

## Rebuilding Affordable Housing in New Orleans: The Challenge of Creating Inclusive Communities

Susan J. Popkin, Margery A. Turner, and Martha Burt

The challenge of rebuilding New Orleans and providing housing for its residents is immense, with tens of thousands of families displaced, their former homes destroyed or damaged beyond repair. Across the metropolitan area, nearly 228,000 homes and apartments were flooded, including 39 percent of all owner-occupied units and 56 percent of all rental units (Brookings 2005). Residents have returned to some relatively unscathed areas, such as the French Quarter and Algiers, but the devastation in more hard-hit areas is overwhelming and it is not yet clear whether or how these areas will be rebuilt.

The situation is especially difficult for families whose low-lying neighborhoods were completely destroyed by the floods. These poor, mostly African American communities bore the brunt of the flood damage—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). The storm's impact on these vulnerable families was painfully evident in Katrina's aftermath; many lacking the wherewithal to evacuate were stranded in flooded homes and appallingly inadequate shelters. 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. Not surprisingly, many fear that they may be excluded from the "new" New Orleans, and are suspicious of emerging redevelopment plans.

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, frequent local businesses, or send their children to

Long before the onslaught of Hurricane Katrina or the chaos of evacuation, New Orleans' social infrastructure was failing. News coverage of the overcrowded Superdome and the city's flooded streets exposed the poverty and vulnerability of many residents, especially African Americans. As New Orleans begins to rebuild, can the city avoid the mistakes of the past, instead creating more effective social support for low-income and minority residents? Innovation and experience from other U.S. cities offer promising strategies for reducing the risks of poverty and opening up opportunities for economic security and success. This essay is from an Urban Institute collection that addresses employment, affordable housing, public schools, young children's needs, health care, arts and culture, and vulnerable populations. All these essays assess the challenges facing New Orleans today and for years to come and recommend tested models for making the city's social infrastructure stronger and more equitable than it was before Katrina.

school. But the challenge going forward is even greater if New Orleans is to avoid old patterns of concentrating assisted housing and poor families in a few isolated communities. If assisted housing—whether temporary or permanent—is systematically excluded from the city’s better-off neighborhoods, New Orleans will simply reproduce the severe neighborhood distress and hardship that prevailed before the storm.

Adding to the challenges ahead, some low-lying areas that were home to large numbers of the city’s poorest residents may never be rebuilt. First, it may not be safe to rebuild in these areas if levees are not rebuilt to higher standards than before. In addition, areas such as those downriver from the Industrial Canal—like the Lower Ninth Ward—might best be left as a spillover path for the lake, reversing the Army Corps of Engineers’ decision some years ago to create Gulf access to Lake Pontchartrain. Providing fair compensation to residents of these neighborhoods and affordable relocation options in communities throughout the New Orleans metropolitan area are critical to an equitable rebuilding strategy.

## Housing Conditions Before the Storm

Rebuilding New Orleans will be especially challenging because many residents lacked the insurance and assets needed to recover from the storm. New Orleans had a relatively low homeownership rate—just 47 percent compared to 67 percent nationally.<sup>1</sup> However, a slightly higher proportion—37 percent, compared to 32 percent nationally—of New Orleans’ owners had owned their houses long enough to have paid off their mortgages. And much of the housing stock was old (though not necessarily in bad condition), with 45 percent of the units constructed before 1950, more than twice the national figure (21 percent). Without mortgages, many low-income

longtime homeowners opted out of costly homeowners insurance or flood insurance. Moreover, FEMA had designated many of these areas to be at “low” flood risk, so lenders did not require flood insurance.

Like most cities across the country, New Orleans already had an affordable housing crisis before Katrina. According to the 2000 Census, two-thirds (67 percent) of extremely low income households<sup>2</sup> in New Orleans bore excessive housing cost burdens (by federal standards, housing costs that exceed 30 percent of income), a figure slightly higher than average for Louisiana and slightly lower than that for the nation as a whole. More than half (56 percent) of very low income households in New Orleans were paying more than half their income for housing, also comparable to national figures. Both owners and renters were equally disadvantaged, with majorities of both groups facing excessive housing cost burdens.

