



## *The State of Opportunity One Year After Hurricane Katrina*

# Housing: Welcoming Katrina's Victims Back Home

Having a safe place to call home, in which one can raise children and feel secure within a community, is an important pillar of American opportunity. The quality, location, and affordability of housing have an important influence on access to quality schools, good jobs, high-quality health care, and even effective political representation. Since Hurricane Katrina overtook New Orleans and caused hundreds of thousands of Gulf Coast residents to relocate, however, many families have struggled to obtain the kind of housing necessary to help them rebuild their lives and their communities.

Barriers such as residential segregation, housing discrimination, and prohibitively high housing costs persist. These problems limit opportunity for millions nationally, and could hamper the rebuilding of the Gulf Coast region. Attending to the housing needs of communities that have been most affected by these barriers—such as people of color and low-income residents—will help to build a stronger, more equitable Gulf Coast. This fact sheet reviews evidence of housing-opportunity barriers both prior to and after the storm, and summarizes some effective policies to reduce these barriers and expand opportunity.

### **Housing-Opportunity Barriers in the Gulf Coast Region prior to Hurricane Katrina**

*Homeownership:* Owning a home can build wealth and encourage economic mobility. Homeownership can also help build stronger, more empowered communities. But large homeownership gaps exist in the Gulf Coast region, as well as nationally.

- Prior to Hurricane Katrina, New Orleans had a low homeownership rate (47%) compared to the national average of 67%. Only 37% of New Orleans homeowners had paid-off mortgages.<sup>i</sup>
- African American and low-income families in New Orleans and the Gulf region had far lower rates of homeownership than whites and higher-income families.<sup>ii</sup> National trends suggest the racial gap in homeownership is not closing. Moreover, even as homeownership increased over the last two decades among most income groups, it *de-*

*clined* among those at the bottom of the income scale.<sup>iii</sup>

*Affordable Housing:* New Orleans faced an affordable housing crisis before Hurricane Katrina, as many of its residents endured excessive housing-cost burdens.

- 67% of the city's extremely low-income households dealt with housing costs that exceeded 30% of the household heads' incomes in 2000.<sup>iv</sup>
- 56% of very-low-income households used more than half of their incomes to pay for housing.<sup>v</sup>

*Residential Segregation:* Residential segregation in America is persistent and destructive. Communities that are highly segregated on the basis of race, ethnicity, and poverty receive fewer and poorer quality public services, are disproportionately victimized by high levels of crime and

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violence (often accompanied by aggressive law enforcement tactics), face higher levels of environmental health risks, and are plagued with a host of other social and economic problems. These problems do not just affect low-income people and families of color: segregation “contributes to pervasive inequality . . . and to social gulfs of misunderstanding,” problems that exact a significant economic and social toll on the nation as a whole.<sup>vi</sup>

New Orleans suffered acute residential segregation prior to Hurricane Katrina’s landfall, which contributed to the disproportionate impact of the storm on low-income and minority communities:

- The U.S. Census Bureau ranked New Orleans the 11th-most-segregated city among large metropolitan areas in the United States in 2000.<sup>vii</sup>
- From 1990 to 2000 segregation in New Orleans declined slightly, but continued to be above the national average.<sup>viii</sup>
- According to the 2000 Census, the average African-American resident of New Orleans lived in a neighborhood that was 74% African American.<sup>ix</sup>
- This segregation, coupled with the fact that many predominantly minority communities in New Orleans were vulnerable to flooding, contributed to the disproportionate impact of the storm on minority communities: 80% of residents in the most flooded areas were nonwhite.<sup>x</sup>

### **Barriers to Equitable Housing Opportunities in the Wake of Hurricane Katrina in New Orleans and the Gulf Coast Region**

*Scarce Public Housing:* Plans to rebuild have not fully addressed the needs of families that relied on public housing. If public housing is not being built to bring back displaced families, New Orleans stands to lose thousands of residents.

