanwhile, no data is available for St. Bernard Parish.

Similarly, in Orleans Parish, the number of building permits issued primarily to homeowners for home repairs and renovations has jumped 177 percent in just six months.

Homes Sold and for Sale

Meanwhile, the number of homes for sale in Orleans Parish has reached the highest level since October 2005, just a few months after the storm. There are 4,433 homes on the market, 53 percent more than six months prior. This means that the pace of home selling is outstripping the pace of home buying in the city, or that homes, perhaps in the hardest hit areas, are sitting on the market longer.

And the data on the number of homes sold by parish confirms this possibility. For instance, while over 1,500 net new homes have been put on the market in New Orleans since February, the pace of homes purchased in the same time period lagged, improving by just 133 homes. But, on its own, the pace of home purchases in the city of New Orleans has nearly doubled. Meanwhile, the less-impacted parts of the region, like East St. Tammany and West Jefferson parishes, are experiencing a level of homebuying not seen since before the storm.

Home and Rent Prices

With so many damaged homes in need of repair or wholesale demolition, families and workers are competing for a limited supply of available housing. As a result, both home prices and rent prices are going up.

Home prices, measured by their purchase price, have increased in East St. Tammany and West Jefferson, by 6 percent and 23 percent, respectively since last August. Coupled with the



healthy pace of home buying, it is evident that these suburban areas have become the favored quarter for households.

Home prices have not increased in the most-damaged parts of the metro area, however. Both Orleans and St. Bernard parishes have experienced falling home prices, with values plummeting by 190 percent in St. Bernard since Katrina.

Rents have also increased for the region as a whole since last August. A two-bedroom apartment now rents for an average of \$940 a month, an increase of 39 percent since last year. Rents for all other apartment sizes have risen at the same pace.

In short, the housing market is finally moving. Many families are making decisions about the status of their homes, either to stay and fix-up, sell and stay in the city or suburbs, or to relocate from the region altogether. Overall, the sorting in the housing market is a necessary and positive component of the rebuilding process that will ultimately lead to stability, a much better alternative to a stagnant status quo. But housing affordability remains a concern and will continue to be so as more families with children return for the fall school year and others face daunting financial challenges associated with the recovery.

HOUSING

■ Pre-Katrina
 ■ 6 months after
 ■ 1 year after

Average home sale price* (select parishes)	Orleans parish	\$273,032	\$292,735	\$247,436
	West Jefferson parish	\$139,817	\$156,271	\$172,000
	East St. Tammany parish	\$176,397	\$159,849	\$187,596
	St. Bernard parish	\$107,207	\$57,333	\$36,880
Number of homes sold* (select parishes)	Orleans parish	304	140	273
	West Jefferson parish	157	170	187
	East St. Tammany parish	204	180	247
	St. Bernard parish	53	3	25
Number of homes for sale (city)		2,892	4,433	
Fair market rent for a two-bedroom unit (metro)		\$676	\$340	
Number of Army Corps demolitions* (selected parishes)	Orleans parish 0 (6 months)		185	
	Plaquemines parish	5	803	
Number of building permits issued (city)		13,906	38,594	

Notes: Data are current through the month of July and, where indicated by an asterisk (), the month of June. Fair market rents are released annually. For home sale average price and counts in the other parishes of New Orleans, please refer to Tables 10b and 17a of this month's Katrina Index. Sources: New Orleans Metropolitan Association of Realtors, Louisiana Realtors Association, U.S. Department of Housing and Urban Development, U.S. Army Corps of Engineers, City of New Orleans.*

B. Across the city, public services and infrastructure remain thin and slow to rebound.

A functioning government with a reliable and decent delivery of services is the basic foundation to any economy. In New Orleans, this is especially true where the public and non-profit infrastructure was devastated by Katrina.

By its very nature, public service providers are either heavily dependent upon local government revenues or the fees they collect from serving their customers. In New Orleans, the major hit to the local tax base (e.g., property, sales, and income) and the substantial loss of customers have undercut the ability for many of these service providers to rebound fully. Furthermore, federal aid for public infrastructure has been slow in coming.