Only a small proportion of needy households 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 (79 percent of which were in just nine very large projects) and 9,560 vouchers. According to U.S. Department of Housing and Urban Development (HUD) figures, 47 percent of HANO’s public housing units were vacant in 2005 (HUD 2005a). For more than 30 years, HUD had rated HANO as 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. Decades of neglect and mismanagement had left these developments in severe distress. Residents of projects like Desire, Florida, and Iberville endured intolerable physical conditions, high levels of violent crime, rampant drug trafficking, and myriad other social ills. These distressed public housing communities blighted the surrounding neighborhoods (Popkin et al. 2004) and exacerbated the overall racial and economic segregation in the city (Katz et al. 2005). 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. Of the revitalized sites, only the St. Thomas development survived the hurricane. Further, many other HANO properties that had not yet been revitalized suffered considerable damage. As of this writing, HUD is assessing whether and how to rebuild these distressed developments (Levy 2005a).

## A Portrait of Poor Communities in New Orleans

The following portrait of two poor New Orleans communities—the obliterated Lower Ninth Ward and the Florida/Desire neighborhoods—provide insight into why residents of the poor communities suffered such severe damages and now have so few prospects for rebuilding their homes and neighborhoods, or for finding opportunities in the cities where they now live.

### Lower Ninth Ward

The Lower Ninth Ward has received much media attention because it was totally devastated by the hurricane and flood.

Downriver from the Industrial Canal, this African American, low-income working-class community was completely flooded. As table 1 indicates, the community's 12,000 inhabitants were nearly all black and had a poverty rate of 28 percent. The unemployment rate was 11 percent, well above the city average; 17 percent of households were receiving public assistance, and half of the households were female headed.

However, unlike most high-poverty neighborhoods, nearly two-thirds (62 percent) of the residents of the Lower Ninth Ward were homeowners. Many of these families had lived in their shotgun-style houses for generations and owned them outright—only 52 percent had a current mortgage and the homeowners insurance that lenders require. Prior to Katrina, FEMA had zoned the Lower Ninth Ward as “low risk” because it sat on slightly higher ground and was expected to be protected by the levees, so lenders did not require residents to purchase flood insurance (Whoriskey 2005). These uninsured low-income households lack the wherewithal to rebuild their homes.

### Desire/Florida

The Desire/Florida community was somewhat smaller, poorer, and more isolated than the Lower Ninth Ward. Home to the notorious Desire and Florida public housing developments, the community had a high proportion of subsidized renters. The original Desire development, constructed in 1956, had 1,800 units. It was extremely isolated, cut off from the rest of the city by two canals (Industrial and Florida) and railroad tracks. By the early 1990s, it was one of the nation's most distressed public housing developments and was literally sinking into the marsh (Fosburg et al. 1996). Although the housing authority was awarded a HOPE VI grant to revitalize Desire in 1994, the development was

**Table 1. Portrait of Two Poor Communities in New Orleans**

	Desire/ Florida	Lower Ninth Ward
Average family income	\$27,508	\$37,214
Population	9,301	12,008
Poverty rate (%)	45	28
Child poverty rate (%)	65	41
Share of the population that is black (%)	98	92
Share of the population that is white (%)	2	7
Unemployment rate (%)	17	11
Share of households with public assistance income, including SSI (%)	23	17
Share of the 25+ population with a high school diploma (%)	66	78
Share of the 25+ population with a college degree (%)	6	16
Proportion of families and subfamilies with own children who are female-headed (%)	77	50
Share of adult population that is over 65 (%)	17	22
Share of units occupied by owners (%)	40	62
Share of units occupied by renters (%)	55	32
Vacancy rate (%)	21	11
Share of owner-occupied units with a mortgage (%)	49	52

Source: U.S. Census Bureau 2004.

not demolished until after 2001 and new units did not open until 2004 (Greater New Orleans Community Data Center 2005a). Katrina destroyed the new Desire development—flooding from the two canals left it sitting in more than 10 feet of water for two weeks.

