

Senate Committee on Homeland Security & Governmental Affairs

Hurricanes Katrina & Rita: Outstanding Need, Slow Progress

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Testimony of C. Ray Nagin Mayor, City of New Orleans

I am C. Ray Nagin, Mayor of New Orleans, one of America's most beloved and culturally distinctive cities, and a city which is facing the challenge of recovering and rebuilding after the worst natural and man-made disaster to occur in the United States of America.

To Chairman and Senator Lieberman, Ranking Member and Senator Collins, Senator Landrieu, Senator Obama, distinguished members and guests of the United States Senate Committee on Homeland Security and Governmental Affairs: Thank you for coming to New Orleans to continue your support for the rebuilding of our city. I also applaud the actions you took to establish subcommittees that will focus more thoroughly on recovery and preparedness issues. I am eager to work with the Disaster Recovery Subcommittee under the leadership of Senator Landrieu to better coordinate the recovery of our area.

I would like to again thank the American people and people all over the world for the generosity they have shown in responding to our needs with donations of money, supplies and human labor to help us restore our great city and our hope. I am humbled and amazed by the spirit of compassion and goodwill that we continue to experience in this region.

I. New Orleans Pre-Katrina

I would like to take a moment to describe New Orleans before Hurricane Katrina and the breaching of the levees. New Orleans had a population of 455,000 residents, more than \$3 billion in construction activity, 215,000 housing units and a viable and growing Central Business District.

Tourism has always been the main economic driver of the city and prior to Hurricane Katrina, tourism hit a record, with 10.1 million visitors coming to the city each year and thousands of people cruising from our port.

Adding color and vitality to the city was "Hollywood South," one of the newest and most exciting activities taking place in New Orleans. It was rapidly making its mark as an

economic development driver as well, with multi-million dollar films being made in the Crescent City.

The economic landscape was also looking better for working families. We moved 38,000 people off the poverty rolls in the city. An estimated 40,000 businesses were in operation, representing \$8 billion dollars in annual revenues.

II. Hurricane Katrina's Impact

Hurricane Katrina was the largest and most costly disaster in American history. More than 1,400 Louisiana residents lost their lives. Katrina produced the first mandatory evacuation in New Orleans history, and the largest displacement of people in U.S. history -- 1.3 million. More than 200,000 New Orleanians remain displaced.

New Orleans sustained 57% of all the damage in Louisiana. Of our 188,251 occupied housing units, 134,344 sustained reportable damage, and 105,155 were severely damaged. Residential damage in Orleans parish was \$14 billion.

Statewide, 81,000 businesses were impacted. The City of New Orleans lost \$168 million in annual revenue, 50 percent of its operating budget. City government was forced to reduce its employees by 3,000 — half its workforce.

What the wind didn't destroy, the water did. Approximately 95 percent of the city's nearly 350 buildings were damaged at an estimated cost of more than \$400 million. This does not include equipment and inventory such as police radios and New Orleans Recreation Department supplies. For example, 700 city vehicles were lost, at a cost of \$128 million. Experts predict Katrina's final damage totals will be about \$250 billion.

Katrina affected our courts, prisons, schools, parks and playgrounds, pools and libraries. Our infrastructure, those physical and permanent installations that allow the city to provide basic services to its citizens, were decimated. This includes all utilities, roads, drainage, communications, water supply and other facilities, such as bridges and pumping stations.

With 80 percent of New Orleans under water for almost a month, the damage done by the moisture was extensive, but as harmful to our infrastructure was the damage done by the weight of the water. In all, 480 billion pounds of water poured into our city and sat for almost a month. Simply stated, portions of the city collapsed under the weight of the water. Entire areas were pushed even further below sea level. Hundreds of miles of underground utilities -- electric, gas, water, drainage, cable and phone lines -- were damaged.

Rebuilding our infrastructure is key to recovery in New Orleans and one of this administration's top priorities. We cannot begin to rebuild communities until we have these foundational needs in place to support them.

III. Immediate Response to Katrina

After the hurricane, we focused on five key areas: Search and rescue of people trapped and stranded; evacuation of the Louisiana Superdome, Ernest N. Morial Convention Center and bridges; patching the levee breaks; draining the floodwaters; and recovery of the dead.