The Katrina Index shows that the majority of key services that we have data for are functioning at less than half capacity.

Public Transportation

Just less than half of all bus and streetcar routes are back up and running and only 17 percent of buses are in use. This level of transit service has remained unchanged since January 2006. To their credit, the Regional Transit Authority (RTA) has been providing free transit and paratransit service to its customers (effective until August 5, 2006). The level of service is unlikely to improve until the RTA finds a near-term strategy for its financial struggles.

Gas and Electricity

Gas service is running into only about 41 percent of the homes and businesses that used gas prior to Katrina. Electricity hook-up is more active at 60 percent of former customer levels. Yes, vast sections of Lakeview and Lower Ninth Ward remain without gas and electricity service.² Entergy New Orleans, meanwhile, has declared bankruptcy and is working closely with the city and the federal government to

determine how to stave off drastic rate hikes for customers.³

Schools and Child Care

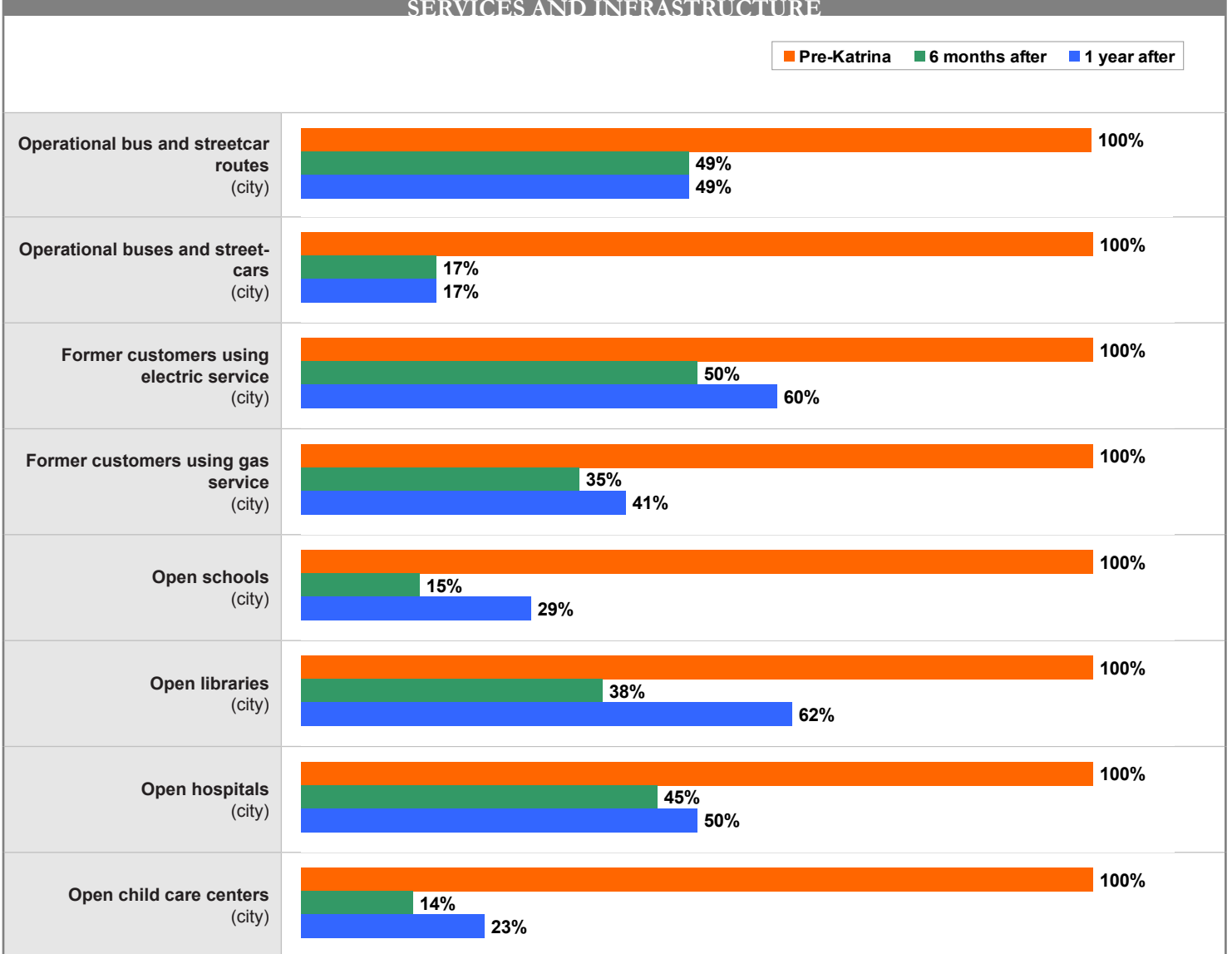
For families with children, the availability of good schools and accessible child care is critical. By the end of August, less than one-third, or 34, public schools will be in operation. But a full 56 schools, including 33 new charter schools, are currently accepting enrollment for the fall school year.⁴ Just 23 percent of child care centers are open, most operating at less capacity than pre-Katrina, and the vast majority of these centers are located in the less-damaged parts of town, like Uptown, the Garden District, and Algiers.⁵

