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No Port After the Storm

Post-Katrina New Orleans, still rife with blighted housing, is a lesson for recovering from future disasters.

By Zoe Sullivan

Madeline Luster's family has lived in the 7th Ward of New Orleans for generations. Her home is a five-minute walk from Tremé, the neighborhood featured on HBO's program of the same name. Having turned 90 in July, Luster still lives in the home she inherited from her mother, but faces bulging, waterlogged cracks in the walls and ceiling created by Hurricane Katrina. "I need new gutter cans," she said; her precarious gutters haven't been fixed since the storm.

A scene from HBO's "Treme" in which John Goodman's character (left), a lifelong resident of New Orleans, tries to explain to reporter the appalling way in which the city has been neglected and how rebuilding efforts post-Katrina have failed. (Photo courtesy HBO)

Luster's shotgun-style house has an empty lot next to it, and a tree that fell across her back door was all that prevented looters from entering after Katrina. For Mardi Gras, the front room and its fireplace were filled with dolls, beads and other mementos of previous years' celebrations. Like many New Orleanians, Luster paid a contractor $3,000 to repair her home after the hurricane. Although he took the money, the contractor didn't do the work properly, leaving Luster with a sagging dining room ceiling and chunks of plaster falling off the walls. Meanwhile, Luster, a diabetic who lives on Social Security, was left out of the Road Home program designed to help homeowners rebuild after Katrina.

Because she never received the title to the house, Luster was ineligible to apply for a Road Home grant. New Orleans is a city with deep roots, where families stay generation after generation, and that, combined with the state's unique legal code requiring a title to be signed over by all potential heirs, means Luster's situation is hardly unique.

Luster, who supports herself and one of her adult sons on what she calls a "nice" Social Security check of $1,300 month, says a lawyer told her that she would have to pay $8,000 to register the title to the house in her name, a prerequisite to applying for assistance.

Road Home was supposed to get people back into the homes they owned after the storm. According to ICF International, the firm that initially ran it, Road Home was the largest disaster recovery program of its kind in U.S. history. In spite of the program's $9.4 billion price tag, however, its impact has been uneven and discriminatory. As the Gulf region reels again from the U.S.'s largest environmental disaster in its history, the Road Home debacle provides important lessons about managing recovery strategies.

Homeowners who applied for help from Road Home faced constantly changing rules and little transparency about the changes. Important information about applications was often communicated by phone, leaving applicants without proof of notices and decisions. Appraisal values were frequently and egregiously miscalculated, yet the program would only accept new, independent appraisals that were within 20 percent of the original figure. Compounding these issues was Road Home's decision to use the lesser figure of a home's pre-storm value or the cost of rebuilding as the basis for an award.

Douglas Beck, a senior vice president at ICF International, defended the firm, saying that there was "vilification everywhere in the post-Katrina environment," and that ICF was considered a "foreign company," making Louisianans critical of the firm's efforts to disburse awards.

Beck criticized the program as an exercise in "social engineering" — an effort to give larger awards to those with less money. He said that ICF imposed criteria, such as income tests and other guidelines, to make the program rational.

Luster continues to live in her home, in spite of its disrepair, but the Greater New Orleans Community Data Center reported that in March 2010 there were roughly 50,000 homes and lots abandoned in New Orleans. This blight is primarily located in African-American communities, which made up 67 percent of the city's population before the storm and 60 percent now, according to the same source.

The Road Home program was supposed to help people either sell their homes or calculate and disburse a rebuilding grant. But it only addressed property owners, not renters, exacerbating disparities around who could return home.

For homeowners, Road Home offered three options in the wake of hurricanes Katrina and Rita: apply for a grant and rebuild; sell to the state and remain in Louisiana; or sell to the state and leave Louisiana. Most importantly, the formula for calculating grant awards was based on the estimated value of the home before the storm. This option, to base the grant on the lower of the pre-storm or rebuilding value, put homeowners in primarily lower-income communities at a disadvantage because their homes were often worth less before the hurricane than the cost of rebuilding.

According to a 2008 report by PolicyLink, this decision left 81 percent of New Orleans homeowners who wanted to return and rebuild with insufficient funds to do so.

