NEW ORLEANS AFFORDABLE HOUSING ASSESSMENT:

LESSONS LEARNED

A REPORT ON THE RESPONSES TO HURRICANES KATRINA, RITA AND WILMA AND THEIR EFFECT ON THE STATE OF HOUSING

Presented to Mercy Corps

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Introduction

In late August 2005, hurricane Katrina tore through the central gulf coast of the United States. The infamous storm was the largest natural disaster in United States history. The total impact to the area is difficult to calculate and almost impossible to comprehend. Damages to the area have been estimated at up to $200 billion-- an order of magnitude higher than any other U.S. natural disaster. More than one million people became displaced, creating a diaspora covering 50 states and several countries. Up to 300,000 homes were significantly damaged or destroyed. The storm demolished the majority of housing in New Orleans and uprooted over 80 percent of its 450,000 citizens. As of June 2007, according to estimates based on postal deliveries, the population had risen to only 64% of pre-Katrina levels. Some of New Orleans' poorest communities suffered the worst devastation, including the Lower Ninth Ward and the Florida/Desire neighborhood. Damages to infrastructure-- including bridges, highways and roads, utilities, police and fire stations, schools, hospitals and energy generation and refining plants-- will take decades to rebuild completely. The extensive flooding to New Orleans caused by multiple breeches to its levee system triggered mandatory evacuations for several weeks. This process was repeated when hurricane Rita hit only three weeks later.

This paper will focus on the impact of the storms, efforts to rebuild New Orleans housing stock, and the hurdles to creating affordability in housing in general. The story of rebuilding housing relates to all aspects of societal functions and has been referred to repeatedly in New Orleans as the 'chicken and egg' problem. With so many homes to rebuild, there are too few contractors to complete the work. There are so few contractors because there are no places for their workers to live. Rebuilding the devastated housing stock of New Orleans is essential for the city's recovery. Without places to live, people cannot return to work, pay taxes, patronize local businesses, or send their children to school. Fortunately, there is a groundswell of support to avoid old patterns of concentrating assisted housing and poor families in a few isolated communities. But basic infrastructures that can attract and retain residents are still missing. By January 2007, only about half of the public schools in New Orleans were open, 30 percent of the childcare centers had returned, and less than a half of the city buses were back in operation. Enrollment at the six largest colleges in New Orleans was at just 76 percent of pre-Katrina levels.

With the only point of consensus being that "things could have been done better", it makes sense to look at the responses to the disaster to see if any lessons can be learned and applied to future events. Perhaps one reason that recovery has been so delayed in New Orleans is the fact that there is recognition that reconstruction should be done in a way so as to not repeat and reinforce the existing patterns of poverty and segregation. Planners have placed a premium on creating an equitable, sustainable and affordable New Orleans, but every month that passes makes it more likely that the dispossessed will not be a part of the rebuilt city. Even as citywide recovery plans have finally been adopted, the city's poorest, predominantly black, residents will face the largest hurdles to reestablishing themselves. While there are Government programs in place to help people return, the programs are often difficult to navigate and fall short of complete restitution for individuals and families that had almost no assets prior to the storms.

Meanwhile, the costs of construction materials and labor, as well as insurance and energy, continue to present almost insurmountable hurdles to even the most organized and tenacious resident hoping to rebuild. With the planning process and Government investment slow to take effect, private investment has not been forthcoming.

Background: Pre-Katrina New Orleans

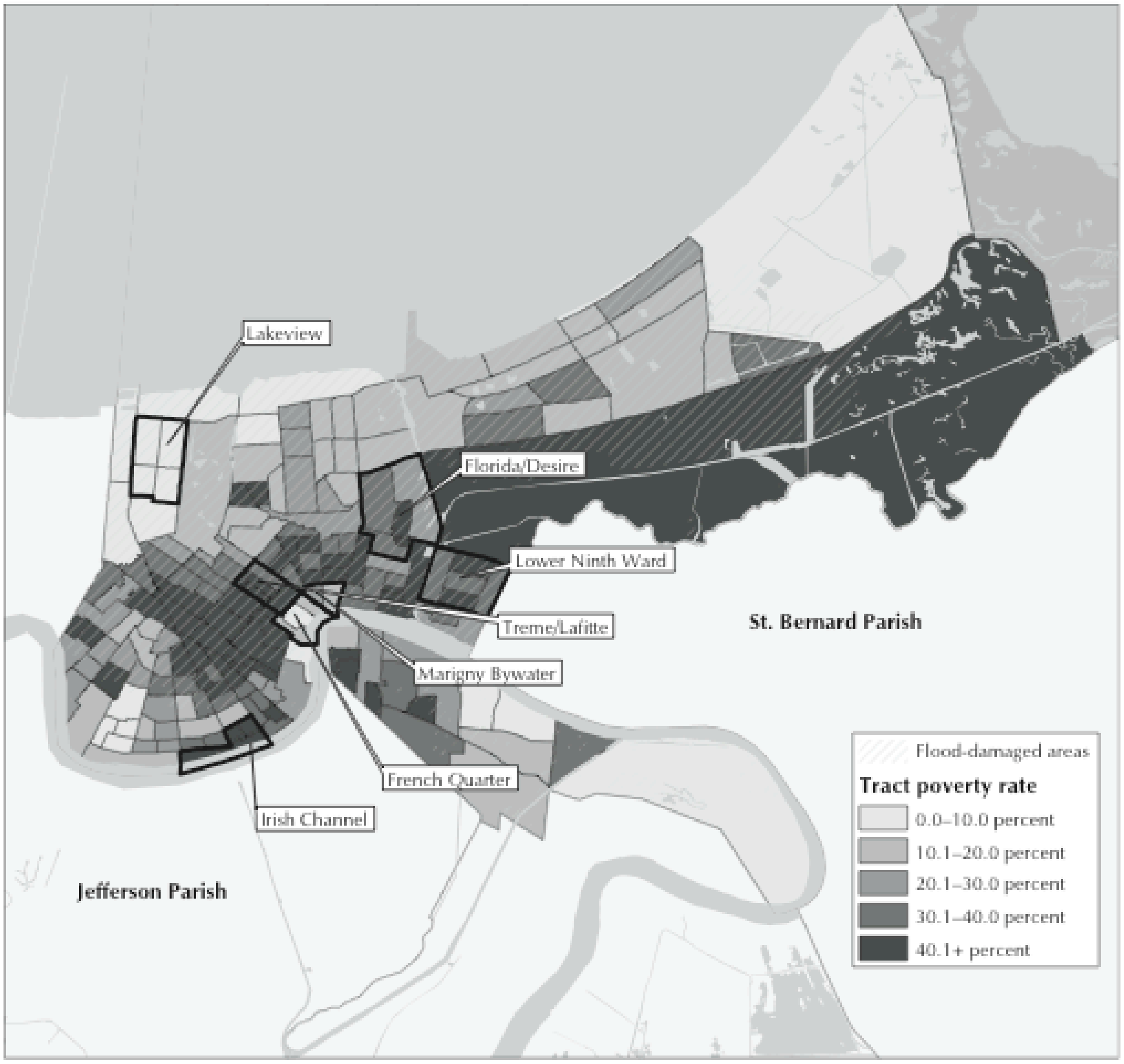
Like most cities across the country, New Orleans already had an affordable housing crisis before Katrina. According to the 2000 Census, two-thirds of extremely low-income households in New Orleans bore excessive housing cost burdens (costs that exceed 30 percent of income). More than half of very low income households in New Orleans were paying more than half their income for housing,

New Orleans' demographics, unemployment, and poverty help to explain the shocking pictures of hardship revealed by Katrina. The city was predominantly black, with racial segregation rates among the highest in the South (Frey and Myers 2005). Most of its children were growing up in single parent families and many were poor. Unemployment was higher than in most major cities, and jobs were concentrated in lower-wage industries. Its child poverty rate was the highest in the nation (Annie E. Casey Foundation 2005), and its general poverty rate ranked eighth among similarly sized cities across the country (Bureau of the Census 2004). New Orleans saw its employment and population decline over the past several decades.

The population of New Orleans was 68 percent black, compared with 32 percent of the population in Louisiana and only 12 percent in the United States. While families with children were less common in New Orleans than elsewhere, the composition of these families also differed from that of the rest of the state and the nation. Sixty-two percent of New Orleans' children lived with a single parent in 2004, compared with 43 percent of all children living in Louisiana, and just 31 percent of all children in the United States.