After successfully dewatering the city, we conducted environmental testing to clear any concerns about toxicity, returned utilities to a delicate but operational level and began repopulation of the city in areas with little or no damage/flooding.

IV. Where Are We Now

Within one year, all hurricane-related repairs to city street lights on all major and minor streets were completed. The city utilized two contractors to replace 2,781 emergency stop signs. By the end of 2006, we repaired and replaced a total of 7,322 street signs and repaired more than 12,000 potholes. Since the flooding, we have also cleaned more than 3,000 storm drains and more than 350,000 feet of drain lines. In excess of 3,700 damaged parking meters are now working. And to date 7,747 vehicles have been towed from staging areas and public rights-of-way.

Hurricane Katrina also led to the largest clean-up in U.S. history. It produced 35 million tons of debris, enough to fill the Louisiana Superdome more than 10 times. To date, more than 90 percent of storm related debris has been removed from the city.

Although the New Orleans recreational department sustained more than \$60 million in damages to parks and facilities, to date four multi-service centers, 33 playgrounds and 2 stadiums are open.

VI. Accelerating Our Own Recovery

New Orleans is a different place than it was in 2005 —the paradigm is shifting. *We can not use traditional government and business methodologies* in a Post-Katrina environment. The Executive Level of City government has been reorganized to reflect this shift. Operations, Planning and Development, Law and a new office of Recovery Management have been added to my executive team.

In addition, we have focused our own limited funding in a direction that will speed up the recovery and rebuilding process in the city to aid working families, seniors and small businesses. The top priorities for this administration are recovery, public safety, repopulation, infrastructure repair, responsible fiscal management and the enhancement of the quality of life for our citizens.

Today, we maintain a delicate, cautious balance of our limited general fund dollars. My finance team works diligently with an advisory board of economic and finance experts from around the country, and we have, for the first time, produced a five-year budget plan

that keeps costs in line with spending, ensures responsible management of the Community Disaster Loan (CDL) and focuses on responsible and realistic budget initiatives which center on public safety and recovery of our city.

Although I expect it to be several years before New Orleans is again as large as it was before Katrina, our population has grown steadily in the 17 months since the storm. According to a University of New Orleans survey, there are now between 235,000 and 250,000 people living in New Orleans.

I have committed to leveraging the limited resources that we have available to accelerate our recovery. To that end, we have launched several new programs to make it easier for citizens to repair their houses so they can return to their homes, their neighborhoods and our city.

A. *One New Orleans Road Home Fast Track*

I created the ***One New Orleans Road Home Fast Track*** program to enable New Orleans citizens to begin their home repair work while waiting for their proceeds from the Louisiana Road Home program, an initiative designed to provide homeowners with compensation of up to \$150,000 for their losses to Hurricanes Katrina and Rita.

The two-year pilot ***One New Orleans Road Home Fast Track*** program provides construction loans to accelerate neighborhood revitalization projects throughout Orleans Parish. Homeowners can borrow up to \$50,000 to renovate their Orleans Parish homes without waiting for their Road Home award. Homeowners would need to qualify for the loans, and the city would pay closing costs as well as the interest for six months on the amount of the homeowner's expected Louisiana Road Home award up to \$50,000.

Homeowners pledge to repay the loan upon receipt of their Road Home awards.

The program was created by using \$11 million in grant funds and locally generated dollars. Two local banks matched the city's investment 5 to 1 and began administering the process last week.

B. Gutting/Remediation

Many homeowners whose properties were destroyed as a result of Hurricanes Katrina and Rita cannot afford to hire contractors to do the work necessary to gut or demolish their damaged homes.

We created two programs during the development of this year's budget to address this issue. Our Gutting and Remediation program will use \$15 million in grant funds to gut and board up to 5,000 homes. This program targets seniors and low- to moderate-income families.

The demolition program, which addresses the need to demolish certain properties, will use \$5 million in grant monies to pay for 10,000 demolitions by the end of 2007.

C. Post-Katrina Adjudicated Property Program

We have involved the private sector in our recovery efforts as frequently as possible.

Through the Post-Katrina Adjudicated Property Program, 2,500 abandoned and blighted properties were awarded to non-profit community and private developers in August 2006. Another 4,000 properties are slated for award by the New Orleans Redevelopment Authority (NORA) by the end of 2007.

Adjudicated properties are sold for half of their appraised value.