The calculation component has been the source of tremendous controversy and criticism, and the Greater New Orleans Fair Housing Action Center sued in federal court alleging racial discrimination in the program. On Aug. 16 of this year, a federal court ruled that this use of the pre-storm value was discriminatory since those affected — low-income homeowners — were disproportionately African American. The court prevented any money from Road Home surplus funds to redress past complaints, but did order that the formula not be used in the future.

In a release heralding the decision, John Payne, president of the NAACP Legal Defense and Education Fund, argued that "the flawed Road Home program is part of the reason why the pace of recovery has been so slow five years after the storms ravaged the Gulf Coast."

Because of all the problems she saw her friends and neighbors experiencing with their rebuilding efforts, Melanie Ehrlich co-founded the Citizens Road Home Action Team, or CHAT, a group that has led advocacy efforts on behalf of Road Home applicants by raising questions with the media, confronting elected officials and ICF representatives, and publishing information about the Road Home on the CHAT website. Ehrlich, a biochemist at Tulane Medical Center, has documented problems with the Road Home program through anecdotes and a comprehensive applicant survey with 1,600 respondents.

Davida Finger ran the Katrina Clinic at Loyola University of New Orleans and has extensively documented the range of problems and abuses with Road Home. Both she and Ehrlich agree that lack of transparency in the Road Home application process is one of the main issues obstructing New Orleanians' return home. Ehrlich sustained that complex and changing rules "gave cover to the contractor and to the state because it was hard for the applicants to follow the rules" and consequently obtain appropriate rebuilding awards.

ICF's Beck said that Road Home went through 150 program changes at the request of the client, the state of Louisiana. He likened ICF's challenge in this situation to that of keeping a plane flying while switching from a propeller to a jet engine.

While these changes tested the contractor, individual homeowners also paid a price.

Lois Tate is an elderly African-American homeowner in the Fountainbleau neighborhood of New Orleans. Before Katrina, she ran a beauty parlor in the front room of her home. "Road Home only gave me $9,000 to fix my house," she said, although a contractor had estimated the damage at $100,000. Tate worked with her grandchildren to make some repairs to the home, but, even with free labor, wasn't able to fully restore it. After she received an additional $30,000 grant from the Home Elevation Grant program to raise her home against future flooding, Tate says that Road Home began demanding that she return $11,000 — a greater amount than she'd received in the first place.

ICF's Beck responded that the firm tried hard to be a good "local citizen." But, he said, for every position the company took, "there was an advocacy group saying that it was the wrong thing to do."

A PolicyLink report published in 2008, stated that New Orleans' Road Home applicants were more likely than all applicants across the state to have a gap in their rebuilding funds. The same report noted that more than 60 percent of the households in New Orleans East and the Lower 9th Ward, both predominantly African-American and low-income communities, faced a difference of more than $40,000 between the cost of repair and available resources. To help compensate for shortfalls among low-income applicants, an "additional compensation grant" (or ACG) was available to homeowners falling at 80 percent and below of the parish's median income. While the ACG helped some of the poorest applicants, it left out many with marginally greater resources.

Seth Weingart, the homeownership counseling supervisor specialist at the Fair Housing Action Center, recounted the story of one homeowner, an African-American, from New Orleans East who turned to the center for help.

"The Road Home estimated the pre-storm value of his home as $135,000 and his cost of damage as $308,193 (the one-story home had about 10 feet of water in it). Based on the program rules, they took the pre-storm value and subtracted the money he received from homeowners and flood insurance and FEMA, totaling $118,350.08, giving him a grant of only $16,649.92. Based on the Road Home's own estimates, this would leave him short $173,193 needed to rebuild.

"We saw this pattern duplicated across New Orleans East, Gentilly and the Lower 9th Ward — areas with predominantly African-American populations and low property values [with respect] to comparable homes in white neighborhoods."

Beck acknowledged that "figuring out the pre-storm value is a very problematic issue." He said that ICF often had to obtain multiple appraisals on a property and that it complicated matters to have to argue the value of a home 15 months prior to the actual appraisal.