New Orleans also had a weak employment environment. Only 55 percent of persons age 16 and older were working, compared with 61 percent of the comparable population across the U.S. Relatively low earnings among workers and the prevalence of single-parent families with only one earner kept family incomes in New Orleans low. Median annual earnings ($21,850) were about 18 percent below the national average in 2004. Total family income in New Orleans was only 67 percent of that for the U.S. ($36,465 compared with $53,692), and total family income for families with children was only 58 percent of the U.S. average ($30,112 compared with $51,787).

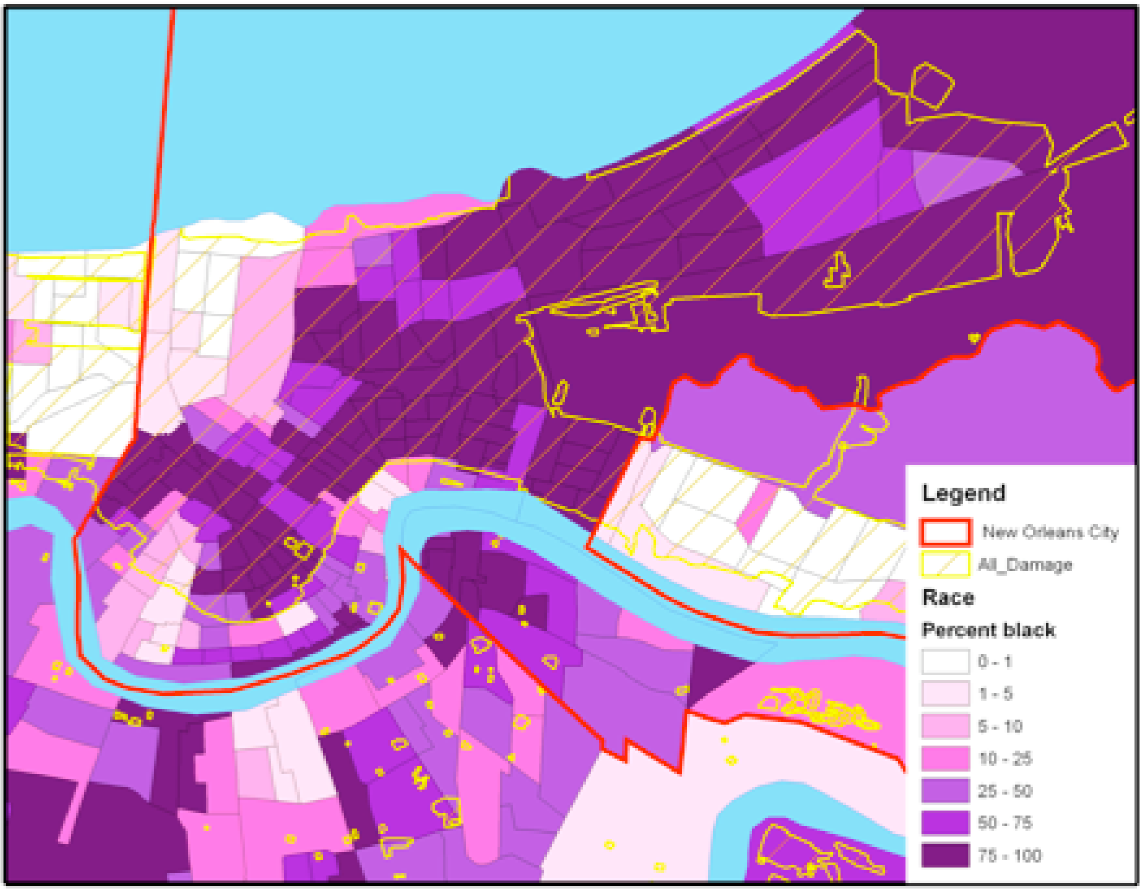
Louisiana is one of the few states in the country without a minimum wage law. In 2002, the city of New Orleans passed an across-the-board minimum wage of $6.15, but it was struck down by Louisiana's courts before it took effect.



Source: Geolytics Inc. and the Urban Institute (2000).

Map 1. Poverty Rate in Census Tracts

Poverty was highly concentrated in parts of New Orleans (see Map 1. above). Twenty-eight percent of the city's census tracts had poverty rates above 30 percent. In these high-poverty communities, the average household income barely exceeded $20,000, four of every five children were being raised in single-parent families, and two in five working-age adults were jobless. Almost half of poor households in New Orleans lived in these high-poverty tracts. Less than half of households in New Orleans owned their homes, compared with two-thirds of all households in Louisiana and the United States. However, in some of the city's poorest neighborhoods—such as the Lower Ninth Ward—homeownership rates were high (over 60 percent), with many low-income African American households owning their homes free and clear. Many of these homes had been passed down through generations.



Map 2. Percent African American by Census Tract with overlay of flood affected areas
(Source Greater New Orleans Community Data Center)

The population of the flooded neighborhoods in New Orleans was 75 percent black and the storm wiped out most of the high poverty census tracts (Brookings 2005). These residents are now dispersed in shelters and temporary housing across the region and lack the insurance and assets needed to return and begin rebuilding.

Thirty-eight percent of children under age 18 lived in poverty in New Orleans, twice the national average, in 2003. A 2002 survey paints a bleak picture of pre-Katrina housing for low-income families with children (Maximus 2002). The survey reports that families in Orleans Parish were less likely to be getting housing assistance than similar families living in other places in Louisiana. Nearly half of low-income families with children paid rent without assistance, compared with 35 percent in the Southeast and 34 percent in Baton Rouge. Consequently, families in New Orleans faced high housing costs relative to their incomes before the storm hit.

Other indicators of economic hardship are One in five had no car, twice the national average. Eight percent had no phone service, double the national average of 4 percent. Many low-income households faced housing costs that are considered unaffordable by national standards. Specifically, 41 percent paid 35 percent or more of their monthly incomes for housing, compared with 36 percent of families nationwide.

Response to the Disaster

Government

The first response to Katrina from the Government involved a massive allocation of resources from the Federal Emergency Management Agency (FEMA) and the Army Corps of Engineers. The bulk of this aid was in immediate relief, logistics, temporary shelter, food and in mitigating flooding and rebuilding levees. Much has been said about the inefficiencies and lack of coordination of these efforts and an analysis their efforts is beyond the scope of this paper. What is important is the perception that the Government, from Federal to local levels, was and is perceived as inadequate to protect the citizens of the area from a monumental storm and its aftermath.

Congress fairly quickly passed an emergency spending bill allocating $110 billion in aid to the gulf states. This was followed by subsequent appropriations of approximately $15 billion. The bulk of this money was earmarked for basic infrastructure rebuilding. Twenty months after Katrina, most of this money has not been spent because of lack of planning and red tape instituted by the state agencies administering the funds.

About three months after Katrina, Louisiana formed the Louisiana Recovery Authority (LRA) as the vehicle for overseeing rebuilding statewide. In February 2006, the LRA and Governor Blanco announced the Road Home Program which would help pave the way for homeowners and small landlords to rebuild if they had shortfalls in their insurance coverage. Four months later, the private contractor who would oversee the program was announced. It would be more than a year after the storm hit that the first 100 closings from the Road Home would be completed.

While the Federal Government has continually pointed out that $110 billion in aid has been allocated to Gulf Coast recovery, some local officials claim that Louisiana has been shortchanged relative to other states. By all accounts Louisiana suffered the heaviest damage form the 2005 storms and yet has had to share the federal aid with four other gulf states. Of the $59 billion allocated to Louisiana approximately $15 billion was in the form of flood insurance for which residents had paid premiums. And $18 billion was in aid immediately following the storms that would have been paid in any disaster. The balance of $26 billion included money to rebuild levees, infrastructure, housing, schools and other public buildings. By some accounts, this left the state with a deficit of $35 billion in unfunded relief that should have come from the federal government.

There have been accusations that Mississippi faired better in the allocation of funds because it is a Republican-controlled state with its senior Senator, Thad Cochran, at the head of the Senate Appropriations Committee.

Repopulating the City is widely seen as the key to regeneration and stabilization of the area. Katrina may have accelerated the city's demographic trend, setting New Orleans firmly on the path its underlying characteristics had already been leading it down. Prior to Katrina, New Orleans was a city with a stagnant economy, more than a quarter of the population living in poverty, and a staggeringly high rate of unemployment. They were already losing people at a rate of about 1.5 percent per year. The LRA reported a population figure of 191,000 in November last year in the most credible survey to date, about half the 444,000 count in a census estimate before Hurricane Katrina. The number was surprising, dashing expectations of a "big return," as one economist put it, and was hotly disputed by local officials. Still, up ticks, if there are any, are imperceptible: the percentage of pre-hurricane gas and electric users, for instance, remained the same from April to November 2006, the Brookings Institution reported.