Hospitals

Finally, there are now 11 major hospitals in operation in Orleans Parish, representing half of the available hospitals pre-Katrina. This is a crucial area of improvement. But, with the closing of Charity Hospital in New Orleans, there remains a concern about the extent to which the uninsured and indigent population is getting adequate health care attention as the state and federal government work to overhaul the two-tier health care system in the state.⁶

Overall, the city's public services and infrastructure remains fractured. This picture doesn't include data tracking the latest concerns about elevated crime levels and the spotty water-sewer infrastructure. If the quality of services remains uneven and unreliable for much longer, families, even with housing assistance in hand, may vote with their feet. The quality of basic services matters greatly to the city's pace of recovery

SERVICES AND INFRASTRUCTURE



Notes: Data are current through the month of July with the exception of the open schools figure, which represents the proportion that will open for the school year in August 2006; September school openings are currently not included and will be counted in next month's Index.

Sources: New Orleans Regional Transportation Authority, Entergy New Orleans, Louisiana Department of Education, New Orleans Public Library, Louisiana Department of Social Services, Louisiana Restaurant Association, Louisiana Department of Health and Hospitals

C. The labor force in the New Orleans region is 30 percent smaller today than one year ago and has grown slightly over the last six months; meanwhile, the unemployment rate remains higher than pre-Katrina.

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 upon factors related to housing and infrastructure which affect market confidence about the region. Are there homes for workers to live in? Is the region safe and well-protected from future hurricanes, both for businesses and families? Is there a neighborhood for residents to return to? Are there good schools, decent services, and safe streets to attract and retain families?

And as the previous sections pointed out, these issues of housing, basic quality of life, and level of services are only beginning to gain traction one year out from the storm. The result: the New Orleans economy appears to be responding slowly.

Labor Force

With 190,000 fewer workers, the metro New Orleans' workforce is a lot smaller today than it was prior to the storm.

One possible bright spot is that the New Orleans' labor force has grown by about 14,700 workers in the past six months, or just 3.4 percent, including temporary workers.

But what makes the larger labor force number troubling is that it coincides with a sizeable jump in the number of workers that are unemployed. About 7.2 percent of workers in the New Orleans metro area are without jobs, exceeding pre-Katrina conditions and higher than that for the state of Louisiana and the U.S. as a whole (both 4.6 percent).

This may mean that a good portion of the new workers in the labor force are returning residents entering the job market and not having much luck.

Job Composition

The sizeable job loss in the region has been felt across all major industries in the region.

The education and health services industry experienced the most severe impact from Hurricane Katrina, sustaining a 41.2-percent loss in jobs or a total of 32,600 positions over the year. The second largest percentage loss occurred in the business and professional services industry, at 36 percent. Meanwhile, jobs in natural resources, mining, and construction—perhaps buoyed by gas prices and the increase in housing and infrastructure activities—were cut by a relatively modest 22.3 percent since August 2005.

