

“New Orleans: Ten Years After the Storm”
Congressional Testimony
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Housing and Insurance Subcommittee

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First, I would like to thank the Chair and the Ranking Member of the Housing and Insurance Subcommittee for inviting me to appear before you to discuss the important issue of the state of housing in New Orleans in the aftermath of Katrina.

I am Erika McConduit Diggs, President & CEO of the Urban League of Greater New Orleans. We are one of the 94 affiliates that make up the National Urban League, a historic civil rights organization, whose mission is to enable communities of color to secure economic parity, power, self-reliance and civil rights. The Urban League embraces advocacy, research, community organization, collaboration and direct service to advance our mission.

The Urban League of Greater New Orleans strives toward its mission through work in three Centers of Excellence: the Center for Education and Youth Development; the Center for Economic and Community Development and the Center for Policy and Social Justice. The housing empowerment goal for the National Urban League is to ensure that every American has access to decent, safe and affordable housing on fair terms.

I am here today to discuss: (1) the problem of the lack of affordable housing and rentals in New Orleans, 10 years post-Katrina; (2) how the problem came about, including a discussion of the Road Home program, and of the current and historic practices and policies that contribute to housing inequities and the broad disparities that exist between African American and White communities; and (3) efforts the government can make to address and eradicate the problem – for the greater good.

I urge you to read the Urban League of Greater New Orleans’ publication the *State of Black New Orleans: Ten Years Post Katrina*: http://www.urbanleagueneuorleans.org/ul/wp-content/uploads/2015/08/StateofBlackNewOrleans_TenYearsPostKatrina.pdf, released this summer, for more information and a broader discussion of the topic.

BACKGROUND

As the 10th anniversary of Hurricane Katrina has come and gone, many people have been amazed at the level of progress New Orleans has made. We have come back from the brink and proven our resilience. However, in my view, the road to recovery has been paved with inequities. The post-Katrina New Orleans recovery is really a “tale of two cities”; African Americans and communities of

color in New Orleans are having a markedly different experience with the recovery than White residents.

This is clear from the varying responses from a recent survey conducted by the Public Policy Lab at the LSU Reilly Center for Media and Public Affairs, where:

- Nearly 80 percent of White New Orleanians feel the city has mostly recovered, but less than 60 percent of African Americans feel this way;
- Over 60 percent of White residents feel the economy is better now, than pre-Katrina, but only 10 percent of African Americans feel this way.

As a Native New Orleanian, I am intimately aware of the inequities that have contributed to the disparate perspectives of African American and White residents regarding post-Katrina New Orleans recovery. For instance, most poor and working class families lived at or below sea level in New Orleans – one of the primary reasons they were so heavily impacted by the floods resulting from Hurricanes Katrina and Rita.

Historically, African Americans have encountered discriminatory practices that pushed them into low-lying neighborhoods of the city. Practices such as *Redlining* prevented African Americans from securing mortgages for homes in desirable neighborhoods, while veterans returning after World War II found their VA Housing Loans and GI Bills delayed or denied. Many families that were able to access these benefits did so after properties in the safest neighborhoods in the city were full. African American families also encountered blatant racial discrimination in the sale of homes. Some of these issues remain a barrier to housing equity in New Orleans, such as housing discrimination in the rental market in high opportunity neighborhoods in the city.

Additionally, accessing insurance enough to fully insure a home was and continues to be out of reach for many African American families in New Orleans because the cost to do so is beyond the financial means of working class families. This has made it significantly more difficult for many families to return to the city resulting in a sharp decline in the number of African Americans in post-Katrina New Orleans. Similarly, policies and practices in post-Katrina New Orleans have also resulted in slower recovery in African American neighborhoods, particularly New Orleans East and the Lower Ninth Ward. Increased insurance costs, low wage jobs and poor economic prospects, flawed Road Home policies, and other related challenges have worked against the goal to deconcentrate poverty and instead have limited options for African Americans to repopulate in well-resourced neighborhoods.

In general:

- Ten percent of New Orleans Metro residents have not returned to their pre-Katrina homes;
- Approximately 70 percent of White residents were able to access their homes *within a year*, compared to only 42 percent of African American residents;

- Only 54 percent of African American residents returned to their pre-Katrina communities, compared to over 80 percent of White residents;
- Before Katrina, more than two-thirds of the city's residents were African American, however African Americans currently make up approximately 60 percent of the population;
- *Nearly 100,000 African Americans have not returned since the storm compared to a loss of roughly 11,000 whites;*
- Now, over 30 percent of New Orleans' residents are White;
- More than 10 percent of the city's residents arrived after Katrina - most of whom are White - totaling between 25,000 and 30,000 people;
- Approximately 90 percent of the pre-Katrina New Orleans' population-count is back and 88 percent of the housing inventory is restored;
- It is estimated there are 28,000 blighted properties in New Orleans, down from approximately 150,000, immediately following Katrina;

By all estimates, the city is reducing blight, recovering its housing inventory and regaining strength in numbers within its population. But the city's African American population has experienced major losses including lower rates of return, significant population decline, and slower recovery overall.