With no supply of affordable housing being produced there is no way for people to return.

Planning

During the first year following the storms there were several local attempts to create a consensus-driven plan for reconstruction. These included the City Council's Lambert Plan, the Mayor's Bring New Orleans Back, FEMA's ESF-14 Long Term Recovery Plan for Orleans Parish, and Greater New Orleans Foundation's Unified New Orleans Plan (UNOP). The final plan to be adopted, the New Orleans Strategic Recovery and Redevelopment Plan grew out of the UNOP plan. The finalization of this plan was a milestone needed for the state to release $117 million in federal grants for infrastructure repairs.

The plan calls for giving incentives to homeowners to raise their homes and to resettle in "clusters," but it contains no mandates that they do so. Some neighborhoods are already showing what was referred to by the earlier planners as the "jack-o'-lantern" effect: individual houses that have been reoccupied but are surrounded by a sea of blight, or abandonment.

The current plan, led by the so-called "recovery czar", Dr. Ed Blakely, would bring a $1.1 billion dollar investment into 17 redevelopment zones mostly in the western parts of the City. The plan calls for 90% of the money to be spent through loans and other incentives to lure further private investment. The remaining balance would be spent directly on infrastructure improvements such as police stations, libraries or health clinics.

In presenting the plan to the State, Dr. Blakely said he plans to get a bank to advance the money to the city so officials can access it immediately for recovery projects. Despite the infusion of the state-controlled money, the balance of the funds for the plan are not yet in place. Dr. Blakely and elected officials have been meeting with investment banks and other financial sources to discuss blight bonds and other mechanisms but have yet to announce any firm sources for the almost $1 billion shortfall.

Early plans called for acknowledging that the City had significantly decreased in population since its height of 1960. The plan allowed for residents of the lowest lying and, now, least densely, populated areas to receive a relocation credit to be used towards purchase of a home in a neighborhood on higher ground. Meanwhile, the lower areas would be devoted to open space and storm water detention for the next storm. This was a political bomb and elected supporters of the concept quickly withdrew their advocacy when charges of racism were levied.

NGO – Non-Profit

Community-based organizations from across the United States were the first to respond following Katrina. Several local organizations were the first on scene because they did not heed evacuation orders so that they could be there as soon as aid could be given. While government agencies pointed fingers and took the "blame game" to new lows, these grassroots nonprofits hired buses, drove trucks and organized caravans to reach the affected areas and provide shelter, food and compassion for the victims.

When large nongovernmental organizations and government agencies finally began to reach those hardest hit by the storms, nonprofit organizations, joined by foundations, became staunch advocates for increased aid and services for the affected regions. The American Red Cross and the Salvation Army arrived at the scene to provide immediate mass care, including food, shelter, and clothing, and in some circumstances, emergency financial assistance to affected persons. Later, as some semblance of order began to arise from the chaos, nonprofits began to advocate for the involvement of local people, especially those nonprofits in the rebuilding effort.

In the three-and-a-half months following the landfall of Katrina, charities had raised more than $2.9 billion to assist in hurricane relief and recovery efforts, according to the Center on Philanthropy at Indiana University. The center notes that this number is a low estimate since it does not include direct giving to individuals, giving to smaller charities, or in-kind donations. The American Red Cross has raised about $2 billion, about 63 percent of all dollars raised. The Salvation Army has raised the second-highest amount, about $300 million

In addition, charities took other steps to improve coordination following the Gulf Coast hurricanes. Charities shared information through meetings at the American Red Cross headquarters, daily conference calls, and electronic databases that allowed multiple organizations to access information about services provided to hurricane victims.

For many of these smaller groups, this was the first time they had provided shelter and disaster relief in a substantial way. They increased the scope of their human services without regard for funds or the potential future strain on normal operations. And some continued providing services even though they and their staff had sustained damage.

Their adaptability and responsiveness demonstrated the strength of their local expertise, relationships, and their capability to reach and serve vulnerable populations. Local nonprofits and congregations encountered a bewildering situation in which officials and systems seemed to habitually discount their abilities and complicate their efforts to find critical financial resources.

The response of local organizations was sometimes problematic. Sometimes the shelters created by small churches and organizations did not conform to acceptable standards and created unhygienic situations. Sometimes the pressure of the situation exacerbated tensions between organizations, and they fought over territory. In the rush to be helpful, others assumed roles too far outside of their professional expertise, or offered duplicative or confusing service options.

According to a new survey conducted by LSU's Public Policy Research Lab, Louisiana residents rated the response of religious organizations as highly effective, giving them an 8.1 on a scale from 1-10 with 1 being highly ineffective and 10 being very effective. They rated nonprofit organizations as a 7.5 on the same scale. Residents were not nearly as charitable when it came to rating government response. Respondents rated the New Orleans city government and the state government at 4.6, local governments other than New Orleans at 6.5, and the federal government at 5.1. They ranked FEMA's response at 5.3.

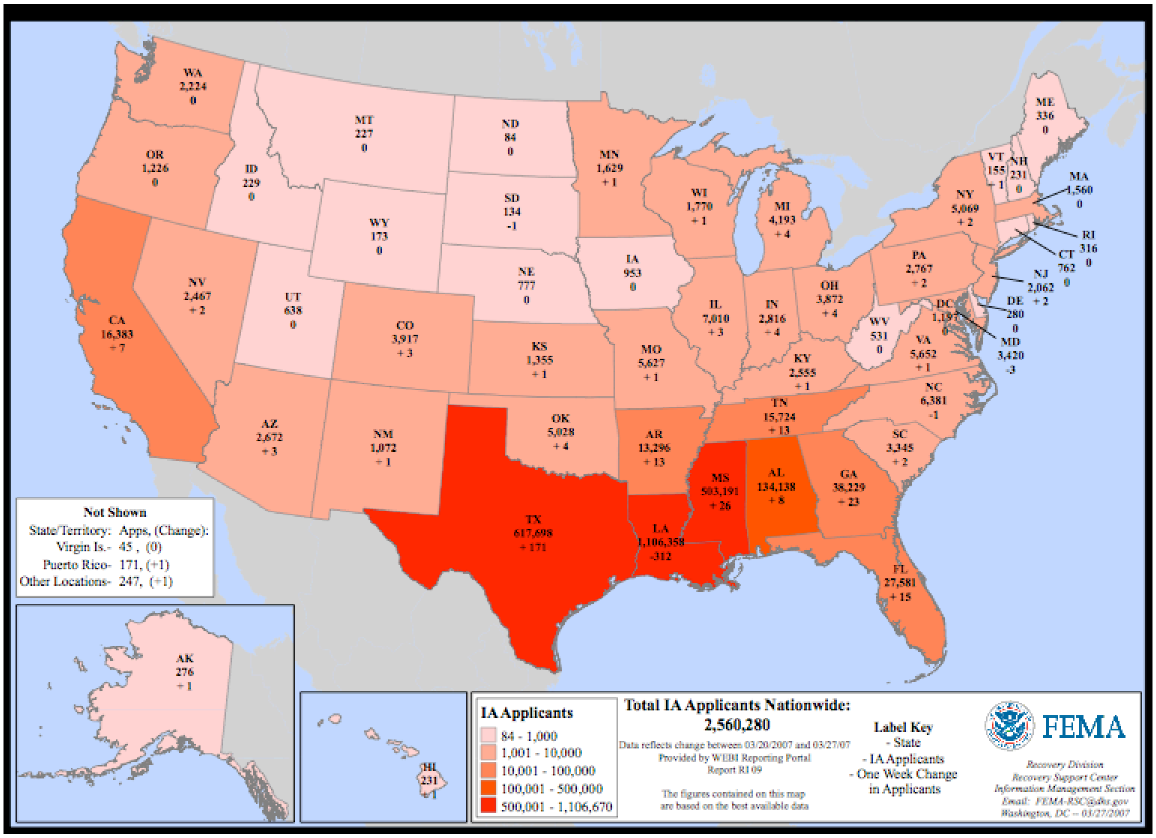
Needs Assessment

Displaced

Because so many of the hardest hit neighborhoods were the poorest, these were the people last to evacuate the City, most likely to have spent time in the Super Dome, and least likely to have had any say in where they were relocated. I heard anecdotal stories of people who, after spending 10 – 14 days in a shelter or the Super Dome, were put on air planes and told of their destination only after the doors had been secured for departure. These residents are now dispersed in shelters and temporary housing across the region and country (see Map 3 below) and lack the insurance and assets needed to return and begin rebuilding. Not surprisingly, many fear that they may be excluded from the rebuilding of New Orleans, and are suspicious of emerging redevelopment plans that exclude their neighborhoods.