Meanwhile, there have been few new jobs created in these industries since February. While statistically small, jobs in leisure and hospitality, trade and transportation, and natural resources jobs are on the rise.

Despite the smaller job base, the overall composition of the economy remains about the same. Nearly 87 percent of New Orleans' jobs are in the services sector, similar to pre-Katrina trends. One slight difference is that there are more public sector jobs in the region—21 percent of the region's jobs are in the public sector, up 4 percentage points from last August. Industry compositions also remain the same, except for a dip in the share of jobs in education and health services.

Visitors and Hospitality

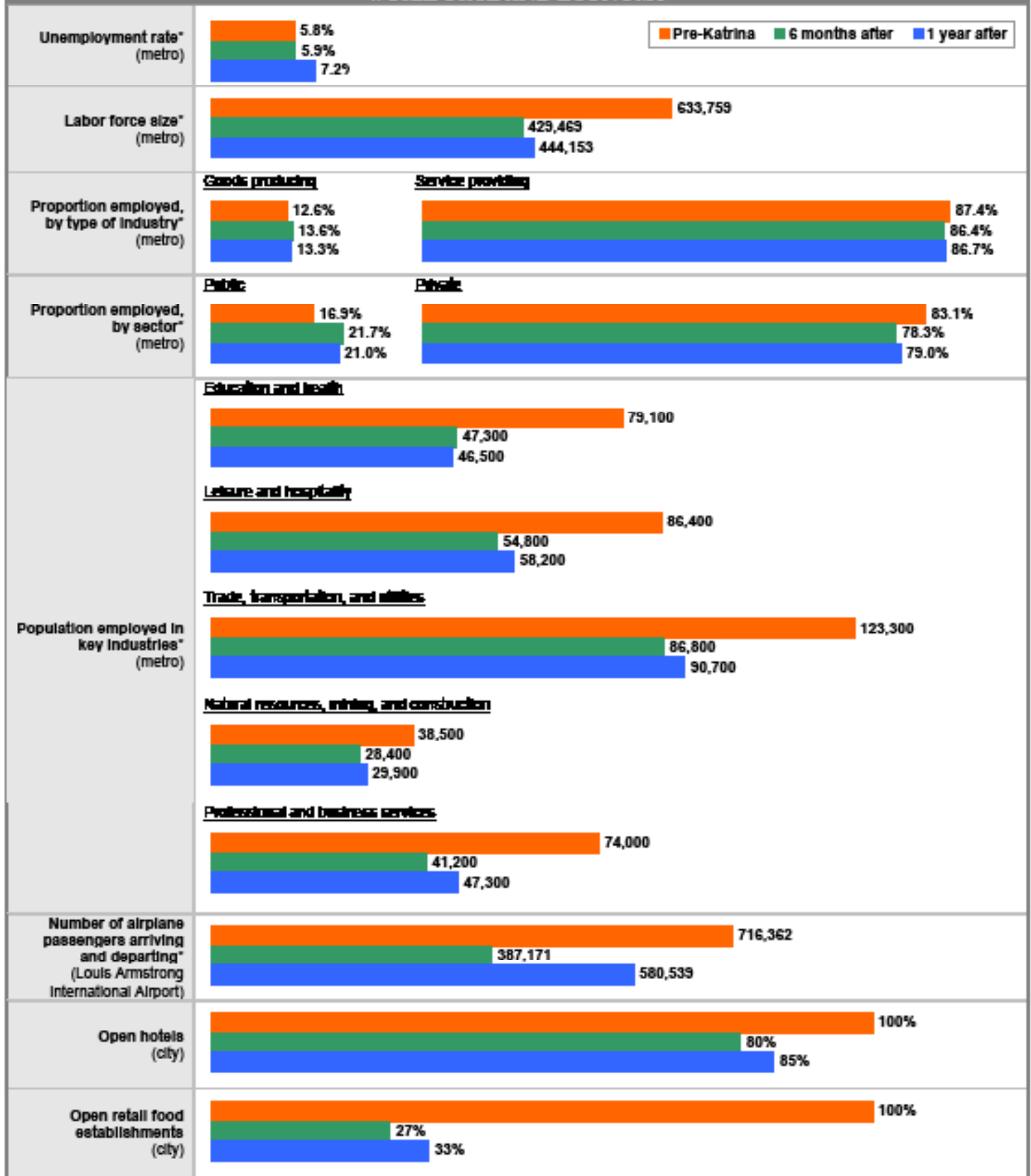
One bright spot in the economy is that hotels and business and visitor travel to the region are at least 80 percent back to pre-Katrina capacity. The number of passengers traveling through