Robert Meyer, who worked for an ICF subcontractor, said the inspections that were the basis for calculating the awards often were flawed. "A lot of [the housing inspectors], so many of them had no experience, and the things they came up with were kind of crazy. … I know that there was more than one case that all an inspector did was drive by without getting out to look inside."

Road Home policy was to reject any new appraisal that exceeded the program's estimate by 20 percent or more. As a result, even if a homeowner hired an independent appraiser, if the independent evaluation surpassed the official Road Home figure by 20 percent or more, program officials disregarded it. This rule prevented applicants from correcting egregious mistakes resulting from practices such as the one Meyer described.

Asked if he felt the program had been biased, Meyer responded that he believed that people with a business background or professional training were more likely to fight the system, whereas working-class people, such as teachers, would not.

What had ICF had done to ensure that inspectors were qualified? Beck said that they went through a process to have them certified. But, he added, "Have you ever known anyone who was happy with the appraised value of their home?"

"Anyone you would have talked to that worked at that time would have been really disappointed by the way that the citizens were being treated," said Meyer. "Although we weren't specifically told to lie to anyone, we weren't never told to tell 'em the truth, and you know the difference between that."

According to Meyer, the housing advisers in his Jefferson Parish office were pushed to process applications in as little as 45 minutes, when a thorough intake procedure could take double that. Meyer said his supervisor received a bonus based on the number of applicants processed each month. This pressured Meyer and led some of his colleagues, he said, to skip items that the applicant didn't provide at this meeting, leading to incomplete applications and further delaying of award processing.

Beck said that ICF was audited 42 times. "Is it possible there were people who weren't doing a perfect job? Sure." But, he said, "We were given an almost impossible task … and for all the complaints, there is an extraordinary antifraud record and the largest amount of money ever paid out."

In spite of the bad press it got, the Road Home was a boon for ICF, which earned $756 million from the initial contract. The company made its first public stock offering in the fall of 2006, shortly after Louisiana awarded it the contract. According to the company's annual report, ICF's revenue more than doubled between 2006 and 2007 while it implemented Road Home.

Beck acknowledged that, in hindsight, the program could have worked better. But he sustains that given the scope of the disaster and ICF's charge with the largest rebuilding project in the history of the country, his firm did a good job disbursing $8 billion to people on the ground.

With all the acrimony around the Road Home program, one point that advocates and ICF agree on is the need to reform the Stafford Act, the law governing disaster recovery.

Beck noted that the Stafford Act was not created for the kind of long-term recovery project that Katrina presented and that this scenario should be contemplated in a revision. With Nashville now facing enormous recovery costs and the Gulf Coast's future threatened by a disaster even more comprehensive than Katrina, the need to revisit this legislation becomes more pressing.

In light of the allegations of discrimination and profiteering, another smart change would be to have recovery work done by government agencies rather than private parties. This could be carried out by a consortium of agencies focusing on areas overseen by the federal departments of Health and Human Services, Housing and Urban Development, and Transportation, or fall under a single jurisdiction to avoid bureaucratic hurdles. Temporary, local workers could still be hired, but by eliminating a middleman, or middlemen, more money could be put directly into rebuilding. Additionally, as a government agency, there should be clear guidelines for oversight as well as the protection of minorities and low-income populations.

One of the most important lessons that can be drawn from the Road Home experience is that assistance calculations should be made based on the actual cost of rebuilding, as the federal court ruled. The question does come up about rebuilding when a property has been "totaled." One solution could be a single lump sum that is the same for all applicants choosing to cut their losses and start over.

The Road Home formula, by creating the option of using the smaller of two figures, exacerbated existing inequalities and prevented thousands of people from rebuilding their homes. If disaster is going to wipe out an area the way that Katrina did, then recovery should focus on helping all members of that community recover fully and equally.

Luster suffered a stroke at the end of May, and her daughter now comes to care for her every day. She is no longer able to walk without a cane, and carrying on a conversation is more difficult because she is not always as lucid as she was a few months ago. Luster's son, who shares the home with her, is unemployed and was recently hospitalized because of complications from his diabetes. "I need help," she said recently.

But that help is unlikely to come in the form of repair dollars since the Louisiana Recovery Authority was dissolved on July 1, and it is unlikely that policy changes will happen at this juncture to help people like her.