With 105,000 homes in Orleans Parish receiving "major" or "severe" damage (see Table 1 below) from either flooding or wind the complete rebuilding of housing will not be soon coming.

A recent study by the Mailman School of Public Health at Columbia University and the Children's Health Fund, showed no improvement since a survey in Louisiana six months earlier. Among the new study's findings are that more than a third of working families earning less than $20,000 a year before the storm have not regained their previous income level; almost twice as many families are dependent on public assistance.



Map 3. FEMA Individual Assistance Applicants by State

Government Response

What happened to the hundreds of thousands of displaced residents of the New Orleans area? While many took shelter with family and some with generous strangers, most were left with only the options presented to them through government channels. Renters were either placed in vacant public housing units in other cities or were moved to the top of waiting lists to receive regular Section 8 vouchers. Options for unsubsidized renters and low-income homeowners whose homes had been damaged or destroyed were much less clear. These households faced confusing choices. In the short term, FEMA housed some in shelters, hotels, and cruise ships. FEMA offered two options for longer-term housing assistance for those unable to return to permanent homes and apartments in New Orleans: trailers or payments under its Individuals and Households Program.

Although trailers have received a lot of attention, relatively few families actually lived in them. FEMA's initial announcement that it planned to order more than 100,000 trailers and create "villages" of as many as 25,000 households in rural areas was widely criticized, and the agency ultimately scaled down its plans. Trailers are problematic for many reasons, but the greatest concern is that FEMA's plans called for concentrating relatively large numbers of trailers in isolated areas that lack basic amenities, schools, transportation, and jobs. The experience from previous hurricanes shows that these trailer parks become areas of concentrated poverty and that it is very difficult for households that live there to move on and become self-sufficient. Poor evacuees consigned to isolated trailer parks risk ending up even worse off economically than they were before the flood destroyed their communities. In New Orleans, FEMA has tried to use trailers on a smaller scale for temporary housing, providing some homeowners with trailers to put on their own properties while they rebuild, and attempting to place small numbers in such public spaces as parks or parking lots. However, this approach has run into community resistance and officials face real challenges in finding enough suitable sites within the city.

Only households that were living in federally subsidized rental housing (or that were literally homeless) before the storm qualified for federal emergency housing vouchers. FEMA created the Katrina Disaster Housing Assistance Program (KDHAP), which provides housing assistance for 18 months to all previously subsidized households and to those who can prove they were homeless prior to the hurricane. Inferior to traditional HUD Section 8 vouchers, the new vouchers do not include utility allowances. Because assistance was, in most cases, tied to pre-Katrina status many residents were underserved by these programs.

The other main option for low-income households displaced by the storm is FEMA's Individuals and Households Program. Applicants can receive Standard Rental Assistance once their homes have been determined un- inhabitable; program benefits are pegged to fair market rents where the family is living and cannot exceed $26,200 or 18 months of assistance—a figure set under the Stafford Act as the maximum for disaster assistance.

Under the related Transitional Rental Assistance program, Katrina evacuees could receive benefits without prior inspection of their homes. Recipients got a three-month benefit of $2,358, which is renewable for up to 18 months and cannot exceed $26,200 altogether. These payments cannot be used for security deposits or utilities, but recipients can apply for additional funds for other types of expenses (such as medical bills). However, any assistance received under this program counts against the $26,200 overall cap. Thanks to these programs, some very low income households that were not receiving federal housing assistance prior to Katrina did qualify for temporary assistance, and those that were already living in subsidized housing should continue to receive support.

The cost of rental housing in many of the communities where evacuees are now living is significantly higher than the amount allowed under the KDHAP voucher program or the $768 per month that the FEMA rental assistance programs would provide. Further, since the assistance is not calculated on the basis of household size like traditional Section 8 vouchers are, larger households are especially squeezed.

Homeowners with mortgages faced an acute problem, particularly if their homes had been rendered uninhabitable. The three-month grace period granted to homeowners with mortgages ended December 1, 2005, leaving mortgage holders liable for their monthly payments. HUD announced that it would provide mortgage assistance to up to 20,000 for households with FHA-insured mortgages—but only if their properties can be rebuilt, if they have enough insurance or personal resources to complete the rebuilding, and if they are currently employed or very likely to return to work. Other homeowners may have no choice but to abandon their homes altogether, losing whatever equity they had and leaving the mortgage lenders with large losses.

There has been widespread criticism that these various layers of assistance were too complicated even for well-educated people to understand. Housing advocates attempting to guide their clients through applications often found that the bureaucrats administering the programs were unclear about program rules and deadlines.

At a community congress earlier this year, NORA chief Ed Blakely described the need for a single, simple way to get displaced residents back home, in contrast to the current patchwork of aid programs that includes the cumbersome and, to many, infuriatingly slow state-run Road Home program.

Another significant role of the Federal Government has been in providing free building demolitions. FEMA had completed thousands of these as of the beginning of 2007 and was still completing about 150 per month. This number started to rise as the August 2007 deadline for applying approached.

It is clear that providing guidance and oversight for a rebuilding of the scope and magnitude as faces Louisiana is no simple task. Millions of dollars have been misdirected and, in some cases, squandered on unneeded items. The State and Local government has been caught in the unenviable position of having to simultaneously court and fend off federal attention. No clear leader has emerged because no one wants the responsibility or the blame when things don't work out.

Special needs

Some of the low-income families who return to New Orleans are likely to have special housing needs. The elderly and people with disabilities are particularly vulnerable--many were living in public housing before the storm and will need special assistance and support as they return. This group also includes households with multiple complex problems, such as substance abuse, mental illness, members with criminal backgrounds, and domestic violence. Some of these groups are currently excluded from federally assisted housing, Creating communities of opportunity and choice means not only constructing new housing, but also investing in good schools, health care, transportation, and other services. Further, it means ensuring access to sustainable employment.

Non-profit housing developers have been good at coordinating housing provision and services for these constituencies and will likely be the groups doing so in the future. Several plans put forth since Katrina Community Development Corporations (CDCs) have include on-site counseling services for a variety of special needs groups.

Existing Housing

Housing Types

New Orleans' housing stock was relatively old: 45 percent of all housing units were built before 1950, compared with 21 percent of housing units in the U.S. The vast majority of housing stock is made up of wood frame one and two story dwellings. Most of these are single-family units with some two-family units of the same style concentrated in some neighborhoods. These "shotguns" and "camelbacks" have long been part of the vernacular architecture of the South. These older homes predominantly were the ones to experience the worst damage in the poorer neighborhoods. Other hard hit areas such as in New Orleans East and Lakeview were more likely to have newer construction and multi-family homes.

Housing Unit Damage Estimates as of February 12, 2006*
Orleans Parish, LA Total Housing Damage

	Owner-Occupied Housing Units				Renter-Occupied Housing Units				
	Insurance Status				Type of Structure Unit Located				
	Hazard & Flood	Hazard Only	No Insurance	Owner Subtotal	Single Family	Multifamily (less than 10)	Multifamily (10 or more)	Renter Subtotal	TOTAL
Homes with flood damage									
Homes in FEMA 100 yr. fl plain									
Minor Damage	713	354	209	1,276	2,107	340	1,028	3,475	4,751
Major Damage	3,505	981	851	5,337	5,994	842	2,915	9,751	15,088
Severe/Destroyed	26,861	5,258	5,086	37,205	20,971	3,115	4,759	28,845	66,050
Subtotal	*31,079*	*6,593*	*6,146*	*43,818*	*29,072*	*4,297*	*8,702*	*42,071*	*85,889*
Homes outside 100 yr. fl plain									
Minor Damage	279	439	197	915	1,162	175	387	1,724	2,639
Major Damage	984	929	549	2,462	2,752	331	1,040	4,123	6,585
Severe/Destroyed	2,816	2,273	1,624	6,713	4,281	491	781	5,553	12,266
Subtotal	*4,079*	*3,641*	*2,370*	*10,090*	*8,195*	*997*	*2,208*	*11,400*	*21,490*
Homes with no flood damage (generally wind damage)									
Minor Damage	4,828	4,579	1,537	10,944	7,119	1,185	2,551	10,855	21,799
Major Damage	634	642	359	1,635	1,471	276	1,290	3,037	4,672
Severe/Destroyed	35	46	41	122	158	44	170	372	494
Subtotal	*5,497*	*5,267*	*1,937*	*12,701*	*8,748*	*1,505*	*4,011*	*14,264*	*26,965*
TOTAL	**40,655**	**15,501**	**10,453**	**66,609**	**46,015**	**6,799**	**14,921**	**67,735**	**134,344**
Census 2000				87,589				100,662	188,251
Percent				76%				67%	71%

Table 1. FEMA Housing Unit Damage Estimates for Orleans Parish

Existing Affordable Units

Only a small proportion of needy households in pre-Katrina New Orleans received federal housing assistance—a public housing apartment, other federally subsidized housing, or Housing Choice Voucher (Section 8). Those that did receive assistance had lower housing costs, but many had to cope with living in some of the nation's worst public housing. The Housing Authority of New Orleans (HANO) was a large, deeply troubled housing authority with 8,421 public housing units with only 5,100 units occupied as of 2005 according to HUD (79 percent of which were in just nine very large projects).