In most cases, the successes and failures of the recovery can be directly attributed to government policies that were implemented in the immediate aftermath of Katrina. We acknowledge the progress made through the Community Development Block Grant, Low Income Housing Tax Credits and the City's BlightStat program. We congratulate the Greater New Orleans Housing Alliance and its partners on the HousingNOLA plan and their work to improve housing policies and to increase equity in New Orleans. We also commend the efforts of local and national organizations, corporations, developers, families, friends, neighbors, volunteers and colleagues who used private and government funding, sweat equity and sheer determination to affect positive change for the city and its residents. We have come a long way from discussions about "shrinking the footprint" and starting off with a "blank slate," and we have pressed forward. But there is a lot more work to do.

Many people agree the recovery process has been implemented unfairly, on its face and in-application, and that it has exacerbated many of the inequities that existed before Katrina. Only approximately 25 percent of New Orleanians believe the government did all it could to ensure an equitable recovery. Failures such as: (1) inadequate housing code enforcement to prevent poor rental conditions and crime and blight in vulnerable neighborhoods; (2) the razing of public housing structures when affordable housing was needed the most; (3) the dearth of necessary Housing Choice Vouchers to address the overwhelming number of people in need of affordable housing; and (4) myriad fair housing concerns including housing discrimination against African Americans in "high opportunity neighborhoods" and exclusionary housing policies that prevent individuals with criminal convictions and their families from accessing public housing, all help to

confirm this view. In my opinion, however, none of the failures were more egregious than the failures associated with the Road Home program.

ROAD HOME

Road Home was designed to “help Louisiana residents get back into their homes or apartments as quickly and fairly as possible.” The program provided grants to help homeowners cover uninsured losses after the storm – mainly due to the refusal of insurance companies to cover damages deemed to have been caused by flooding; rather than wind – to help them repair their homes or relocate.

While the overwhelming majority of residents who applied for the program received funding, several glitches limited its effectiveness, and according to many experts, helped to encourage displaced and dislocated African Americans from returning back to the city. For example, the program was delayed. It did not officially launch until one year after Katrina.

Approximately 130,000 homeowners received funding through the program, averaging \$64,000 per recipient. However, many homeowners faced major funding gaps – making it nearly impossible to make the requisite repairs to their homes.

According to the *State of Black New Orleans, Ten Years Post Katrina Report*, “The shortfall of funding was a direct result of Road Home’s policy in determining how much funding homeowners could receive. The formula was based on the pre-Katrina assessed value of the home or the actual cost to repair the home – whichever amount was less. For example, a home valued at \$70,000 with \$90,000 of home rebuilding costs would only receive \$70,000 thus creating a \$20,000 shortage. This policy created an even more deleterious effect for African American communities dealing with the nationwide trend of depressed market value attributed to homes located in predominantly Black neighborhoods.

PolicyLink (2007) found that African American households had an almost 35 [percent] higher shortfall than White households. A neighborhood-by-neighborhood analysis showed that in predominantly Black areas such as New Orleans East and the Lower 9th ward, 60 [percent] of homeowners ended up with average gaps of \$65,000 and \$68,000 respectively.”

As a result, a class action lawsuit was filed against HUD and the Louisiana Recovery Authority, the federal and state agencies operating the program, for the disparate treatment of African American homeowners. The suit was settled in 2011.

In addition to Road Home’s funding shortfalls, inadequate oversight and policy changes to the program helped lead to contractor fraud. According to a recent study, approximately 9,000 households were affected. “In 40 percent of the cases, the homeowner was unable to finish rebuilding. More than half of the incidents were reported, but in 41 percent of the cases no action was taken by the authorities. Only 1 percent of victimized homeowners [were made whole].”

WEALTH/ INCOME AND POVERTY GAPS

According to the *National Urban League’s 2015 State of Black America Equality Index*, African Americans have only six cents of wealth for every dollar of wealth that Whites have, nationwide.

Unfortunately, most of this wealth, approximately 90 percent, is tied up in African Americans' homes. The wealth gap between African American and White New Orleanians can be explained by highlighting several key economic inequities.

African American New Orleanians have: (1) higher unemployment; (2) lower educational attainment; (3) earn less income; (4) face skyrocketing rents; (5) suffer high levels of discrimination; and (6) have a higher poverty rate. Add to that: (7) the uneven housing policies implemented after Katrina; (8) the slow appreciation of homes in African American neighborhoods; and (9) the financial crisis, resulting in a disproportionate number of foreclosures and homes with negative equity in the community.

Taken together, economic conditions of African Americans must be considered in any retrospective and current analysis of the housing conditions in New Orleans.