D. Office of Recovery Management

As we accelerate our recovery, it will be led by our Office of Recovery Management, which is being directed by Dr. Edward Blakely, a renowned scholar, urban planner and redevelopment strategist.

The office will guide recovery and set strategy. It also will coordinate all Federal funds for the Parish and will interact with and be the primary contact for entities such as the Louisiana Recovery Agency (LRA), FEMA, HUD, Fannie Mae and many others.

E. Citywide Planning

Citywide planning is nearly completed and includes three phases:

i. Phase I – Revisioning

This phase was centered on the Bring New Orleans Back Commission, which I started 30 days after Katrina's landfall.

Key focus areas for the commission were land use, flood protection, public transit, culture, education, healthcare and economic development and governmental effectiveness.

The commission gave its final presentation in December 2005.

ii. Phase II – Neighborhood and Citywide Recovery Planning

This phase was funded by the New Orleans City Council, the Rockefeller Foundation and the Greater New Orleans Foundation. It involved the development of 13 district plans by people living in those districts with support from top national planning firms. These district plans have been knitted together with a set of city-wide strategies, implementation

and financing recommendations. The Unified Plan has involved citizens in New Orleans and the diaspora in unprecedented levels of public participation throughout its process. Two weeks ago, the final recommendations received resounding support in the third and final Community Congress meeting of more than 1300 citizens in four cities across the country.

iii. Phase III – Comprehensive Master Plan with accompanying CZO

The Unified Plan will be presented first to the City Planning Commission, then to the City Council and lastly to my office. It will then become the official blueprint for the city’s recovery strategy, and will inform a comprehensive overhaul of the City Zoning Ordinance (CZO).

F. New Orleans Redevelopment Authority (NORA)

NORA is a key institutional partner in our recovery. NORA was established by the Louisiana Legislature “to eliminate and prevent the spread of slums and blight in accordance with community improvement plans.”

NORA puts adjudicated, blighted housing back into commerce to create affordable housing options. NORA has been revamped to aid in the City’s disaster recovery.

VII. Challenges to Recovery

A. Flood and Hurricane Protection

Our highest priority is to ensure the safety and security of our citizens. Our recovery will not be complete until the government can certify the level of hurricane and flood protection committed to us.

While we are grateful for the resources that have been sent to fulfill the promise made by the President and supported by Congress, we need and deserve the best-designed hurricane and flood protection in the world – not only for our citizens whose homes and businesses suffered for the faults in a system they had counted on, but for the important energy, transportation, and trade infrastructure that serves our region and the whole country. We ask Congress to fulfill the federal commitment made for 100 year protection, and to ensure that future protection levels are planned, funded and achieved.

The federal investments, alongside our local commitments to mitigation and risk management will ensure we as a nation never again face the horrifying and expensive situation that Hurricane Katrina and the flood brought upon us all.

B. Evacuation & Shelter

I want to thank this committee for the work it has done to restructure FEMA to provide more accelerated response and recovery to disasters. The lessons we learned from

Hurricane Katrina and our subsequent preparation for the 2006 Hurricane season lead me to suggest that further steps be taken to prepare all regions of the country for the possibility of a natural or man-made disaster.

Before Hurricane Katrina, the city successfully evacuated the approximately 90% of our citizens who had the means to self-evacuate. However, a significant portion of our population needed assistance to evacuate.

These individuals included those who rely on public transportation and do not even possess a personal vehicle, those that do not have the funds to self-evacuate, the elderly who were unwilling to spend the many hours in traffic trying to evacuate the area, and those living in their home but still needing medical assistance. I would like to remind this committee that these type of citizens are not unique to just New Orleans; this is an issue that confronts every major metropolitan area.

For the 2006 hurricane season we worked diligently to solve this problem and developed an extensive Citizen Assisted Evacuation Plan that could have been implemented successfully had a major hurricane threatened the New Orleans area. This plan was dependent on State and Federal assets of buses, rail, and air that the city does not own and can not afford to contract for itself. The federal and state government accrued costs this year for having the resources available.

I believe it would be beneficial to ask FEMA to fund a cost benefit study of evacuation versus sheltering for the small but significant part of our population – 20,000 to 30,000 people who are unable to self-evacuate and will need assistance to get out of harm's way. We know that millions need to be spent every year to have evacuation contingencies in place that analysis might show could be better spent on a state of the art permanent regional shelter. This study could analyze if the money spent towards the construction of a properly built facility to shelter citizens would, in the long run, be less expensive than the repeated evacuation of New Orleans citizens when hurricanes threaten.