HANO has taken virtually no steps to repair housing units that could bring back many of the 5,146 displaced, predominantly African-American families that resided in public housing pre-Katrina. Instead of moving quickly to re-open habitable units and make repairs where necessary, HANO has boarded up units. Only 880 families have been permitted to return to public housing. This despite the fact that the units while affected by flooding, were largely intact after the storms. The three story masonry structures (known locally as the "Bricks") could have, according to housing advocates and tenants, been easily brought back into service at least while alternative plans were solidified.

HANO was one of the country's worst performing housing authorities (Fosburg, Popkin, and Locke 1996) and the agency was under HUD receivership at the time of the hurricane. Historically, the city's public housing projects were sited in low-income neighborhoods, isolating low-income residents from the rest of the city and exacerbating both racial segregation and the concentration of black poverty.

When Katrina hit, the housing authority was redeveloping several of its worst public housing sites with HOPE VI and other funds, attempting to replace these distressed developments with well-designed and well-managed mixed income communities. The agency had received demolition approval from HUD years back for abandoned units in C.J. Peete in Central City, Lafitte in Treme, St. Bernard in the 7th Ward and B.W. Cooper. HANO also wants to tear down 586 units of "scattered site" housing, or smaller clusters of public housing units located around the city. Of HANO's scattered sites, the largest concentration is in the Ninth Ward, with 224 units. The second largest number is in eastern New Orleans, with 116 units.

After the evacuation of the City, HANO and HUD decided to shutter the larger projects until redevelopment plans could be finalized. This effectively closed the door on the return of a large number of low-income residents or on the temporary use of the projects for worker housing as was proposed by some. HUD announced in June 2006 that it would redevelop C.J. Peete, B.W. Cooper, Lafitte and St. Bernard, to make way for revitalized mixed-income communities that would include public housing, affordable market-rate housing as well as market-rate single-family homes. This model would eliminate the concentrations of poverty that had come to be seen as part and parcel with public housing across the country.

Advocates complained that while the model was admirable, the net effect of the loss of hundreds of low-income units was a tremendous blow to pre-Katrina citizens and tantamount to disenfranchising that community. At least one redevelopment project, of the Lafitte projects, sought to mitigate this loss of units by including them in a redevelopment of the surrounding area on City-owned, adjudicated and other vacant lots.

Developer teams consisting of for-profit developers and local non-profits for these sites were selected from a pool of qualified firms that responded to three separate requests for qualifications (RFQs) that HANO issued last October. Each team was required to demonstrate evidence of their ability to integrate community and supportive services into the development and management of mixed-income communities.

The model on which the new mixed-income projects are to be based is the River Gardens development, which replaced the 1,600-unit St. Thomas project. Critics contend that it isn't public housing because only 200 units are designated for low-income and of those only 100 are occupied by former St. Thomas residents.

Former residents of New Orleans public housing, along with housing activists and attorneys, filed a lawsuit against HANO and HUD. They've sued for former housing project residents' right to return home. No one thinks the projects are ideal. But rents have nearly doubled in some parts of New Orleans since the hurricane and the groups fear that public housing might be their only chance of return.

Housing Authority of New Orleans said in court papers that the lawsuit threatens to “jeopardize” the estimated $681 million redevelopment. Except for a portion of the apartments at Cooper, the four complexes marked for redevelopment have been shuttered since Hurricane Katrina. HUD has tagged each for demolition, yet has not formally approved any such plans.

The deadline to raze the complexes and other subsidized housing units is Dec. 31, 2008, HANO says, and the agency has already spent $3 million on staff and consultants for the building projects.

In addition to delaying demolition, HANO also fears the lawsuit will scare off developers, private investors and financial partners sorely needed to create the new mixed-income developments it desires.

According to HANO, 6,572 families are on its waiting list for public housing, nearly all of which are classified as “extremely low income” by federal guidelines. The waiting list for Section 8 vouchers, a federal subsidy that helps low income families get into market-rate rental housing, is even longer, with 10,873 families.

The same report says that about 1,000 units of public housing were open as of June, that 2,455 families were receiving Section 8 vouchers, and that 1,721 families had received special “disaster vouchers” issued after Katrina.

Other, scattered site, affordable units have been redeveloped at about the same pace as housing in general according to interviews with housing professionals. No data was available on these units. Some multi-family units previously generated through Low Income Housing Tax Credits were slow to be rebuilt because of regulatory uncertainties relating to building codes and updated base flood elevations.

Regulatory Pressures

An initial hurdle to rebuilding was the dearth of building code officials locally. Even if the City’s permits office had been running with a full staff it’s unlikely that they could have kept up with demand for demolition and other permits. This led some owners to forego the permitting process. In the months following the storm, the permits office was issuing a total of approximately 300 combined demolition and building permits. Through the first several months of 2007 an average of 1,200 building permits were being issued by the City.

New Orleans was also waiting for important news from FEMA: new base flood maps. The maps tell homeowners how high off the ground they should build depending on local elevations. Being any lower than indicated might make flood insurance prohibitively expensive or unavailable. Preliminary maps were finally issued by FEMA in August 2006 just under one year after Katrina hit. But, even as New Orleans awaited the long-delayed advisory maps, the city's director of permits was approving applications by homeowners to rebuild.

Following the storm there was a concerted effort by code officials to revisit the arcane building codes in place in Louisiana. Much of the country had already adopted a uniform code for one and two family dwellings known as the International Residential Code (IRC) and International Building Code (IBC) for larger structures. Requiring that new structures be designed to survive Category 3 and stronger hurricane winds would save lives as well as buildings, and in the long run would save homeowners money. The debates and decision making process putting this into place meant that homeowners wishing to rebuild were, in many cases, denied permits pending a resolution to the issue or delayed because their initial permit wasn't filed according to the new regulations even though the new code was adopted officially at the state level in November 2005.

The arguments for the new code were that hurricane protection could be greatly improved with some basic changes, including design and construction practices that would add as little as $2,000 to the cost of a new home or to retrofitting an existing one. One estimate of the effect of the code concluded that, had these building codes been in effect prior to the storms, as much as $8 billion in damage could have been avoided.

A preliminary study by Florida building officials of three large, expensive new homes found that the new state code added between three and ten percent to the cost, depending on whether the structures were built with masonry or wood. Such increased costs might be offset by lower insurance and repair costs over the life of the building. The new standard should also dramatically improve the energy efficiency of affected structures.

The proposed changes in New Orleans' building code requires windows to be made of impact-resistant glass or to be protected by shutters, or that buildings withstand a 130-mph gust with or without window coverings. But adoption of the new code would not require retrofitting of older buildings unless more than 50 percent of the structure is being replaced.

Housing Market

As of May 2007, sales prices in Orleans Parish had climbed above pre-Katrina levels. This has been due in part to the fact that a premium has been placed on homes in higher ground areas. Surprisingly, the averages have not been dragged down by the significant number of homeowners selling their homes in damaged conditions or with the assigned Road Home award or as vacant lots.

In late June of 2007 the Times Picayune reported that home prices might finally be on a downward track as an over supply of homes has saturated the inflated market with nearly double the inventory prior to Katrina. In 2006 the article reported that premiums of 20-30% over 2005 prices were being paid for homes in higher areas.