- Rental space is now scarce, yet the U.S. Department of Housing and Urban Development (HUD) announced a plan to demolish over 5,000 public housing units in New

Orleans. Most of the public housing in New Orleans was occupied prior to Katrina by working women, their children, the elderly, and the disabled.<sup>xi</sup>

- On June 27, 2006, a lawsuit was filed against the Housing Authority of New Orleans and HUD on behalf of public housing residents to block the demolition of the 5,000 units and mandate HUD to quickly reopen this source of affordable housing.<sup>xii</sup>

*Discrimination:* Evidence indicates that throughout the Gulf Coast, white apartment seekers have been favored over African American apartment seekers following the 2005 hurricane season’s devastation. Phone tests using white and African American individuals to telephone numerous housing complexes illustrate that white home seekers were more likely to be told about apartment availability, rent, and discounts, while their African American counterparts were denied this information.<sup>xiii</sup> This study, involving housing complexes in seventeen cities and five states affected by the 2005 hurricanes, found that apartment complexes:

- Failed to tell African Americans about available apartments, while white callers were told that one or more units were available.<sup>xiv</sup>
- Failed to return telephone messages left by African Americans.<sup>xv</sup>
- Failed to provide the correct information, or any information, to African American testers regarding the number of available units, rental price range, and security deposits.<sup>xvi</sup>
- Quoted higher rent and security deposit prices to African American testers. In one case, a white tester was told that her security deposit and application fee would be *waived* because of her status as a Hurricane Katrina victim, while an African American hurricane survivor had to pay both.<sup>xvii</sup>
- Offered special discounts to white renters. An example in Dallas illustrates that both white testers were offered a free 26-inch LCD television for renting at a particular complex. One of the white renters was told

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that there would be a \$100 refundable security deposit plus a \$400 admission fee, and the other was told that the security deposit was \$500 with \$100 refundable. An African American tester was not told about the television, but was notified that she would have to pay a \$500 admission fee, as well as a nonrefundable \$500 security deposit.<sup>xviii</sup>

*Unaffordable Rental Costs:* Sharp rent increases have occurred in many damaged areas as a consequence of the large loss of habitable rental space.<sup>xix</sup>

- Since the fiscal year 2000, fair market rents in New Orleans are now at their highest levels, beyond rent prices that immediately preceded Katrina:

Year	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
FY 2000	\$365	\$418	\$521	\$709	\$858
FY 2001	369	423	527	717	868
FY 2002	446	512	637	867	1050
FY 2003	461	529	659	896	1085
FY 2004	463	531	661	899	1089
FY 2005	522	578	676	868	897
<b>FY 2006</b>	<b>725</b>	<b>803</b>	<b>940</b>	<b>1206</b>	<b>1247</b>

- High housing costs are evidenced by an analysis of U.S. Census Bureau data conducted by the National Low Income Housing Coalition. In New Orleans:
  - Median home values have increased from \$135,424 to \$151,499.<sup>xx</sup>
  - The percentage of households paying 35% or more of their income toward monthly housing costs has increased substantially.<sup>xxi</sup>
  - An increase in monthly owner costs has occurred in all states affected by Hurricane Katrina. In Texas, for example, the percentage of people dealing with this situation has increased from 39% to 42%.<sup>xxii</sup>

even return migration, the disparity in wealth is likely to influence which neighborhoods are rebuilt and which ones are not, further impeding low income and minority communities from returning.<sup>xxiv</sup>

*Homes without a Community:* In many communities in New Orleans, schools are not opening, health-care services are not available, and homes are not being rebuilt. Some homes are being purchased at cost by corporations for future corporate development. Even if all the homes were rebuilt and all the residents returned, New Orleans would remain in crisis without the community characteristics that promote opportunity:

- Permanent housing has yet to be made available for returning residents. This is underscored by the fact that since March 2006 the number of occupied emergency trailers and mobile homes has swelled by 30,164 units, while the number of households receiving rental assistance has increased by 33,350.<sup>xxv</sup>
- In the state of Louisiana 30 hospitals were initially closed due to hurricane damage, and only 10 were reopened as of March 9, 2006.<sup>xxvi</sup> In the city of New Orleans only 50% of hospitals have been reopened.<sup>xxvii</sup>
- Also in the state of Louisiana, as of April