The Florida development was originally constructed as war-worker housing in 1943. Expanded in 1953, it had more than 800 units. In 1965, Florida was damaged by Hurricane Betsy; that damage combined with poor construction and maintenance left the development severely distressed by the 1990s. HUD awarded two HOPE VI grants in 2000 and 2002 to demolish the development. Redevelopment was occurring in phases, and over 100 new units had been completed by 2004 (Greater New Orleans Community Data Center 2005b). Like Desire, the new Florida

development was completely flooded by Katrina.

The information in table 1 predates the redevelopment of both Desire and Florida; at the time of the 2000 census, both sites were close to vacant, so information on the more recent residents of the revitalized public housing communities is unavailable. However, as table 1 shows, the neighborhood was virtually all black and staggeringly poor, with a poverty rate of 45 percent. The unemployment rate was 17 percent; only two-thirds of the residents had high school diplomas and just 6 percent had college degrees. Most of the households (77 percent) were headed by single women. Most (55 percent) were occupied by renters, though the rest owned their homes and half of all homeowners had paid off their mortgages.

And, as in the Lower Ninth Ward, most of the residents had lived in the community for many years.

For the low income households of the Lower Ninth Ward and Florida/Desire communities, recovery is a daunting prospect. It is not certain whether many can afford to return—and it is not yet clear whether their old neighborhoods will ever be safe enough to inhabit. In addition to their homes and neighborhoods, these families have lost long-standing social networks, including large numbers of extended family members living nearby.

### The Response to Displacement— Short-Term Solutions

Katrina caused the largest displacement of people in the United States since the Dust Bowl, with more than a million Louisianans and Mississippians forced from their homes. This displacement generated an unprecedented need for housing assistance, including emergency shelter, temporary housing in New Orleans, and longer-term help for people months or years away from returning to their homes. With plans for rebuilding New Orleans still in flux, it is not certain how long people may need housing assistance, or how many of them will eventually be able to return to the city. What is clear is that the poorest households, many of whom needed housing help before the storm, now face even more urgent problems as they try without jobs or income to find housing in unfamiliar communities. Also clear is that there is no coherent plan for how to house these families; indeed, as of this writing, tens of thousands of evacuees remain in hotels and other precarious housing situations. Those who have moved out of hotels and shelters are living in a hodgepodge of arrangements, including trailers, temporary apartments in other cities,

and doubling up with family, friends, and even strangers.

Currently, only households who were living in federally subsidized rental housing (or who were literally homeless) before the storm qualify for federal emergency housing vouchers. Specifically, 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 and cannot be used to move to a new jurisdiction (Sard and Rice 2005). It is unclear how many households will ultimately receive this assistance; some former HUD-subsidized 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 (Katz et al. 2005).

Options for unsubsidized renters and low-income homeowners whose homes have been damaged or destroyed are much less clear. Currently, these households face confusing choices (Katz et al. 2005). In the short term, FEMA housed some in shelters, hotels, and cruise ships; a few thousand individuals are still living in shelters, and tens of thousands are still living in hotels. In November, FEMA ignited a controversy by announcing it would end the hotel payments by December 1, 2005. After protests from evacuees and local officials in Houston, Atlanta, and other cities, FEMA extended the program until December 15. A recent court order extended the deadline even further, to February 7, 2006 (Tagami 2005).

FEMA is offering 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 are currently living 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.<sup>3</sup> 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 who 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 (Jensen 2005; Levy 2005b), and officials face real challenges in finding enough suitable sites within the city. City leaders should ensure that any groupings of trailers installed in public spaces are effectively monitored and managed. Then they can credibly mount an aggressive public education campaign to convince neighborhood residents that these temporary facilities will not blight the surrounding community.