The Times Picayune article went on to describe Road Home “fence-sitters” (those unsure if they would take a buy-out rather than renovate their homes) who are wracked by the uncertainty of the real estate market. Owners of properties in well-off neighborhoods such as Lakeview see neighbors asking $200,000 or more for gutted homes and weigh that prospect against taking a rebuilding grant capped at $150,000 and trying to nurse a ravaged home back to livability.

One resident has been advised to sell the lot on the open market and transfer her $130,000 Road Home grant to the buyer. This process, called "assignability," is gaining popularity particularly in places like Lakeview, where a lot is still valuable but some of the homeowners aren't optimistic about the whole neighborhood coming back anytime soon.

With "assignability," the owner who was displaced by Katrina can sell the property on the open market, setting a price based on the value of the lot and the value of the Road Home award, even if the home has been demolished or remains a shell. For example, a Road Home applicant could get $100,000 on the open market for a gutted home and throw in rights to a $50,000 award offer. It amounts to a $50,000 discount for the buyer -- though the property must still be rebuilt. "The seller is getting closer to the value of their home before the storm by including the grant amount in the sales price, and the buyer doesn't have to outlay as much in the end because they're getting paid back by the grant when they rebuild," said Adam Knapp, the LRA chief of staff. "It's a very meaningful tool so the real estate market can get some momentum."

The residential rental market has experienced a dramatic spike in prices driven mostly by shortages. Despite the slow pace of repopulation, demand pressures on this market have remained high because of several factors. There are many temporary workers in town associated with rebuilding. This group is more likely to pay a premium for housing or, at least, not be dissuaded from renting because of cost. Individual rental units are perhaps last to be rebuilt because owners are busy rebuilding their own homes. Additionally, rebuilding assistance aimed at small landlords was approved only relatively recently and came with more restrictions than some had predicted. HUD Fair Market Rents (FMR) for the City have risen 45% since 2005. This is the amount HUD on which bases a housing voucher payment and is derived through a combination of historical, regional and local market data.

Housing Reconstruction and Production

A Road Home?

The primary vehicle for rebuilding for individual homeowners is the State's "Road Home" program. Road Home was designed to reimburse owners for the difference between the cost of rebuilding and what they were awarded by their insurance companies for damages up to a limit of $150,000. The program was put in place, partly, because so many flooded homes were outside of the 100 year flood areas and so had no flood insurance (see Table 1). Other shortfalls in reimbursements by insurance companies were due to under insurance and lack of coverage for wind related damage.

In designing the program the state estimated that about 125,000 residents would be eligible for some award and that the average award would be $60,000. From the beginning of the program there was widespread frustration over rules and procedures. For a long time, the rules were somewhat mysterious because Road Home did not post them on the Internet for fear they would become a road map to fraud.

Now the rules are available online, but some remain cloudy. For example, the LRA has tried to assure people that they can sell a property after collecting a Road Home grant as long as the buyer agrees to the grant provisions, such as keeping the home as primary residence for three years.

In an initial survey only about 13,000 of the 97,000 people, or 13 percent, who had applied for the program planned to take the money and run, but nearly all of those said they'll stay in the state. Just 1,500 applicants, less than 2 percent of the total, have preliminarily indicated they'll leave the state.

Despite frustrations with Road Home "closings" (the actual settlement when home owners receive payment) the program was finally nearly meeting its goals of 11,000 per month by May 2007. Prior to this the numbers were in the 100s with only a handful of closings taking place in 2006.

Because of underestimation of the extent amount of claims and number of claimants State officials predicted a $4 billion dollar shortfall in May of 2007 and adjusted this to $5 billion by June 2007. The underestimates of the amount of claims has been blamed on lower than expected payouts by insurance companies. The Louisiana Recovery Authority says that about one third of the shortfall is due to the assumption that insurance proceeds would cover 76 percent of the average applicant's damages but that the actual number is closer to 61 percent.

Some analysts have pointed out that the design of the program may have given insurance companies the incentive to lower their payments with the knowledge that the difference would be picked up by the program. This may not have been by design but homeowners are said to have relied on the State program to make them whole rather than pursue a battle with their insurer. Indeed, the Governor and other officials have hinted that they will try to extract some of the Road Home shortfall from the insurance companies, a move that has industry representatives crying foul.

Meanwhile, critics of the Road Home program say that the shortfalls are primarily due to the inclusion of wind damage claims when the program was initially conceived to cover shortfalls only from flood damage claims. The program administrators claim that this was necessary because so many residents experienced problems in collecting claims that were partially based on wind damage even if they had coverage.

According to the Brookings Institution, at the current rate of closings it will be May of 2008 before all current applications are closed; some 33 months after the storm. Residents have until the end of July 2007 to submit an application for assistance so this may be extended.

State programs make up the majority of financing available to spur the production of affordable housing. The Low Income Housing Tax Credit (LIHTC) will be the primary vehicle in this effort as it has been for the past 20 years. Community Development Block Grants (CDBG) of $667 million have been added to provide a deeper subsidy for affordability. This process, which is becoming more and more common throughout the US, is labeled the ‘piggyback’ program. Further enhancements to the tax credits were made available through the designation of a Gulf Opportunity Zone (GO Zone) in which tax credits became eligible for 30% bonuses that allow the credits to generate more equity. Further affordability, for incomes lower than 60% of area median (AMI), is being made possible by including project based rental voucher subsidies. This program has production goals based in mixed-income, workforce and permanent supportive housing projects.

Louisiana Housing Finance Agency (LHFA) has awarded $121.6 million in tax credits to 97 projects in Orleans, Jefferson and St. Tammany parishes to build 11,162 units of affordable and mixed-income housing. These wide ranging projects have faced significant problems despite deeper than usual subsidies. Developers complain that with insurance costs having risen from 200 percent to 600 percent on apartment complexes since Hurricane Katrina, tax credits aren't enough to plug the gap. Under the terms of the GO Zone tax credit program, projects must be in service by the end of 2008 to qualify. Many developers were hoping to execute financing agreements with lenders by the end of 2006, and to begin work by March so that they'd have a year and a half for construction before the deadline. But few projects were able to line up financing for the higher construction costs -- and obtain insurance -- by the end of the year. Luckily, congress has recently extended the deadline for the placed-in-service date. The Louisiana Housing Finance Agency expects that many tax credits may go unused because of insurance. It is already looking at ways to recycle unused tax credits back into viable deals, use additional Community Development Block Grant money to plug gaps in apartment deals or increase the reach of the Louisiana Citizens Property Insurance Corp. to address the situation.

Additionally, some projects looked to fill their financing gap by waiting for the announcement of the 2007 updated AMI with the anticipation that higher rents would be allowed thereby making the projects better able to meet operating costs. Many believe that the median income of the city will increase because many of the city's poorest residents have yet to return while those who are here are earning higher wages.

LHFA is also administering several programs that existed pre-Katrina including first-time home buyer, first responder, and teacher oriented mortgage programs largely funded through Federal HOME funds.

The LRA also has $859 million for assistance to small landlords who may receive up to $75,000 per unit in forgivable loans for renovations if they agree to place income and rent limits on the units. So far this program has been under utilized. This is perhaps because the rental market is still so strong that landlords are unwilling to forego the higher incomes that normal financing would allow.

Most of the LIHTC projects started to date are in outer Parishes and New Orleans East simply because this is where projects with a significant size and density can be easily built. This illuminates a significant problem with the reliance of the LIHTC as a primary means of financing. Because of the per project overhead costs of legal and financial underwriting, only larger projects (40+ units) can efficiently use the tax credit. One recently announced project is in New Orleans. The former National American Bank building is a mixed-income rental property. The project, funded through the Piggyback Program is valued at $26.5 million. The 24-story historic building will be historically preserved and will have a combination of 40% affordable housing units and 60% market-rate units.

At least one developer is looking towards the need for affordable housing as an opportunity and is creating, in nearby Harvey, a condo complex with 320 units that will be sold to residents making between 60 and 80% of the area median income. He is partnering with non-profits that will supply credit counseling and social services to aid in keeping the project viable for the long term. There are no Low Income Housing Tax credits in the project but the LHFA is providing a $25,000 per owner down-payment subsidy.

Aside from the public housing units described above the City has no direct housing program. What affordable units will be produced can only be said to be a result of State and Federal financing programs and incentives.

