

**“Four Years after the Storm: the Road Home Program’s Impact on Greater New Orleans”**

Congressional Testimony of  
Allison Plyer, MBA, ScD  
Deputy Director, Greater New Orleans Community Data Center  
Nonprofit Knowledge Works  
www.gnocdc.org  
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Madam Chair and members of the Committee, thank you for the invitation to appear before you this afternoon. I am Deputy Director of the Greater New Orleans Community Data Center, a product of Nonprofit Knowledge Works. Operating since 1997, the Data Center analyzes and disseminates data to help nonprofit and civic leaders work smarter and more strategically.

The purpose of my testimony is to provide an overview of the status of the Road Home program, the recovery of greater New Orleans, and some of the challenges homeowners have encountered as they rebuild. This overview draws largely from the New Orleans Index that we publish in collaboration with the Brookings Institution as well as a large array of other data sources and studies that we have been gathering since Katrina.

I want to preface by saying that the Data Center is a neutral data intermediary. Our expertise does not extend to how law is written or how programs are designed, thus, I cannot provide recommendations about statutory or regulatory changes or other ways in which the challenges associated with the Road Home program might be overcome. But I can present you with a solid set of facts about the Road Home program, as well as New Orleans’ recovery.

By all available measures Katrina and the related levee failures resulted in the largest residential disaster in U.S. history by a large magnitude. Estimates of total damages range from \$96 billion to \$135 billion. The next largest U.S. disaster, Hurricane Andrew, had estimated damages of \$22 to \$33 billion (in 2005 dollars).<sup>i</sup> The Great Chicago Fire, the Galveston Hurricane, and the San Francisco Earthquake, although legendary for the extent of their destruction, ravaged cities that were much smaller than the modern day New Orleans metropolitan area, and, thus, could not destroy the number of homes destroyed by hurricane Katrina and the flooding of New Orleans.<sup>ii</sup>

According to HUD estimates, the 2005 storms damaged more than 515,000 homes in Louisiana, the majority were owner occupied, and of these, one-third were underinsured. The New Orleans metro area sustained the largest losses with nearly 320,000 damaged homes.<sup>iii</sup>

Immediately after Katrina, housing costs rose sharply as demand exceeded supply. In late 2005, 72 percent of the region’s jobs remained intact<sup>iv</sup> but only 63 percent of metro area homes were habitable.<sup>v</sup> By 2006 fair market rents had risen 39 percent and job vacancies soared--particularly in

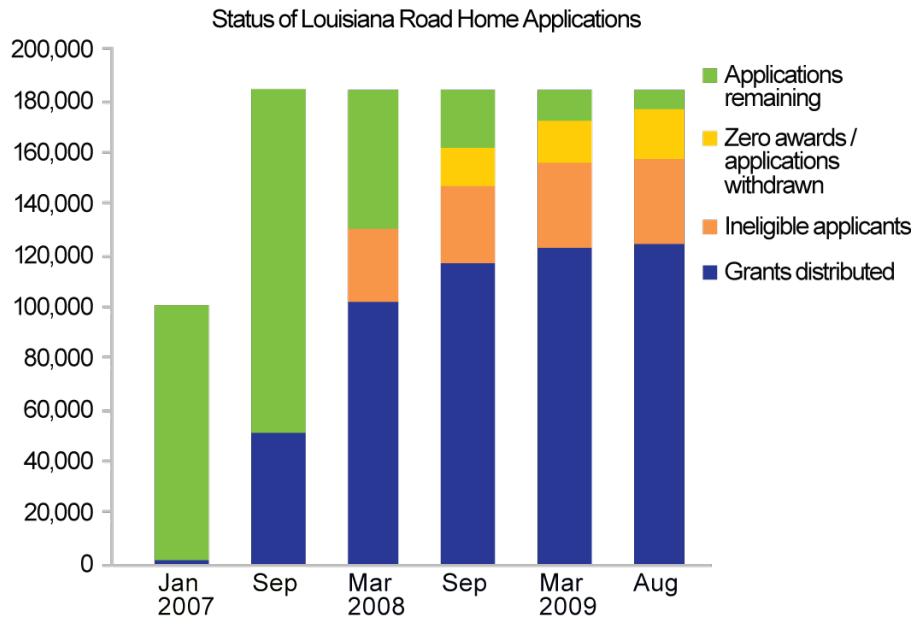
lower-wage occupations. In 2007, rents continued to rise, reaching 45 percent above pre-Katrina levels. Meanwhile, the Road Home was just getting on its feet.<sup>vi</sup>