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 uninhabitable; 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 can receive benefits without prior inspection of their homes. Recipients get 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 who were not receiving federal housing assistance prior to Katrina now qualify for temporary assistance, and those who were already living in subsidized housing should continue to receive support. Whether these payments will cover short-term housing needs is not clear—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. And, with the city's plans for long-term housing construction still up in the air and no agency helping evacuees find jobs that will provide steady incomes, 18 months of housing assistance may not be enough for many families.

Frustrated by the slow pace of federal implementation of short-term housing assistance programs, some of the cities hosting the largest numbers of evacuees have come up with their own temporary housing solutions. Houston, which has the most evacuees, has been by far the most responsive, setting up emergency centers and helping families apply

for federal housing assistance. Most impressively, Houston's housing authority has issued more than 30,000 new Section 8 vouchers, on the assumption that FEMA or HUD will eventually reimburse the city. Dallas, which also has a very large number of evacuees, is providing emergency vouchers with FEMA and state funds and has stepped up its efforts since FEMA announced they would move evacuees out of hotels. Atlanta, by contrast, has relied on federal funds and has issued only about 1,000 vouchers to date (Tagami 2005).

Even with federal assistance in hand, news reports indicate that many evacuees cannot find landlords willing to accept their vouchers or FEMA payments (Wilgoren 2005). Some landlords fear that evacuees without jobs or resources will not be able to pay their rent for a full year. Others refuse to accept the federally mandated fair market rents when it is relatively easy to find tenants who can pay more. And there are reports of discrimination—against Section 8 holders in general and against Katrina evacuees, who are rumored to be high risk based, in part, on problems in the Superdome and the Convention Center after the storm. Further, evacuees, even those with vouchers, receive little or no help locating decent housing in their host cities so there is a great risk that many low-income New Orleans' families will end up concentrated in the poorest communities of their new cities.

Apart from difficulties finding a place to live for now, homeowners with mortgages face an acute problem, particularly if their homes have 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 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 (HUD 2005b). 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.

The chaotic response to the short-term housing needs of Katrina evacuees stands in stark contrast to the way the government handled the last large displacement of low-income families—the 1994 Northridge earthquake (Galster et al. 1994). More than 10,000 households, many of them very low income, were left homeless by the earthquake. HUD responded by leading a coordinated effort of federal and local agencies, issuing thousands of emergency Section 8 vouchers, and providing housing search assistance to the displaced households. Within weeks, all evacuees were moved out of the temporary tent cities and into permanent apartments.

To be sure, the displacement after Katrina is certainly of much greater magnitude than after the Northridge quake or any other hurricane. Even so, the federal government could have built on its Northridge experience, charging the Department of Housing and Urban Development to deploy vouchers and other housing programs to provide affordable housing for low-income households made homeless by Katrina. Instead, the administration left the housing needs of Katrina's victims in FEMA's hands, treating this unique situation as an emergency shelter problem rather than a longer-term housing challenge.

In part, this decision about how to handle the short-term housing needs for low-income families was likely political. The Bush administration has for the past few years advocated for drastic cuts in the voucher program, arguing that it is too costly. Twice it has introduced bills to convert the program to

a block grant, and it has made numerous regulatory changes that limit rents, limit portability, and reduce housing authorities' administrative fees (Tegeler 2005). But, however much political aversion to expanding vouchers came into play, the result has been a poorly planned and uncoordinated response to the enormous needs for temporary housing, prompting a hailstorm of criticism from experts across the political spectrum and even, most recently, a top FEMA official.<sup>4</sup>

### A Long-Term Affordable Housing Strategy

The longer-term challenge is to rebuild New Orleans' permanent housing stock, including homes and apartments that are affordable for lower-income people, without recreating intense concentrations of minority poverty and distress. Instead of isolating needy families in pockets of extreme poverty, affordable housing should be provided throughout the metropolitan area so low-income households choosing to return to New Orleans have safe and secure places to live, along with access to the good jobs and schools needed to get ahead. And for those who do not return, affordable housing policies should help ensure that people left homeless by Katrina enjoy the same opportunities in their new communities, do not wind up concentrated in the poorest neighborhoods, and receive the supports they need so they do not end up even worse off than they were in New Orleans.