One city-based program has, at least temporarily, been removed from service. The City's "soft second" program, in existence prior to 2005, had provided up to $25,000 in a forgivable loan to prospective home owners as a equity replacement. This was replaced by the "One New Orleans Road Home Fast Track Program." This program was meant to help residents start rebuilding while waiting for their Road Home closing and provides up to $50,000 in assistance interest free for six months. The soft second program has been taken up by other groups such as Neighborhood Housing Services.

The primary vehicle through which the City can have an effective role in the creation of affordable housing has been stalled and is not likely to be resolved in the near future. By some estimates the city may have tentative control of 6,500 adjudicated and otherwise abandoned properties. The City published an initial list of 2,500 units in May 2006 and solicited applications from developers to put them into service. It soon became apparent that because of lost, flood damaged and inaccurate records almost none of the properties could be transferred because clean title could not be produced. The task of cleaning up title to these properties has recently been assigned to the New Orleans Redevelopment Authority (NORA). NORA will also be the agency that oversees the disposition of properties received by the State from homeowners taking a buyout rather than rebuilding through the Road Home program.

In addition to partnering with for-profit developers on the larger tax credit projects, local Community Development Corporations (CDCs) are doing the difficult work of renovating scattered-site single-family homes for sale and rent. Because of the difficulties in transferring adjudicated properties and the pending lawsuits regarding the HANO sites, CDCs are purchasing or receiving donations of lots on a one by one basis. This makes their work very overhead intensive, slow and, in many cases, not eligible for the financing going towards larger projects.

Non-profits are also taking the lead in promoting sustainable and efficient practices towards rebuilding. As I will illustrate later in this paper, this is a not insignificant role. Several groups are developing best practices for integrating energy efficient materials into new construction and renovations. Architectural collaboratives have developed model building methods and designs for rebuilding with an emphasis on making green building affordable. The AFL-CIO has invested in developing modular technology to the area to help speed and improve the quality of reconstruction. Perhaps most significantly, these groups have created extensive networks and partnerships to carry out their missions.

Obstacles to Redevelopment

Regulatory and Engineering Delays

An excellent summary of negative factors impacting development of housing on the Gulf Coast was delivered in a report to the Senate Ways and Means Committee in March 2007 by the National Association of Home Builders (NAHB). Among their findings was a dearth of predevelopment and engineering professionals such as civil and soil engineers, surveyors and environmental analysts in the GO Zone. This backlog is in part the result of a workforce depleted by the departure of residents who lost homes in the hurricanes and have since left the region and also because of the large number of infrastructure projects getting under way. Builders attempt to work around this issue by employing third parties from outside the region, but this comes with additional cost, delays in their mobilization and unfamiliarity by third-party professionals with the local physical and bureaucratic landscapes.

Construction Costs

Because Katrina struck during a national housing boom, construction materials costs and availability have had an enormous impact on reconstruction. According to the Bureau of Labor Statistics double-digit price increases were experienced in 2005 in several significant construction materials. Concrete products were up 10.1%, gypsum products (sheet rock) were up 18.8%, copper 31% and plastic plumbing products (most waste lines) were up 38.9%. Lumber and plywood prices were actually down for the year nationally after spikes attributed to the invasion of Iraq and associated building projects there.

There were similar price increases for 2006 with an even more dramatic increase in copper of 44.3% and a further reduction of lumber prices at least partially fueled by a slowing of building nationally and an agreement reached in April regarding tariffs on Canadian imports.

A survey conducted by the National Association of Home Builders in May 2006 showed that price increases were felt most strongly in the southern region of the United States. Survey respondents were 50 to 100% more likely than in other regions to claim ten plus percent price increases in insulation materials, plywood and roofing materials.

Locally, I heard repeated complaints of doubling of prices for some materials that were in short supply, especially roofing products. Some charged that suppliers were gouging and that larger contractors were hoarding materials making it difficult for individuals to secure their homes from further damage.

Costs also are exceeding anticipated levels due to flood and wind insurance premiums forcing developers to seek out construction methods and materials that are outside their normal practices. There is both a learning curve-based delay associated with this shift, and material-related cost inflation due to establishing economies of scale from suppliers.

Labor Shortages

As New Orleans struggles to rebuild after Katrina, businesses have experienced a shortage of workers needed for most every job, regardless of skill level. As a result, job seekers are demanding – and getting – much higher wages. For example, a Burger King franchise was offering a $6,000 starting bonus for all workers who agree to work a year. Other restaurants have doubled wages, but are unable to attract the needed workers. Wages have gone up in Orleans Parish but not to the point that would attract enough workers, said Janet Speyrer, a professor of economics and finance at the University of New Orleans.

The local people can't participate in their own recovery. Local construction workers scattered during the evacuation and are just beginning to come back. Many are returning to destroyed or severely damaged homes and have discovered that the hotels in the region are full of out-of-state workers, including migrants. The National Association of Home Builders reported that the average construction worker in New Orleans was making $1,000 per week.

There was about a 15 percent job vacancy rate -- about 8,674 unfilled jobs -- in the city's leisure and hospitality industry in the second quarter of 2006, the last period for which data is available, according to a study by the Louisiana Department of Labor. That compared with a 4.4 percent vacancy rate in the same quarter of 2005.

Students have been turned way from New Orleans schools because of lack of teachers. Democrats in the House of Representatives have introduced legislation that would give a $5,000 bonus to teachers who commit to three more years in New Orleans. The benefits would also reimburse for relocation costs and a pay a $500 per month housing subsidy.

Even though some parishes have regained most of their populations, the region as a whole is still down hundreds of thousands of workers, leading to across-the-board shortages instead of just shortages in certain skilled sectors, said Barbara Johnson, senior vice president for work force at Greater New Orleans Inc. "There has been a major negative impact on the economy because hospitals can't open beds, restaurants can't open, companies are not fulfilling contracts or taking on new contracts. It presents a major economic chokehold for this region," Johnson said.

Louisiana faces a staggering worker shortage — 90,000 new construction workers will be needed in the next five years.

Louisiana Association of Business and Industry President Dan Juneau says that connecting people to jobs is critical for existing employers as well as potential ones such as ThyssenKrupp, which decided in May to create thousands of jobs in Alabama in part because it found that state's work force system superior to Louisiana's. Right now, thousands of shipbuilding and medical jobs in Louisiana stand unfilled, he said

Turner Industries Group brought in 800 foreign workers beginning in 2006 to supplement a post-Katrina work force that swelled from 14,000 to 17,000. The company used three international providers to tap Filipino, Asian-Indian and Mexican workers.

Some observers have predicted that after migrants spend months in the region with a steady stream of work, and earning a relatively good wage, they'll be tempted to stay, changing the area's demographics.

"If New Orleans reaches a critical mass of migrants, it could become a destination point for new migrants," said Mark Rosenblum, a fellow at the Migration Policy Institute and a professor of political science at the University of New Orleans.

However, Rosenblum thought it unlikely because New Orleans has historically had few Latino migrants, so there are few of the existing social networks to which Hispanic migrants tend to gravitate.

Insurance Costs and Availability

Perhaps the most significant hurdle to repopulation lies in the cost of insurance. According to the Brookings Institutions *Katrina Index* of June 2007, several projects for high rises and multifamily dwellings already approved by the State and City were terminated because of high insurance costs.

"We're hearing the same things that you're hearing about the viability of these projects being impacted," said Mark Madderra, a LHFA commissioner and chairman of the multifamily housing committee, which has pledged to find solutions to help the projects move forward. Renovating old warehouses or suburban apartment complexes requires builders' risk insurance. But the cost of builders risk policies has risen as much as tenfold. Because builders risk insures only the construction work on a property, not the original structure, if the project gets wiped out by a hurricane six months into the project, the developer is out of luck on the total investment. Many lenders won't go for it because it amounts to partial insurance. "In my opinion, insurance is the single largest impediment to the recovery of our area, period," Madderra said.

Then there are the deductibles. Wind deductibles are now commonly 5 percent to 10 percent of the value of a structure, which means that a developer needs to have available hundreds of thousands or even millions of dollars to cover his or her portion of any damage a project sustains.

Insurance Louisiana Citizens Property Insurance Corp. (Citizens) is a state run non-profit meant to be the insurer of last resort with rates set to be slightly above the market rate so as not to compete with private companies. Since the move out of some private insurers it has become the third largest writer with 135,000 policy holders in wind only, homeowners and business policies.