In particular:

- The current homeownership rate in New Orleans is approximately 46%, 17% lower than the national homeownership rate;
- Nearly 60 percent of the city's tenants are "cost-burdened" by their rent — meaning they spend at least 30 percent or more of their income on housing and housing related expenses;
- At approximately 27 percent, New Orleans' poverty rate is more than double that of the national rate;
- More than half of African American children in New Orleans live in poverty;
- More than half of African American men in New Orleans were jobless in 2011;
- Only 14 percent of African American men and 21 percent of African American women had bachelor's degrees or higher in 2014 as compared to 63 percent of White men and 64 percent of White women in New Orleans;
- Minority businesses represent nearly 27 percent of the businesses in New Orleans, but only account for 2 percent of gross receipts;
- The median income for African American residents is just over \$25,000, compared to Whites who earn nearly \$61,000 (more than 2.4 times higher than African Americans);
- Nearly 45 percent of African American families in New Orleans earn less than \$20,900, annually; and
- Only 7 percent of African Americans in New Orleans earn \$105,000 or more.

When directly compared to the current average costs of home ownership and insurance rates, African American New Orleanians are at a severe disadvantage compared to their White counterparts.

- In 2010, 90 percent of the families that received HUD Housing Choice Voucher were African American;
- While the number of families that received HUD Housing Choice Voucher tripled between 2000 and 2010, there are still currently 20,000 families on the waiting list.

And I would be remiss if I did not mention the high rates of incarceration of African Americans in this city and state and its economic impact on the African American community.

- One in seven African American males in New Orleans are under the supervision of the criminal justice system;
- African Americans represent approximately 60 percent of the population in New Orleans yet make up 90 percent of the local prison population; and
- African Americans make up 32 percent of the state population yet represent 67 percent of the prison population.

High rates of incarceration in New Orleans are almost exclusively impacting the African American community. Individuals with criminal convictions have greater difficulty accessing economic opportunities and even more challenges acquiring housing for themselves and their families. The impact of the criminal justice system on economic and housing security for African Americans in New Orleans must be underscored. The wealth gap, which is exacerbated by issues with the criminal justice system and educational attainment, must be considered when developing policies aimed at improving housing equity in New Orleans and nationwide.

POLICY RECOMMENDATIONS

We can add to the progress that we have made over the last 10 years, by committing to several key improvements, including the following:

- The U.S. Congress should increase funding levels for the CDBG and HOME Investment Partnerships Programs to help with home purchases and rental assistance, and to build additional affordable housing units, especially in high opportunity areas;
- The U.S. Congress should permanently extend the Low Income Housing Tax Credit to help build additional affordable housing units, especially in high opportunity areas;
- The U.S. Congress and/ or the City of New Orleans should increase small business contracting procurement goals and accountability measures to keep up with the demand of qualified disadvantaged business enterprises;
- Relevant stakeholders should continue to support Mayor Landrieu's ProsperityNOLA five-year development plan and the BuildNOLA program to ensure African American small businesses have the opportunity to compete for City contracts;
- The U.S. Congress and/ or the City of New Orleans should provide additional job training programs to decrease the unemployment rate and help increase the average income;

- The U.S. Congress, the State of Louisiana, and/ or the City of New Orleans should pass an increase in the minimum wage to address residents' below average income;
- The City of New Orleans' Office of Code Enforcement should be held accountable to investigate and enforce claims against "slum" landlords of both occupied and unoccupied units to ensure tenants live in safe and decent housing;
- The City of New Orleans should seek to deepen the inclusionary zoning incentives in its 2014 New Orleans Comprehensive Zoning Ordinance to ensure more affordable housing units are built;
- The City of New Orleans should improve the quality of its rental stock to ensure all New Orleanians have access to safe, decent and affordable rentals;
- The City of New Orleans should use its Neighborhood Housing Improvement Fund to help expand housing choices to low and moderate income families;
- The City of New Orleans, HUD and other appropriate parties should provide incentives for investments in poverty-stricken neighborhoods;
- New Orleans City Council should strengthen the New Orleans Human Relations Commission to effectively combat housing discrimination;
- New Orleans City Council should seek to strengthen its fair housing laws to ensure people of color are not discriminated against when seeking to rent or buy a home;
- HUD should increase the availability of its Housing Choice Vouchers to meet the demand of the residents who need more affordable housing options;
- HUD should help incentivize landlords to accept housing vouchers in high opportunity neighborhoods to ensure voucher holders are not forced to live in low income and very-low income neighborhoods;
- HUD and LRA should continue to advertise the Road Home program to encourage native New Orleanians to move back to the city, in addition to creating more innovative ways to incentivize them to move back;
- HUD and LRA should identify strategies to expedite claims of contractor fraud to help get homeowners who qualified for Road Home back into their homes;
- Relevant stakeholders should continue to zealously pursue fair housing violations to ensure people of color are not unfairly discriminated against;
- Relevant stakeholders should continue to support the HousingNOLA plan that improves housing policies and forwards the goal of eliminating inequities in New Orleans.

- The Housing Authority of New Orleans should accelerate their development of a housing policy that eliminates the exclusion of individuals with criminal convictions and their families from accessing public housing.

In closing, I believe that New Orleans still has the opportunity to actualize its promise to fully recover, allowing all of its former and new residents access to quality, fair and affordable housing options. Thank you for the opportunity to address the Committee today.