

House Committee on Financial Services Hearing
November 17, 2005

Testimony

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Mayor
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Mr. Chairman, I would like to thank you, Congressman Baker and your committee for holding this hearing and allowing me to be here today. To all the members of Congress, and in particular to our Louisiana delegation, thank you for your continued work to help us in this time of need.

I am here today because New Orleans needs assistance now more than ever. Hurricane Katrina hit our city more than two months ago, leaving unprecedented devastation in her wake. The world rallied around us. President Bush's assertion that "there is no way to imagine America without New Orleans, and this great city will rise again" spoke for the millions of people who know, love and depend on our city. As time passes, it is critical that we have the continued support of our federal government and the American people to rebuild.

Katrina, the "perfect storm," turned our region into the worst disaster area known to this country in modern times. In addition to the physical devastation, Katrina decimated our region's economy and severely affected the nation. Rita further hampered recovery efforts with its second blow to the region.

The people of our city are resilient and self-sufficient, but this disaster is too large for us to fix alone. We need innovative ideas and expansive thinking to bring New Orleans back, not just for the nearly half a million people who call the city home, but indeed for the well being of our nation.

New Orleans is a natural economic hub. The Mississippi River transports a significant percentage of the nation's oil, natural gas, refined petroleum products and petrochemicals. The Port of New Orleans is America's only deepwater port with access to six class-one rail lines, enabling swift and economical distribution of goods throughout the country. We are the top importer of steel, natural rubber and plywood, and one of the leading importers of coffee, with the country's largest coffee roasting plant.

A third of all seafood harvested in U.S. waters comes directly from Louisiana. In addition, many of New Orleans' exports are the cornerstone of the Midwest agricultural economy and positively impact the nation's trade balance.

Most Americans know New Orleans as a cultural mecca, with our *mélange* of French, Spanish, African and Caribbean heritage. We are famous for our food, our music, and our eclectic mix of architecture. This cultural blend is worth preserving as it parallels the foundation of our country's heritage and embodies the very spirit of what we call America. We have more than 70 distinct neighborhoods, each with its own character. From Treme and Bywater's shotgun and camelback styled-homes to the Garden District and Uptown's Greek Revival mansions, we are blessed to have a living museum to call home.

However, Katrina wreaked havoc on our housing stock. We are working with various planning groups, including the renowned Urban Land Institute and the U.S. Conference of Mayors' Institute on City Design, along with other experts, residents and business

owners to determine how we can build a better, smarter New Orleans and retain our distinctive historic neighborhoods.

Katrina placed 80 percent of our city under water, left many parts of New Orleans inundated for weeks, and created storm surges so strong that some houses were moved off their foundations and destroyed. It is estimated that 160,000 buildings in Louisiana, the majority of which are in our city, are severely damaged. According to a Brookings Institution report, Katrina flooded 133,660 housing units in New Orleans, including both owner-occupied houses and rental units that were home to more than 350,000 people.

Our city and neighboring parishes have the enormous challenge of helping our residents, many of whom were uninsured or underinsured, rebuild their lives.

I want to thank Congressman Baker for proposing an innovative solution that has great potential to help meet this challenge. I am encouraged by the stated mission of the proposed Louisiana Recovery Corporation – “economic stabilization and redevelopment of the devastated areas of Louisiana.” The citizens and businesses of our city deserve stability and need hope restored to their temporarily chaotic lives in this post-Katrina world. The magnitude of our devastation requires the financial resources of the federal government, which the corporation would be able to tap through general debt obligations of the U.S. Government and the creative use of other financial tools, including existing tax incentives and private dollars. Its existence will show that the federal government is investing in the neighborhoods of New Orleans, and will inspire confidence in the viability of our city.

I see the Corporation as a major tool in the redevelopment toolbox; we hope many more tools will be developed with our federal partners’ help to rebuild our city. The program offers a means by which homeowners who otherwise would struggle with “hurricane induced negative equity” can make up the difference between what it would cost to rebuild their homes and the money available to them from insurance and other proceeds.

The Corporation would give homeowners choices about how and where to rebuild their lives. It would also shore up local financial institutions so they can continue to play their important role in our city’s rebirth.

The language of the bill is broad, allowing for flexibility, which is important. But I feel the need to draw your attention to several issues that I hope you will consider as you deliberate this concept.

We need to ensure that:

- The governing board of the corporation is comprised primarily of people from the most severely affected local areas.
- The Corporation is accountable to the hurricane victims it is designed to help, of which our city has the largest number.
- There is respect for local interests and plans in how our neighborhoods will look.

- The fundamental character of our uniquely New Orleans neighborhoods is preserved.
- Homeowners receive fair compensation for their property so they can rebuild their lives how and where they choose.
- Homeowners can afford to buy back the redeveloped properties if they desire.
- Fundamental property rights are protected to the fullest extent possible. Government intervention in property rights must only be used as a last resort when absolutely necessary to revitalize a neighborhood.
- Private developers will work only within the framework of the plan developed by local communities.
- The expansive powers of the Corporation will include the ability to guarantee loans based on approved/acceptable underwriting criteria to ensure long-term investment confidence.

I appreciate the opportunity to testify here today. While I ask you to strongly consider the issues listed above, Congressman Baker's plan is forward-thinking and broad enough to address the numerous challenges facing New Orleans.

Our city is a vital part of the United States, both from an economic and a cultural perspective. We need Congress' help to keep pace with recovery efforts that will allow our citizens to return and our businesses to reopen, so we can once again contribute to our nation. Thank you for your ongoing efforts to help us bring New Orleans back.