Road Home provides grants for the uninsured losses of homeowners to repair their homes or relocate. The program began in June 2006, but got off to a slow start. HUD approved Louisiana's plan for the Road Home program in the May of 2006<sup>vii</sup> and by June 2006 (two months shy of the first anniversary of Katrina), \$10.4 billion in supplemental CDBG funds had been allocated to Louisiana.<sup>viii</sup> There is no objective measure for how fast such a massive housing recovery program should move. The only program that is nearly comparable to the Road Home program in Louisiana is the Homeowner Assistance Program in Mississippi. Both programs were developed to compensate underinsured homeowners and were funded by emergency supplemental CDBG dollars following the 2005 hurricanes. However, Mississippi's program processed less than 40,000 applications including duplicates<sup>ix</sup> while Louisiana's program processed more than 220,000 applications including duplicates.<sup>x</sup> Mississippi continued to process applicants for their program as recently as 2009.<sup>xi</sup>

By January 15, 2007, the Road Home program had received nearly 99,000 applications, but had distributed only 177 grants.<sup>xii</sup> The program established a July 31, 2007 deadline for submitting applications<sup>xiii</sup> and by the second anniversary of Katrina, one month after the deadline, the program had recorded approximately 185,000 unduplicated applications. As the program received applications, it also disbursed grants, thus, by the second anniversary of Katrina over \$3 billion had been disbursed to 50,000 homeowners.

The program established a December 2007 deadline for completing an initial appointment.<sup>xiv</sup> By the third anniversary of Katrina \$7 billion had been disbursed to over 117,000 applicants and approximately 30,000 applicants were determined to be ineligible -- most often because they did not complete an initial appointment by the December deadline. Additionally some 15,000 applicants had been determined to be due 0 dollars due to duplication of benefits such as insurance, or had decided to decline the award offered to them. Thus 23,000 applications remained in the pipeline.<sup>xv</sup>

Nonetheless, by the third anniversary of Katrina last year, the program had disbursed grants to the vast majority of the applicants expected to receive awards. In the fourth year after Katrina, more applicants declined benefits, were determined to be due 0 benefits, or were determined to be ineligible, and 7,100 additional grants were disbursed. Only approximately 8,500 applicants remain in the pipeline -- half of whom are still demonstrating eligibility.<sup>xvi</sup> Today over 124,000 grants averaging \$64,000 have been disbursed.<sup>xvii</sup> Forty-eight percent of the recipients that reported race were African American, and 46 percent were white.<sup>xviii</sup>



Source: The Road Home Program (The New Orleans Index, July 31, 2009).

Road Home recipients include 96,000 in the New Orleans metro area—nearly 45,000 are in the city of New Orleans itself. Fully ninety percent are repairing their homes rather than selling to the state. In Jefferson, St. Tammany, St. Charles and St John parishes, where housing damage was often minor in severity, 99 to 100 percent of Road Home recipients are repairing their homes.<sup>xix</sup>

By mid 2008, after the Road Home program had distributed thousands of grants in the metro area, covering more than one-quarter of all damaged homes, the market began to soften and rents leveled off. In 2009, rents fell for the first time since the storm.<sup>xx</sup>

Four years after Katrina, the city has recovered 77 percent of its pre-Katrina number of households, a big jump from mid-2006 when the Road Home program began at which time less than half the population had returned. As a whole, the metropolitan area has regained 90 percent of its pre-Katrina households.<sup>xxi</sup>