Many insurers are actually dropping wind and hail coverage, thereby forcing homeowners to purchase that coverage, where required by their mortgage companies, from Citizens. Because of rate hikes allowed in the standard homeowner’s policies the rates without wind coverage are just under what they were paying previously with the coverage. The additional coverage for wind from Citizens pushes their premiums up to 300 percent of pre-Katrina rates. Additionally, the Citizens policy offers less pay-out for damages and associated relocation expenses and a deductible of $2,500. Because of the high costs it is likely, as happened in Florida and Mississippi, that homeowners with a choice will simply forego wind coverage. The number of wind only policies issued by Citizens had climbed by 33 percent in the last four months of 2006.

As an example, AAA received permission for a rate increase of 61.1 percent in New Orleans. The rate increase for wind policies from Citizens rose by 78.7 percent to take effect this year.

One developer bought an apartment complex in August 2006 with a one-year insurance contract that had been put in place since just before Katrina for $400 a unit, including full wind and flood coverage. When he went to renew it, it cost him $1,265 per unit, with higher deductibles, lower coverage for wind and exclusions for flood.

Many multi-family projects also find it impossible to get adequate flood insurance, because the National Flood Insurance Program caps commercial policies at $500,000 and there is virtually no market for excess flood insurance anymore. Lack of flood coverage is one more reason why lenders might decline to take a project.

The Louisiana Citizens Property Insurance Corp. is trying to help by raising its commercial coverage limits from $2 million per building to $5 million per building, or city block, up to a total of $10 million.

Finally, there's the regular commercial insurance. Developers and insurance agents say it got worse every month in 2006, and premiums in the New Orleans area are now anywhere from two to six times what they were before Katrina.

The challenge for State officials is how to apply both the carrot and stick to insurance companies: to hold them to their obligations as of the storm and keep them issuing policies in the State while not making the business atmosphere so harsh that they cease doing business altogether. This would leave residents with few options and little competition between carriers.

Insurance industry representatives and conservative politicians argue that the only way to restore normalcy to the rates is to allow market forces to work so that competition allows rates to settle over time. But there is a precedent for heavy-handed regulation of insurers. Florida this year repealed a 23.1 percent rate increase given to insurers and rolled back a 56.5 percent increase scheduled to go into effect for their version of Citizens. Rates have come down in Florida by as much as ten percent though industry analysts predict that rates will climb steeply if another major disaster such as hurricane Andrew (1992) strikes again. There is also less leverage for Louisiana than Florida since there are about four times fewer policies there. Another move by Florida to be possibly emulated by Louisiana is to require insurers writing auto policies, which are generally more profitable, in the state to also write homeowners.

Energy Costs

Despite the fact that Louisiana ranks second and fourth respectively for natural gas and oil production in the country actual costs to consumers for energy have a significant impact on housing affordability. While residential energy rates in the area are relatively low (electricity is 7.6 percent below the national average) the state has allowed the local utility, Entergy, to assess a 'fuel adjustment surcharge' to customers. This surcharge was a way to allow the utility to pass on the costs of nuclear energy purchases to the consumer.

In one example presented in a Times Picayune article on cost-of-living worries, one family complained of utility surcharges that pushed their Entergy bill above $900 some months.

The incremental impact of high utility bills on the low-income community is obvious. In neighborhoods with a predominance of single parent households and median incomes of just over $20,000, energy bills of $500 per month can represent one third of income.

This phenomenon is exacerbated by the age of the housing stock in these communities. Older homes are more likely to have leaky windows and doors, inefficient air conditioners and electric heat and less likely to have insulation.

Recommendations & Strategies

A RAND Gulf States Policy Institute study found that a key factor determining how quickly New Orleans can be repopulated is the availability of housing. The faster housing becomes available, the faster people can return to the city. Services, employment, federal funding and schools will be restored more rapidly as the population rises. Repopulation could also be accelerated if government officials provide clear and comprehensive information about progress and the ultimate goals for restoring essential city services and systems such as public transportation, levees, public safety, public education and hospitals.

All strategies for redevelopment need to be geared towards speed and affordability of housing reconstruction but should be coordinated to include long term needs of economic sustainability.

Overcoming the obstacles to redevelopment of the HANO sites should be pursued strongly. I would suggest that HUD cede control over the properties to a local authority whom the former residents might be more likely to trust. This would expedite the settlement of the current lawsuits and allow the parcels to be put back in service. Any reuse of the sites must account for housing all of the former residents. This can be accomplished off-site in scattered single-family homes. In some of the projects being redeveloped as part of Chicago's public housing transformation, residents negotiated legal agreements that give them a voice in demolition, relocation, and new development (Popkin et al. 2004). Sufficient funding for property management and social service caseworkers must be a part of this formula.

Any new affordable housing must be integrated into all reconstructed areas, not concentrated in just a few poor communities. Inclusionary zoning has proven effective in accomplishing this goal. Regulations would mandate that any new market-rate housing development must include a set proportion (typically between 10 and 20 percent) of affordable units. Such a regulatory requirement would ensure that the availability of affordable housing expands hand-in-hand with residential rebuilding.

Government should increase demand-side assistance to low income households left homeless by Katrina but eager to return to New Orleans to live and work. Housing vouchers, which supplement what recipients can afford to pay toward a rent or monthly mortgage payment, have been the most effective long-term affordable housing solution. They give low-income households enough purchasing power to obtain decent housing in the private market.

Government should also consider more creative possibilities, such as a one-time home purchase voucher. These have been used in refugee resettlement efforts in other countries and have been suggested in the Bush administration's proposed "urban homesteading" model and relate to the Habitat for Humanity self-help model. These would allow more low-income families to help construct their own new homes, and, perhaps, increase the city's overall homeownership rate from what it was before Katrina.

Regulatory incentives and subsidies should be used to encourage and support the construction of well built and energy efficient affordable housing units throughout the metropolitan region. Efforts need to be focused on single-family units as this is the predominant housing model and therefore the one past residents are most likely to come back to.

Creating efficiencies in the rebuilding of single and two-family units will be critical. Because larger developers will not handle small projects and because the Low Income Housing Tax Credit is not designed to support small projects the City and State must develop ways to support non-profits in these efforts. Non-profits can help themselves in this endeavor by creating collaboratives for sharing information and resources and for creating scales of economy for the purchase of materials.

Design and construction standards for the rebuilding of smaller units have already been developed by several independent teams of architects. These standards can be implemented through the use of pre-fabrication facilities to produce homes quickly, cheaply and with superior storm resistance and energy efficiency.

A strong workforce development initiative needs to be part of any reconstruction effort. There are several programs already offering successful models that must be expanded. The Louisiana Community and Technical College System in its Pathways to Construction employment program brought 7,000 new people to the construction sector, a jump from 1,100 trained the year before Katrina. The AFL-CIO's Gulf Coast Workforce Development Project seeks to create living wage jobs through professional training.

The State must work with private insurers to mitigate their perceived exposure and create a stable market in which companies can compete. One suggestion towards this end is to package insurance portfolios to include properties on high and low ground and a mix of construction types. Federal and State policy makers need to explore enhancing the guaranteed flood insurance program to include wind damage.

Alternative strategies to promoting affordability should be explored. Accessory Dwelling Units (ADUs), also known as "granny flats" or "garage-over" units, can provide affordable rental housing options while creating an income stream for the owner of the property. ADUs are commonly prohibited by local codes because homeowners fear renters or higher densities in their neighborhoods. Portland, Oregon, has developed a model for ADUs for different types of neighborhoods based on a variety of design templates that minimize neighborhood impact.

Community land trusts and community benefits agreements can provide low-income residents control over the revitalization of their neighborhoods**.** Community land trusts are nonprofit, community-based organizations that provide affordable housing in perpetuity by owning land and leasing it to those who live in houses built on that land. Typically, these organizations are controlled and governed by community members. Residents own their homes (but not the land), and the trust retains the right to purchase the house when and if an owner wants to sell.

Non-profit organizations have become leading producers and managers of quality affordable housing. Nonprofit housing developers vary dramatically in size and capacity, and in the types of housing they build and the populations they serve. Individual nonprofit developers can be most effective when they work as part of a larger network that includes other nonprofits, technical assistance providers, financial institutions, and public-sector agencies. Government should be allocating resources to allow these organizations to work more effectively and to contribute in areas where government and for-profit companies cannot or will not.

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Art Lujan, Gulf Coast Workforce Development Project (AFL-CIO)
Kimmi McMinn
Jim Pate, Habitat for Humanity
Kim Powe
Pat Robinson, City of New Orleans
Rosalind Washington, HOPE Federal Credit Union
Landon Williams, Louisiana Disaster Recovery Fund