*Signs of Significant Resegregation After Katrina:* Disparate opportunities to return to the Gulf Coast are creating rapid demographic shifts in the population:

- An older, whiter, and more affluent New Orleans population has resettled in New Orleans post-Katrina. Low-income communities and people of color make up a smaller percentage of the current New Orleans metropolitan population, as they have been unable to return to their homes.<sup>xxiii</sup>
- Because of the population shift and the un-

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11, 2006, it was estimated that 96,000 Federal Emergency Management Agency trailers and mobile home units were still needed.<sup>xxviii</sup>

The slow rebuilding in New Orleans falls far short of meeting human needs:

- Only 18% of public schools have reopened.<sup>xxix</sup>
- 21% of child-care centers have reopened.<sup>xxx</sup>
- A mere 17% of public buses are operational.<sup>xxxi</sup>
- Only 60% of homes have electricity service.<sup>xxxii</sup>

*Inadequate Housing Conditions for Reconstruction Workers:* Without proper housing for workers and their families, reconstruction job opportunities are out of reach for many. Recent surveys indicate that:

- Housing for reconstruction laborers is severely limited. Many live near construction sites in hotel rooms and shared apartments, and some even in cars or at the work sites.<sup>xxxiii</sup>
- On average, construction workers share housing with five others.<sup>xxxiv</sup>

Over two-thirds of the construction workers surveyed have children, but less than half reported having had their families relocate with them to the Gulf Coast.<sup>xxxv</sup>

### Conclusions and Recommendations

Katrina exposed barriers to opportunity, particularly barriers posed by racial, ethnic, and income segregation. These barriers are experienced in many American cities. The Gulf Coast region and New Orleans have a historic opportunity to reverse these trends in ways that will benefit all communities. It is not too late for government leaders to assume their responsibility to dismantle residential segregation and promote opportunity for Gulf Coast communities.

The rebuilding of New Orleans and the development of communities nationwide should prioritize expanding opportunity in terms of education, transportation, health care, and fair housing practices. Opportunity-enhancing policies include:

- Ensuring that all communities in New Orleans are rebuilt as mixed-income communities.<sup>xxxvi</sup> Low-income housing credits should be targeted to spread affordable housing widely across the city.<sup>xxxvii</sup> Inclusionary zoning can be an important tool in achieving equitable housing patterns, as it allows for the creation of mixed-income communities, produces affordable housing that attracts a diverse labor force, and designs consistent regulations for balanced housing development.<sup>xxxviii</sup>
- Making communities livable through the equitable distribution of amenities and infrastructure investments. Parks, modern school buildings, and a transit system must be built throughout the city to serve all residents.<sup>xxxix</sup>
- Restoring the pre-hurricane supply of federally subsidized housing. Because most of the subsidized housing in the region was destroyed, it must be rebuilt for those who need affordable housing.<sup>xl</sup>
- Creating more affordable housing stock and sustainable communities by extending the Low Income Housing Tax Credit (LIHTC)—which would improve the ability of the tax credit to decrease concentrated poverty—and expanding HOPE VI, the only major federal program dedicated solely to the creation of affordable housing communities.<sup>xli</sup>
- Authorizing additional housing vouchers to ensure that a portion of the rebuilt private housing is affordable to low-income households.<sup>xlii</sup> Section 8 vouchers can be a part of the long-run solution, as long as funding is adequate for displaced residents to obtain market-rate housing.<sup>xliii</sup> Section 8

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vouchers must be truly portable, allowing recipients to look for housing beyond areas of concentrated poverty.<sup>xliv</sup>