Even if construction of a hurricane proof shelter is the course of action taken for hurricanes, being prepared for "all hazards" would still require the development of effective evacuation plans. As stated earlier, our evacuation problems are the same as any other metropolitan area and for that reason I strongly encourage you to push for the development of a National Rail Evacuation Plan with AMTRAK that would be available to all jurisdictions in preparing for disasters.

Coupled with this should be the establishment of Federal Regional Sheltering Plans capable of housing thousands of evacuees in the event of disasters in any part of the country. The state of Louisiana's sheltering plan requires the movement of the most populated portion of the state to much less populated areas of the state to be apportioned among every church, school, or any other type facility capable of housing individuals. Other states are asked to assist if the evacuation needs exceed the available resources. A Regional Shelter destination maintained and operated by the Federal government would provide a far more effective and viable means by which to shelter individuals. This

concept could be even more important in the case of a Weapons of Mass Destruction event in a major city.

C. Public Assistance and Funding

A principal issue hampering the recovery effort relates to the slow pace and awkward method of funds reaching the local level. The public infrastructure of the City of New Orleans -- including city office buildings, courts, police and fire stations, streets and playgrounds -- experienced damages estimated to be over \$1 billion. The primary resource for the reconstruction of public infrastructure is Public Assistance in the Robert T. Stafford Act, which is a reimbursement program. The extent of the damage to our economy and the magnitude of the damage to our infrastructure make it impossible for us to finance our own recovery up front. As of January 18, FEMA had written 815 project worksheets totaling an estimated \$324 million; the city had received only \$145 million in reimbursements from the state -- a deficit of almost \$200 million on an estimate already significantly below what the cost of replacement or reconstruction is expected to be. These figures reflect only the City Government's needs, and are much larger when added to those of other major agencies, such as the New Orleans Public School System, Sewerage and Water Board, and Regional Transit Authority.

A needed change to the Stafford Act would establish a definition of "catastrophic disaster" for events such as Katrina to be differentiated in scale from "major disasters," and to amend the timeframes and formulas for assistance that a "catastrophic disaster" would call for. The extent of the devastation should determine the level of response. This trigger should automatically provide up front funding, extend deadlines for applications for assistance, extend the 100% reimbursement time frames for emergency work, increase assistance calculations for all grant programs and make provisions for rapid delivery of operational funds for devastated jurisdictions and their critical agencies.

Our Criminal Justice System provides an excellent illustration of FEMA's systematic problems of under-valuations. FEMA has obligated a total of \$98 million for the rebuilding of our Criminal Justice facilities, most of which was for emergency costs immediately following the storm.

The city estimates it will cost \$68 million to restore our Criminal Justice System. FEMA has obligated only \$14 million for permanent repairs to these facilities -- 20 percent of the amount we need. This includes neither the City's estimates for police district stations nor any allowances for mitigation under Section 406 of the Stafford Act, which could add an additional \$35 to 45 million in eligible costs.

Even in the face of these daunting realities, we continue to find creative solutions for leveraging the limited resources that we have to rebuild our city and help our citizens return home. Last year, with the cooperation of City Council, we were able to change Ordinances to allow us to use approximately \$30 million of our own funds that were

slated for other projects such as our libraries and recreational facilities and apply them to critical structures such as the criminal court buildings to accelerate our own recovery.

D. Community Disaster Loan

In the last Congress, a special provision was made to lift the cap on the amount available through the Community Disaster Loan Program. At that time, an additional change was inserted to remove the President's discretion over loan cancellation based on need. We now ask for a provision to be put back into law to allow the cancellation of these loans. This is a remedy that has been available to other jurisdictions that have suffered a disaster, and we ask for the same provision in New Orleans.

E. Housing

With so many units destroyed by wind and water, New Orleans is experiencing a crisis in the availability and affordability of housing units. The private market, aided by some of the tax incentives of the GO Zone passed by Congress, is providing some relief. Twelve thousand units in major apartment complexes are back on line or under construction. Individuals have obtained more than 130,000 building permits since Katrina for a dollar value of \$3.5 billion – a number that represents the acquisition of what typically would be five years of building permits in one year. Many of these projects have moved forward, but many are held up by delays in the release of funds from the Louisiana Road Home program. As of January 24, more than 101,000 homeowners in Louisiana had applied for funding; 258 had received their awards, which averaged \$82,581.