Louis Armstrong International Airport is now just 20 percent shy of pre-storm levels, with a 46 percent increase in the last six months alone. Increased passenger traffic is borne out by the substantial number of the city's hotels that have reopened—85 percent are now back in business. That means a vital, supporting component of New Orleans economic and cultural life is nearly fully restored.

One small shadow here is that only one-third of restaurants and other food establishments in the city of New Orleans are back in service. Many of these catered not just to out-of-towners but include grocery stores and convenience stores that meet the needs of local residents.

While it is often difficult to get a complete picture of any economy, especially in a time of limited data reporting and collection (e.g., there are no good data sources for small business conditions), these indicators show that one year after Katrina, the New Orleans economy is struggling to pick up.

WORKFORCE AND ECONOMY



Notes: Data are current through the month of July and, where indicated by an asterisk (*), the month of June. BLS employment data are not seasonally adjusted. Airport data represent passengers on domestic flights only; as of June 2006, Louis Armstrong International Airport had not yet resumed international flights.

Sources: U.S. Bureau of Labor Statistics, U.S. Census Bureau, Louis Armstrong New Orleans International Airport, New Orleans Delta, area hotels, Louisiana Restaurant Association

D. Since last August, over \$100 billion in federal aid has been dedicated to serving families and communities impacted by hurricanes Katrina, Rita, and Wilma. In the meantime, the number of displaced and unemployed workers remains high.

With one year passed since the hurricane, the intergovernmental response to the damaged areas should be shifting from one of emergency to longer-term recovery. Yet there are signs that many households are still living in temporary housing conditions and under economic duress.

Federal Investments

To date, approximately \$109 billion has been allocated to provide emergency relief and longer-term recovery and rebuilding to the five states across the Gulf Coast. Nearly half of those funds are devoted to providing temporary housing for the hundreds of thousands of displaced households, reimbursing families for claims filed under the federal flood insurance program, and restoring the housing infrastructure along the Gulf Coast. The remaining money is dedicated to the rebuilding of federal, state and local infrastructure, debris removal, and levee restoration, among other priorities. At this time, it is hard to distinguish between short- and longer-term aid.