- Assisting low-income homeowners in their efforts to repair or replace damaged homes. Much of the assistance provided, like that from the Small Business Administration, is structured in a manner that is unattainable for low-income households, who often have difficulty meeting repayment conditions. Additionally funds must be provided to address this need.<sup>xlv</sup>
- Promoting homeownership among low-income families through down payment assistance programs, such as the American Dream Downpayment Initiative signed by President Bush in 2003,<sup>xlvi</sup> and rent-to-own programs, such as the expansion of LouLease (Louisiana's rent-to-own program). This program could assist families that had uninsured homes destroyed by the hurricane return to ownership.<sup>xlvii</sup>
- Significantly expanding federal enforcement of antidiscrimination laws in housing, credit, and all other federally funded programs. The U.S. departments of Justice and Housing and Urban Development have specific enforcement authority in this area, as do all federal agencies providing public funds for the rebuilding effort.

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<sup>i</sup> S. J. Popkin, M. A. Turner, and M. Bert, "Rebuilding Affordable Housing in New Orleans: The Challenge of Creating Inclusive Communities," The Urban Institute, January 2006, [http://www.urban.org/UploadedPDF/900914\\_affordable\\_housing.pdf](http://www.urban.org/UploadedPDF/900914_affordable_housing.pdf).

<sup>ii</sup> Greater New Orleans Community Data Center, "Orleans Parish: Housing and Housing Costs," July 2006, <http://www.gnocdc.org/orleans/housing.html>.

<sup>iii</sup> The Opportunity Agenda, *The State of Opportunity in America*, February 2006, [http://www.opportunityagenda.org/site/c.mwL5KkN0LvH/b.1405931/k.887C/State\\_of\\_Opportunity.htm](http://www.opportunityagenda.org/site/c.mwL5KkN0LvH/b.1405931/k.887C/State_of_Opportunity.htm).

<sup>iv</sup> Popkin et al., "Rebuilding Affordable Housing."

<sup>v</sup> Ibid.

<sup>vi</sup> S. Cashin, "Where We Live: Race, Class, and the American Dream," in P. Tegeler, M. Cunningham, and M. A. Turner, eds., *Keeping the Promise: Preserving and Enhancing Housing Mobility in the Section 8 Housing Choice Voucher Program* (Washington, D.C.: Poverty and Race Research Action Council, December 2005), 3-6.

<sup>vii</sup> U.S. Census Bureau, "Table 5-4. Residential Segregation for Blacks or African Americans in Large Metropolitan Areas: 1980, 1990, and 2000," <http://www.census.gov/hhes/www/housing/resseg/tab5-4.html>

<sup>viii</sup> J. Logan, "Ethnic Diversity Grows, Neighborhood Integration Lags Behind," Lewis Mumford Center for Comparative Urban and Regional Research, University of Albany, December 18, 2001, <http://www.albany.edu/mumford/census>.

<sup>ix</sup> Ibid.

<sup>x</sup> The Brookings Institution Metropolitan Policy Program, "New Orleans After the Storm: Lessons from the Past, a Plan for the Future," October 2005, [http://www.brookings.edu/metro/pubs/20051012\\_NewOrleansES.pdf](http://www.brookings.edu/metro/pubs/20051012_NewOrleansES.pdf).

<sup>xi</sup> B. Quigley, "HUD to Demolish 5,000 Low Income Housing Units in New Orleans," *San Francisco Bay View*, June 28, 2006.

<sup>xii</sup> The National Alliance to Restore Opportunity to the Gulf Coast and Displaced Persons, "Planning a Revitalized Gulf Coast: Multiple Actors, Limited Consensus and Questions about Implementation," n.d., [http://www.linkedfate.org/documents/Factsheet%20E\\_Plans%20for%20the%20Gulf%20Coast.pdf](http://www.linkedfate.org/documents/Factsheet%20E_Plans%20for%20the%20Gulf%20Coast.pdf) (accessed July 19, 2006).

<sup>xiii</sup> National Fair Housing Alliance, "No Home for the Holidays: Report on Housing Discrimination against Hurricane Katrina Survivors," December 20, 2005, <http://newreconstruction.civilrights.org/NFHAKatrinaDiscriminationReport.pdf>.