To expand the stock of moderately priced rental and for-sale housing, while allowing returning residents flexibility and choice about where to live, we recommend a strategy that addresses both the supply side and the demand side of the housing market. More specifically, regulatory incentives and capital subsidies should be used to encourage and support the construction of affordable housing units throughout the metropolitan region (by both

for-profit and nonprofit developers). At the same time, low-income households returning to the area should receive vouchers to supplement what they can afford to pay to rent or buy modest housing in neighborhoods of their choice.

As of this writing, debate continues over how to move forward with rebuilding New Orleans. The city's Bring New Orleans Back Commission contracted with the Urban Land Institute (ULI) to help plan the reconstruction and has also released an "action plan" for housing and neighborhood redevelopment (Bring New Orleans Back Commission 2006). But there is no agreement yet as to how to proceed, and the Commission's proposals have generated considerable fear and opposition. The key principles recommended by the ULI would go far in guiding the overall reconstruction process. First, to manage the complex challenges ahead, the ULI has proposed creating both a financial oversight board to ensure fair allocation of funds and a rebuilding corporation. Next, they recommend the following:

- clear criteria for neighborhood restoration and development that include residents in the planning and restoration;
- the acceptance that diversity, equity, and cooperation are keys to rebuilding;
- the need for a regional approach to such critical issues as levees, transportation, emergency response, and economic development; and
- the recognition that every citizen has a right to return to a safe city.

This last principle may pose the most difficult challenge—planners and local officials must determine whether all neighborhoods will be rebuilt or whether rebuilding in the low-lying areas so devastated by the hurricane does not make sense. There is general agreement that residents should not be allowed to return



unless their safety can be guaranteed. But that is a far cry from deciding, as government officials must, what safety standard the reconstructed levees will meet. Officials must also grapple honestly with the difficult reality that it may not be financially or logistically feasible to build to a standard that would protect residents in low-lying areas from the worst—so-called 100-year—hurricanes. It may make more sense to rebuild at higher density on higher ground rather than trying to restore all of the most damaged neighborhoods. And, further, it may be prudent to restore some low-lying areas to marshlands so the rest of the region is better protected from floods. These painful discussions must include community residents and be conducted openly and democratically.

Whatever decisions are ultimately made about how to move forward, reconstruction should be based on what is known about how to incorporate high-quality, affordable housing into healthy mixed-income communities that offer real opportunities for low-income families. Higher-income households that have insurance, assets, and current or potential income streams to draw upon are likely to return more quickly. But the city may not be able to recover economically unless its low-wage workforce returns—both the reconstruction effort itself and the city’s tourism industry depend on them. And much of what creates the unique and vibrant New Orleans culture grows directly out of its lower-income and minority communities with their many deeply rooted families.

### **Supply-Side Incentives**

Federal housing policy already offers a number of supply-side funding sources to support the production of affordable housing. First, business as usual will not suffice for the reconstruction of public housing. Instead of rebuilding a few large developments, all

earmarked for occupancy by very low income households, the housing authority should draw on the lessons from HOPE VI about how to incorporate public housing into healthy mixed-income communities: a successful mixed-income development requires market rate design and amenities; a balanced mix of deeply subsidized, affordable, and market-rate units; and excellent property management. The experience of a decade of HOPE VI shows that carefully designed and managed mixed-income developments can provide benefits not only for the residents who live there, but also for the larger neighborhood (Popkin et al. 2004).

The Low Income Housing Tax Credit (LIHTC) and HOME block grant programs provide additional federal resources for incorporating high-quality affordable housing in the redevelopment of neighborhoods throughout the New Orleans region. Federal income tax credits under LIHTC are allocated by state government to private and nonprofit developers of affordable rental housing. In New Orleans, the federal government could designate all damaged neighborhoods as “Difficult to Develop” areas under the tax credit program, which would increase the tax benefit and attract more private sector investment to affordable housing construction. The federal government could also adopt a parallel tax credit to stimulate the production of affordable homes for sale to lower-income buyers.