Status of Displaced Households

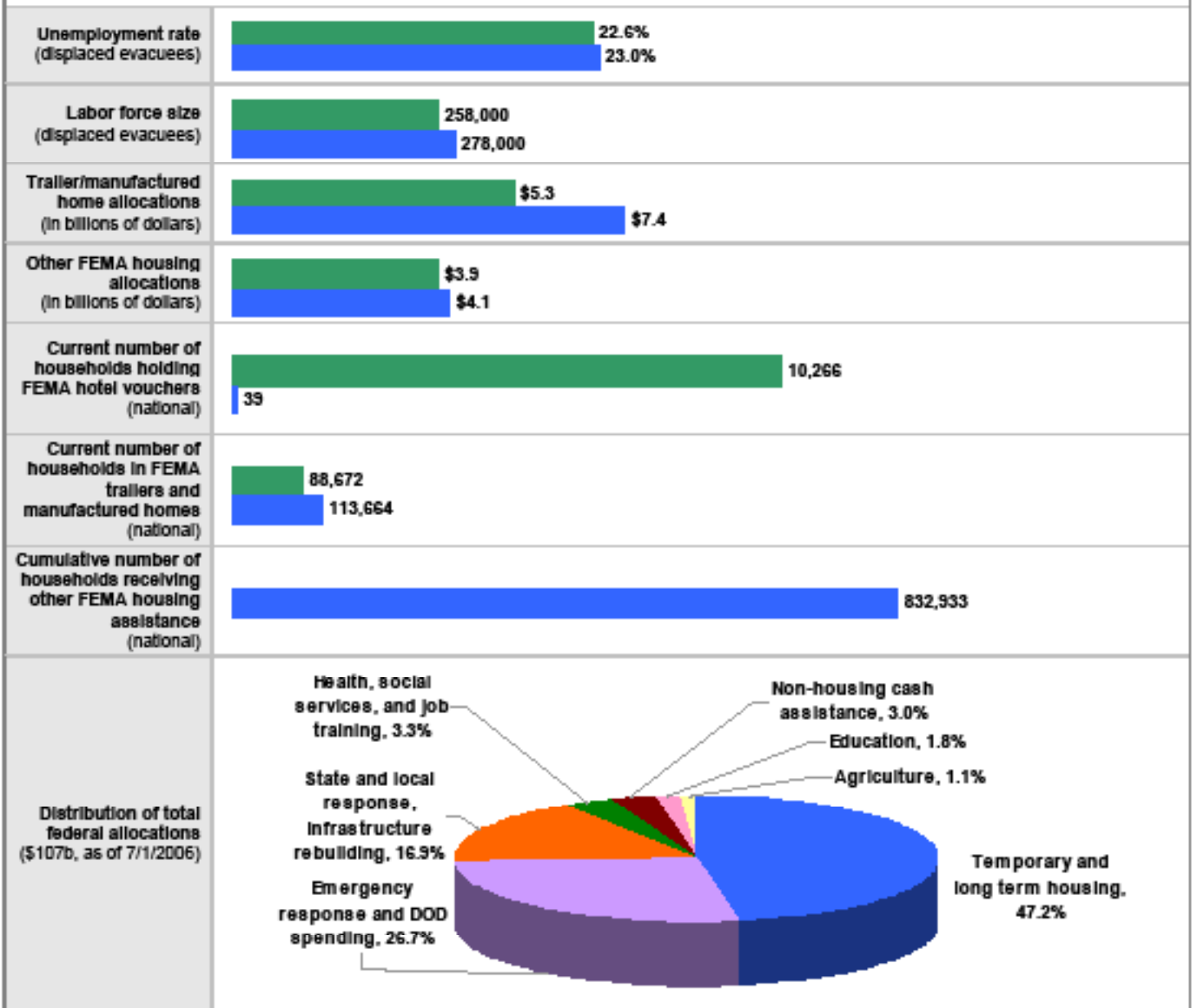
There is no good data at this time to determine how many individuals remain displaced by Hurricane Katrina. The U.S. Department of Labor estimates that there are 278,000 workers still displaced by the storm, 23 percent of whom remain unemployed essentially no better than six months ago. The number of households living in trailers has now reached nearly 114,000, an increase of 28 percent from six months ago. Meanwhile, there are only a handful of households today that receive hotel assistance from FEMA.

While most attention has shifted to the business of rebuilding, continued focus is needed to help

the still-displaced households transition to better housing and employment situations.

EMERGENCY RESPONSE

■ 6 months after ■ 1 year after



Note: Data are current through the month of July and, where indicated by an asterisk (*), the month of June.

Source: U.S. Bureau of Labor Statistics; FEMA; Matt Fellows and Amy Liu, "Federal Allocations in Response to Katrina, Rita, and Wilma: An Update" (Washington: Brookings Institution, 2006).

Conclusion

Hurricane Katrina is already a storm of sad superlatives. It is the deadliest and costliest natural disaster this nation has ever seen. The bulk of the first three months alone was spent drying up and cleaning up the city to make room for rebuilding. More importantly, federal, state, local and nonprofit leaders scrambled to find emergency and short-term shelter and other aid for the countless families displaced by the storm.