F. Availability and Cost of Insurance

In the aftermath of Hurricane Katrina, many insurance companies have stopped writing policies in Louisiana or are charging exponentially higher rates than before. We will work with the state and will ask Congress to help identify short term remedies and long term solutions to this crisis.

The federal government has an important role in providing a strategic backstop to state and regional programs so that insurance is available and affordable to everyone.

G. Healthcare

We have made great strides in enhancing the provision of healthcare in our city. Immediately following Katrina, all hospitals in New Orleans were shut down. Today, seven hospitals in the city proper are either open or undergoing renovations. The hospital bed capacity in the region has increased significantly and will continue to increase. Although we have lost large numbers of health care professionals, we are to receive grant funding from the Department of Health for recruiting to fill that gap. Our ultimate goal is to institute a better model of healthcare that will allow citizens to have insurance so they

will have a legitimate choice in their options and healthier outcomes. To that end, Dr. Kevin Stephens, director of the City of New Orleans Health Department along with a committee of dedicated medical professionals have presented a groundbreaking health plan to the State. I have also received support from Secretary of Health Michael Leavitt on developing a modern, effective health care model for all citizens.

The provision of mental health services poses a particular challenge in a region that has seen such loss, death and destruction. The city has observed higher levels of stress and depression, which is understandable in light of obstacles our residents face in reestablishing their lives in a changed environment. The city has fewer than 50 hospital beds for inpatient psychiatric care - about 17% of pre Katrina capacity. We estimate that 20 of the 200 psychiatrists who were here before the storm have returned to continue their practices. The City's Health Department is in the process of assessing our community's mental health needs and is in dialogue with local and state health officials to develop strategies to increase the mental health resources that are available for citizens.

H. Public Safety

In our pioneering efforts to rebuild our city, we also are uncovering a dark side of our progress – crime. As our city has repopulated, violent crimes have increased as criminals have attempted to redraw turf boundaries within a smaller “footprint.”

At the same time, reduced staffing levels in the police department have reached a critical point. According to a study by The Rand Corporation, our attrition rate is approximately 17 police officers a month, double the attrition rate before Katrina. At that rate, the police department could lose more than 200 police officers a year.

Public safety has been a critical concern of our administration and we have made aggressive efforts to focus on violent crimes, targeting murders. In increasing the presence of police officers on the street, shared cooperation with the Criminal Sheriff's Office, the District Attorney, judges and the community, we are confident that for the first time, we have all aspects of criminal justice system on the same page and we will not give up until we make our streets safe. We also would like to thank the Federal government for its support of our police department in helping to make our streets safe.

VIII. Close

Those of us who witnessed the darkest days and have participated in the daily struggle to bring back the city we love can see the forward direction in which New Orleans is moving. But we all know there are too many who have not yet found a way to come home and that monumental tasks lie ahead in rebuilding the infrastructure that will support their needs.

I do not profess to have all the answers, but the experience of Katrina, the worst national disaster in the history of the United States, has forced us look at response and recovery in

a totally different manner. I truly hope that no other city experiences devastation at the level we have during the last 18 months. I feel strongly that by championing some of the above concerns, your committee can better prepare this nation for any disaster that might occur, whether natural or man-made.

As mayor of the city of New Orleans representing citizens who have returned to the city and those still scattered all over the country, I cannot express to you the urgency of my testimony today.

Although, I have outlined some of the steps we have taken to replace city services and discussed my administration's commitment to speeding up our own recovery with whatever funding we can find, the reality is that it has been 17 months since Katrina, Rita and the flooding that followed and citizens are tired, frustrated and angry. Worst of all, they are losing hope. We need systemic, meaningful change now.

Ladies and gentlemen, thank you for allowing me to speak with you on the status of our recovery and the challenges we and the nation face. I believe the proposed policies and legislation will accelerate our recovery and assist any other city that faces a disaster of catastrophic proportions. With your assistance, our hard work and the good will of the American people, we will succeed in rebuilding this queen of American cities.