The federal HOME program allocates block grant funds to city governments to support local affordable housing initiatives. These funds give the city tremendous flexibility to fill gaps in project financing and make both rental and for-sale housing more affordable. New Orleans could use them to speed both financing and rebuilding. However, the city’s current HOME grants are limited to about \$6.5 million per year. Expanded funding

from HUD could substantially enhance the city's capacity to respond to affordable housing needs.

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. In effect, city (or state) zoning regulations would mandate that any new market-rate housing development must include a set proportion (typically around 10 percent) of affordable units. Such a regulatory requirement could be linked with the production subsidy programs discussed above to ensure that the availability of affordable housing expands hand-in-hand with residential rebuilding. As Katz and his coauthors (2005) recommend, inclusionary zoning should be a prerequisite for the receipt of any federal housing funds.

### **Demand-Side Assistance**

In conjunction with supply-side subsidies and incentives to expand the availability of moderate-cost rental and for-sale housing throughout metropolitan New Orleans, the federal government should provide demand-side assistance—housing vouchers—to the very 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, are the most effective long-term affordable housing solution. They give very low income households enough purchasing power to obtain decent housing in the private market without undue hardship. As noted, New Orleans faced an affordable housing crisis before Katrina; the hurricane made a bad situation worse, leaving even more households without the resources to afford decent housing.

With vouchers, low-income households could choose where they want to live, and they would have the flexibility to move as their own and the region's circumstances change over time. These vouchers should be structured to allow recipients to rent or buy, depending on their preferences and financial capabilities. Like holders of traditional Section 8 vouchers, recipients would pay more as their incomes increased. And any development that received capital subsidies from federal, state, or local programs should be required to accept at least some voucher holders.

Ideally, federal housing vouchers would be provided to all very low income households made homeless by Katrina, whether they return to New Orleans or not. If, however, the federal government continues to resist this approach, eligibility could be narrowed somewhat. For example, the KDHAP program, which provides vouchers only to households who were receiving federal housing assistance prior to the storm, could be made permanent, so that households returning to New Orleans can freely choose where to live. Additional special-purpose vouchers could be provided to the poorest households made homeless by Katrina, or those who cannot return to New Orleans to work without housing help. In fact, such vouchers could be even more narrowly targeted to low-income workers returning to fill essential jobs in New Orleans.

In conjunction with conventional federal vouchers, a state or local redevelopment authority should consider more creative possibilities, such as a one-time home purchase voucher; these have been used in refugee resettlement efforts in other countries, the Bush administration's proposed "urban homesteading" model, and the Habitat for Humanity self-help model. All could allow more very low income families to help construct their new homes, and, perhaps,

increase the city's overall homeownership rate from what it was before Katrina.

Homeowners in areas ultimately deemed uninhabitable or slated to become flood protection zones must be compensated fairly for their property. Many low-income homeowners have lost their families' only major asset and now have virtually nothing. Representative Richard Baker of Louisiana has proposed legislation that would create a federally-financed reconstruction program that would offer homeowners at least 60 percent of the pre-Katrina equity in their houses. However, the Bush administration has announced that it would not support this legislation, putting its passage in doubt. Local officials hope that the city and state can achieve some of the same goals by using the \$6.2 billion in Community Development Block Grants, although they concede that these funds will not be enough to buy out all of the homeowners whose houses were flooded (Donze, Russell, and Maggi 2006).