<sup>xiv</sup> Ibid.

<sup>xv</sup> Ibid.

<sup>xvi</sup> Ibid.

<sup>xvii</sup> Ibid.

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<sup>xviii</sup> Ibid.

<sup>xix</sup> W. Fischer and B. Sard, "Housing Needs of Many Low-Income Hurricane Evacuees Are Not Being Adequately Addressed," Center on Budget and Policy Priorities, February 27, 2006, <http://www.cbpp.org/2-23-06hous.pdf>.

<sup>xx</sup> National Low Income Housing Coalition, "U.S. Census Releases American Community Survey 'Special Product for the Gulf Coast': Shows Clear Indication of Impact on Housing," n.d., <http://www.nlihc.org/news/060706.html>.

<sup>xxi</sup> Ibid.

<sup>xxii</sup> Ibid.

<sup>xxiii</sup> The National Alliance to Restore Opportunity to the Gulf Coast and Displaced Persons, "The Aftermath of Katrina and Rita: The Human Tragedy Inflicted on the Gulf Coast," n.d., [http://www.linkedfate.org/documents/Factsheet%20A\\_Human%20Dimensions%20of%20Katrina.pdf](http://www.linkedfate.org/documents/Factsheet%20A_Human%20Dimensions%20of%20Katrina.pdf).

<sup>xxiv</sup> Ibid.

<sup>xxv</sup> The National Alliance to Restore Opportunity to the Gulf Coast and Displaced Persons, "Progress in the Gulf Coast: 10 Months Later," n.d., [http://www.linkedfate.org/documents/Factsheet%20C\\_Progress%2010%20Months%20Later%20\\_Summarized%20from%20Brookings%20Research\\_L.pdf](http://www.linkedfate.org/documents/Factsheet%20C_Progress%2010%20Months%20Later%20_Summarized%20from%20Brookings%20Research_L.pdf).

<sup>xxvi</sup> Louisiana Recovery Authority, "By the Numbers," April 14, 2006, <http://www.lra.louisiana.gov/numbers.html>.

<sup>xxvii</sup> M. Fellowes et al., "The State of New Orleans: An Update," *New York Times*, July 5, 2006.

<sup>xxviii</sup> Louisiana Recovery Authority, "By the Numbers."

<sup>xxix</sup> Fellowes et al., "The State of New Orleans."

<sup>xxx</sup> Ibid.

<sup>xxxi</sup> Ibid.

<sup>xxxii</sup> Ibid.

<sup>xxxiii</sup> Advancement Project, New Orleans Worker Justice Coalition, and the National Immigration Law Center, "[And Injustice for All: Workers' Lives in the Reconstruction of New Orleans](http://www.advancementproject.org/reports/workersreport.pdf)," July 2006, <http://www.advancementproject.org/reports/workersreport.pdf>.

<sup>xxxiv</sup> Ibid.

<sup>xxxv</sup> Ibid.

<sup>xxxvi</sup> A. Glover Blackwell, "Equitable Gulf Coast Renewal: Creating Housing Opportunity through Inclusionary Zoning," PolicyLink, n.d., [http://www.americanprogress.org/atf/cf/%7BE9245FE4-9A2B-43C7-A521-5D6FF2E06E03%7D/policylink\\_brief.pdf](http://www.americanprogress.org/atf/cf/%7BE9245FE4-9A2B-43C7-A521-5D6FF2E06E03%7D/policylink_brief.pdf).

<sup>xxxvii</sup> Ibid.

<sup>xxxviii</sup> Ibid.

<sup>xxxix</sup> Ibid.

<sup>xl</sup> Fischer and Sard, "Housing Needs of Many Low-Income Hurricane Evacuees."

<sup>xli</sup> Ibid.

<sup>xlii</sup> Ibid.

<sup>xliiii</sup> Ibid.

<sup>xliv</sup> Ibid.

<sup>xlv</sup> Ibid.

<sup>xlvi</sup> Ibid.

<sup>xlvii</sup> Ibid.