New Orleans families with children have struggled to return. When the Road Home program began, the share of all households with children had dropped from 30 percent pre-Katrina to 18 percent, but rebounded to 20 percent by 2007.<sup>xxii</sup> Multiple studies indicate that African Americans were disproportionately impacted by Katrina.<sup>xxiii</sup> In 2006, the African American population of the city had decreased dramatically from 67 percent of the total pre-Katrina to 58 percent.<sup>xxiv</sup> Three years after Katrina when most Road Home grants had been disbursed, the African American population of New Orleans had rebounded to 61 percent of the total.<sup>xxv</sup>

I'd like to highlight three obstacles encountered by Road Home recipients in their attempts to rebuild: gaps in funding, contractor fraud, and inaccurate cost estimates. A Policy Link study of Road Home data

concluded that an astounding 81 percent of recipients in New Orleans and 69 percent of those in other parishes who planned to rebuild did not have sufficient funds to cover repairs even when taking into account insurance and Road Home grants. Because grant awards were based on pre-storm home values rather than total repair costs, the average gap between damage estimates and rebuilding funds was \$36,000. More than 46 percent of all applicants who planned to rebuild had damages that were greater than their pre-storm home value. New Orleans applicants were more likely to have a gap in funding than applicants statewide. Across New Orleans the average gap was \$55,000. Gaps were larger in lower income and African American neighborhoods. For example, in New Orleans East the average gap was \$69,000, in the Lower Ninth Ward the average gap was \$75,000, while in Lakeview the average gap was \$44,000.<sup>xxvi</sup>

News reports about contractor fraud abound and a study by LSU, PolicyLink and LouisianaRebuilds concluded that 9,000 households were affected. In over 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 successfully got their monies returned.<sup>xxvii</sup>

Nonprofit groups working with homeowners also report that many recipients complain of a high-cost environment as one barrier to rebuilding.<sup>xxviii</sup> Although no post-Katrina studies have quantified this problem, extensive nationwide research by HUD indicates that estimating the cost of rehabbing structures is extremely difficult. Unforeseen circumstances, such as termite damage behind walls; erroneous judgment calls, such as windows thought to need repairs actually needing to be replaced, difficult working conditions, such as miniscule crawl spaces, can drive costs above initial estimates sometimes by a factor of 100 percent—even when estimates are provided by experienced professionals.<sup>xxix</sup>

Inability to accurately budget for all rebuilding costs, gaps in funding, and contractor fraud are three obstacles frequently encountered by Road Home recipients. Nonetheless, the Road Home program has had a marked effect on the New Orleans area housing market and the ability of homeowners to return. Once again, thank you for the opportunity to appear today. I would be pleased to answer any questions you may have about my testimony.

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<sup>ii</sup> “The Federal Response to Hurricane Katrina: Lessons Learned.” Frances Fragos Townsend, Assistant to the President for Homeland Security and Counterterrorism. <http://georgewbush-whitehouse.archives.gov/reports/katrina-lessons-learned/index.html>

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<sup>xix</sup> Ibid.

<sup>xx</sup> “The New Orleans Index. July 31, 2009” The Brookings Institution and Greater New Orleans Community Data Center. <http://gnocdc.org/NewOrleansIndex/index.html>

<sup>xxi</sup> Ibid.

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<sup>xxv</sup> US Census Bureau Population Estimates 2008.

<sup>xxvi</sup> “A Long Way Home: The State of Housing Recovery in Louisiana 2008.” PolicyLink. <http://www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/EQUITYATLAS.PDF>

<sup>xxvii</sup> “LouisianaREBUILDS.info Contractor Fraud Survey.” Louisiana State University, PolicyLink, LouisianaRebuilds.info. <http://www.louisianarebuilds.info/files/Survey.pdf>

<sup>xxviii</sup> “A Long Way Home: The State of Housing Recovery in Louisiana 2008.” PolicyLink. <http://www.policylink.org/atf/cf/%7B97c6d565-bb43-406d-a6d5-eca3bbf35af0%7D/EQUITYATLAS.PDF>

<sup>xxix</sup> “Barriers to Rehabilitation of Affordable Housing: Volume 1 Findings and Analysis.” U.S. Department of Housing and Urban Development. <http://www.huduser.org/publications/destech/brah.html>