To be fair, one year is not much time to turn around a city devastated by such a storm. But, one year can be a long-time for the market. And families and businesses are anxious to make decisions about their futures, based on signs they see around them marking the strength or likelihood of economic recovery. And displaced residents, wishing to make a return home, are looking for similar signals.

One year after the storm, New Orleans is showing signs of early promise. The housing market is beginning to turn. Half of the major hospitals in the city are now seeing patients and more public schools, including a spate of new charter schools, are slated for opening this fall. Business and visitor travel to the region are fast approaching pre-Katrina levels, helping to bolster the region's tax base and economy.

But the majority of the indicators are troubling. The level of basic city services and infrastructure remain thin, does not cover all neighborhoods, and has yet to strengthen overall in the past six months. Affordable, rental housing is critical for workers, and the employers who rely on them, and yet that seems increasingly out of reach. Job growth has inched upward but so has the unemployment rate, sending mixed signals about worker security.

In short, much more work is needed in the coming months and years to boost market confi-

dence in New Orleans and move the region's economy affirmatively forward.

Selected Resources

Department of Homeland Security. 2006. "Current Housing Unit Damage Estimates: Hurricanes Katrina, Rita, and Wilma."

Greater New Orleans Community Data Center. (<http://www.gnocdc.org>).

Liu, Amy, Matt Fellowes, and Mia Mabanta. 2006. "Katrina Index: Tracking Variables of Post-Katrina Recovery." Washington: Brookings Institution.

Richardson, James. 2006. "What's Needed for Post-Hurricane Recovery." Washington: The Financial Services Roundtable.



Endnotes

1. Department of Homeland Security, "Current Housing Unit Damage Estimates: Hurricanes Katrina, Rita, and Wilma" (2006).
2. See http://www.entergy-neworleans.com/your_home/storm_center/storms_katrina.aspx.
3. A number of options are being considered for Entergy, including seeking additional federal and state funds and a possible city take-over of some of the utility's assets. Otherwise a bankruptcy reorganization plan must be filed by August 21, 2006, although Entergy is requesting an extension. (Pam Radtke Russell, "Utility seeks another bankruptcy extension." New Orleans Times Picayune, August 01, 2006. Frank Donze and Michelle Krupa, "Mayor finally breaks post-election silence," New Orleans Times Picayune, July 27, 2006. Mary Powers, "New Orleans and Entergy holding breath as federal grants dangle just out of reach," Electric Utility Week. July 6, 2006.)
4. See <http://www.nolapublicschools.net/>.
5. See map of child care centers in Orleans Parish at Greater New Orleans Community Data Center, http://www.gnocdc.org/maps/orleans_child_care.pdf.
6. With support from the Bush Administration, Louisiana launched a reform collaborative in mid-July to apply for major changes to the delivery of Medicaid and Medicare in the state, with an initial focus on the New Orleans area. The goal is to submit the reform application to U.S. Health and Human Services Secretary Leavitt by October 20, 2006. (Jan Moller, "Health care overhaul tall order." New Orleans Times Picayune, July 17, 2006.)

Acknowledgements

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We would also like to thank the many individuals across the federal, state and local agencies and organizations who have worked patiently over the past year to provide us with the most robust and up-to-date information available. Their efforts to collect and make public these data have proven valuable to many of the users of this Index.

For More Information:

Amy Liu, Deputy Director
Phone: 202-797-6410
aliu@brookings.edu

Matt Fellowes, Fellow
Phone: 202-797-6140
mfellowes@brookings.edu

Mia Mabanta, Research Assistant
Phone: 202-797-6303
mmabanta@brookings.edu

For General Information:

Brookings Institution Metropolitan Policy Program
www.brookings.edu/metro



THE BROOKINGS INSTITUTION

1775 Massachusetts Avenue, NW • Washington, DC 20036-2188
Tel: 202-797-6000 • Fax: 202-797-6004
www.brookings.edu



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