Precedents exist for government compensation for property in extreme circumstances when entire communities are affected. For example, after the Love Canal community was declared uninhabitable, the federal government purchased the contaminated properties for a fair price and helped residents relocate (EPA 2005). In Baltimore, a new biotechnology park being constructed by Johns Hopkins University required the city to declare eminent domain over a large residential area. More than 900 households, all low income, are being relocated. Johns Hopkins and the Annie E. Casey Foundation are supplementing the standard Uniform Relocation Act benefits so every household will receive up to \$70,000 toward the purchase of a new home; renters will receive assistance with security deposits and up to five years of Section 8 assistance (East Baltimore Development Inc. 2004). To use vouchers or other demand-side assistance

effectively, some households will need help gathering information about their options. In particular, households now scattered to other cities will need substantial support for finding decent housing in a good neighborhood, jobs, and possibly school and child care. Local housing authorities in communities with many evacuees could draw on lessons from the federal Moving to Opportunity demonstration (Goering and Feins 2003) and the Northridge response to design effective mobility counseling services to help evacuees find housing in communities with good schools, jobs, amenities, and transportation. Keys here include outreach to landlords in good communities, effective initiatives to address community concerns, and aggressive enforcement of fair housing laws.

As in the MTO and Northridge examples, local social service providers could be recruited to provide this assistance and paid with HUD or HOME funds. Another possibility would be to call on the philanthropic community to fund supportive services, as the Annie E. Casey Foundation is doing in Baltimore. But without this type of coordinated strategy, most poor evacuees will probably end up clustered in the poorest neighborhoods in the cities where they are now living.

Finally, 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, but experience teaches that without a combination of affordable housing and supportive services, these vulnerable

households are at high risk of distress and homelessness. Over the long term, therefore, New Orleans needs to ensure that there is adequate housing and services for the most vulnerable and “hardest to house” (Popkin, Cunningham, and Burt 2005).

## Building Healthy Neighborhoods

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. As the other essays in this collection indicate, reconstruction will require the coordinated engagement of multiple agencies and interests in a thoughtful and careful planning process. Already, problems are surfacing as residents return to some of the less-damaged areas. There are more jobs than workers and more workers than housing: newspaper accounts (e.g., Roig-Franzia and Connolly 2005) describe an acute worker shortage and employers who are forced to offer huge hiring bonuses and high wages. Schools are reopening slowly and most of the hospitals remain shuttered. Doctors are offering care in tents and in the deserted Convention Center. With limited housing and basic services in disarray, it is difficult to encourage families to return.

New Orleans has a unique opportunity to recreate itself as an economically diverse, inclusive city that offers its low-income residents authentic opportunities. With careful planning by and for all, New Orleans can bring back its families and offer them homes in vibrant mixed-income communities. Such planning will require great effort and commitment on the part of federal and local officials and community leaders. So far, there are few indications that officials are working together toward a systematic and open process; indeed, there are legitimate concerns

that many residents may never be able to return, and that New Orleans will be a significantly smaller city with a much smaller African American population. But that prognosis is not set in stone. There is still time to draw on the lessons outlined in this essay for creating a vibrant, inclusive city.

## NOTES

1. The homeownership rate in New Orleans was low relative to other large U.S. cities; in 2004, it ranked 59th out of 70 on homeownership for cities with American Community Survey data (U.S. Census Bureau, 2004).
2. Extremely low income is defined by HUD as households with less than 30 percent of the Area Median Family Income in 2000.
3. See, for example, Eric Lipton and Leslie Easton, “Housing for Evacuees Lagging Far Behind U.S. Goals,” *New York Times*, September 30, 2005; Jonathan Weisman, “Critics Fear Trailer Ghettos,” *Washington Post*, September 16, 2005; John Maggs, “Rummaging for Ideas,” *National Journal*, October 1, 2005; Spencer Hsu, “FEMA Official Criticizes Trailer Plan for Evacuees,” *Washington Post*, December 9, 2005.
4. See, for example, Spencer Hsu, “FEMA Official Criticizes Trailer Plan for Evacuees,” *Washington Post*, December 9, 2005; John Maggs, “Rummaging for Ideas,” *National Journal*, October 1, 2005; The Brookings Institution, *New Orleans After the Storm: Lessons from the Past, a Plan for the Future*, October 2005; and Barbara Sard and Douglas Rice, *Changes Needed in Katrina Transitional Housing Plan*, Center for Budget and Policy Priorities, October 2005.

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