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### *City Journal*

#### **Big Easy Rising**

#### **Five years after Katrina, New Orleanians are showing how to do recovery right.**

By Nicole Gelinis

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Five years ago, when Hurricane Katrina decimated the Gulf Coast, even optimistic observers had good reason to doubt that New Orleans would recover. It wasn't just that the storm had destroyed much of the city, leaving parts of it under 20 feet of water for weeks. New Orleans had long suffered from terrible violence, a poisonous political culture, and a fleeing population. Its public services were iffy on a good day, making it especially unprepared for the storm. What chance did it stand of returning to life—even with the \$71.5 billion that the Bush White House and Congress sent to Louisiana for hurricane recovery?

Yet the city has come back more vigorously than most imagined possible, even fumbling its way toward becoming, maybe, an urban success story. With about 365,000 residents, the City That Care Forgot has recovered more than 80 percent of its pre-Katrina population, and its post-storm economy has done well, too: in July, unemployment in the city and surrounding suburbs was 7.5 percent, two points below the recession-battered national figure, while per-capita income is up more than 20 percent since 2004, even as traditional government-aid payments, such as welfare and Medicaid, remain lower. Visit New Orleans today, and you'll see a busy construction site, not a city laid waste by flooding.

The shock of Katrina, it turns out, produced a surprising renaissance in citizen initiative, one result of which was widespread recognition among New Orleanians that all that federal cash wasn't going to solve the city's long-standing problems on its own. Instead, engaged residents have kept local politicians on their toes, making sure that they use the recovery funds to transform and rejuvenate the city. They have taught the rest of the country, still reeling from the financial and economic crisis, a lesson: how to do recovery right.

Before the hurricane, New Orleans was unquestionably failing. During the second half of the twentieth century, the ills that afflicted many other American cities struck it particularly hard. Thanks to technology, the city's port, once a major driver of employment, needed fewer people to handle cargo. Manufacturers that earlier had moved jobs from the Northeast to the South to escape high costs moved them even farther away, to cheaper Latin America and Asia. Highway construction slashed through historic neighborhoods, many of them black, dissolving community ties. Whites scrambled to the suburbs after the public schools were desegregated. Racial progress elsewhere encouraged aspiring working- and middle-class African-Americans to leave for Los Angeles and, later, Atlanta. As oil prices plummeted during the 1980s, big energy-industry employers got rid of jobs in New Orleans and consolidated their operations in Houston instead—and when the oil industry recovered, Houston, not New Orleans, won the new jobs. By 2005, New Orleans was subsisting largely on tourism.

Escalating violence accompanied and worsened these trends. On the eve of the storm, the city's murder rate was nearly eight times the national average, with 59 people killed per 100,000 residents, compared with New York's seven. Residents would dash from their cars to their homes at night, hoping to avoid muggers; many black families' hope for their sons was just for them to finish high school and leave town alive. The police department gained a well-deserved reputation for sleaze, corruption, and worse: by the mid-1990s, two former cops were on death row. Partly because residents so distrusted the police, witnesses proved hard to come by, intensifying the city's crime problem. Small wonder residents of wealthier neighborhoods began to privatize law enforcement, paying off-duty cops to patrol and to escort people from their cars to their homes at night. By the time Katrina hit, New Orleans residents had such low expectations of the police that few were shocked when NOPD officers looted stores during the flood. Nor were they shocked when the federal government began charging cops with killing at least four civilians in the storm's chaotic aftermath.

New Orleans's dysfunctional political culture could take at least partial blame for the city's downward spiral. Corruption has been endemic. A longtime city council member, Oliver

Thomas, just finished a prison sentence for bribery. Former congressman William Jefferson famously kept \$90,000 in dirty cash in his freezer. Katrina-era mayor Ray Nagin, elected in 2002 for his supposed private-sector management expertise, can expect investigations over contract awards and conflicts of interest to continue, even though his two terms in office have expired. His former chief technology officer faces federal kickback charges. U.S. attorney Jim Letten, a Bush appointee, has spent years trying to clean up a culture of low-grade bribery in traffic court.

The city's public sector wasn't just corrupt; it was incompetent. Many of the Big Easy's brightest citizens—black, white, and Asian—had voted with their feet in escaping the city, leaving behind a less capable pool of potential elected officials, bureaucrats, and public workers. Successive mayors and city council members, most of them black, had risen through the ranks of mid-century civil rights and community activism groups. Though they did vital and often heroic work back then, they never mastered the workaday business of government.

Nor were these the only woes besetting New Orleans. The city's infrastructure had deteriorated. Its schools were dismal; most public school kids failed to acquire basic reading and math skills. The starkest evidence of New Orleans's failure was the size of its population, which fell from its 1960 peak of 628,000 to 460,000 on the eve of the flood, with much of the middle class leaving the city. And with so few engaged middle-class voters remaining, New Orleans became too politically and culturally weak to revitalize itself, as other cities, New York leading the way, had done during the 1990s and 2000s. New Orleans had indeed become the City That Care Forgot.

But when New Orleanians evacuated to places like Houston after the storm (see "Houston's Noble Experiment," Spring 2006), they learned an all-important lesson: cities could govern themselves well. Starting in late 2005, the exiles gradually returned to New Orleans with a new understanding that streets could be smooth, people could walk to their cars at night without fear, and school districts might actually try to educate poor kids from single-parent homes.

Returning residents also felt a new degree of personal investment in their city. Before Katrina, after all, most of them had never chosen to live in New Orleans; they had simply grown up there and remained. After the storm, though, being a resident became a conscious choice. It would have been easy enough to make a go of it in Houston, a place with greater economic opportunity and better quality of life. Those who returned anyway didn't want to do the hard work of rebuilding only to see appalling urban governance wreck their work.

At first, it seemed as though New Orleanians had learned little. In May 2006, nine months after the storm, they reelected Nagin, who had proved unable to handle the crisis and had blatantly played the race card during the campaign, looking to rally black support. The rest of the country looked on aghast: Why didn't voters throw the bum out?

It turns out that instead of looking for a heroic potentate to work miracles from on high, New Orleanians were making smaller-scale, bottom-up changes that would truly help their city. Beginning in the same election, voters reshaped the city council: today, only one of the seven council members is a pre-Katrina holdover. More important is that the members' résumés are subtly different from those of the old days. Fewer have community-organizing or social-services backgrounds; more have had careers in law, real estate, and management. These new members are likelier to view government as a provider of efficient public services than to consider it a weapon for social justice or a dispenser of jobs. They know, too, that city voters are paying attention in a way that they never have before. As new councilwoman Susan Guidry puts it, the biggest change in the electorate is "the level of citizen involvement" in day-to-day issues.

After nearly half a decade's worth of choosing a new kind of representation for themselves, New Orleanians were ready for bigger change this year, electing Democrat Mitch Landrieu as mayor in February. The election showed that New Orleanians could look past race in voting, something that wasn't true four years earlier. Though its African-American population has shrunk slightly since Katrina, the city remains 61 percent black, according to the Greater New Orleans Community Data Center. But a majority of blacks joined other voters to cast their votes for the person they thought most qualified, who happened to be white.

The new crop of New Orleans politicians knows that the first thing on the populace's mind is violent crime—and that people now expect results, not excuses. Though she represents a "diverse district," Guidry says, "people's needs are not diverse"—they just want to be safe. Unfortunately, crime numbers were one of the first things to recover after Katrina (see "Baghdad on the Bayou," Spring 2007). Last year, the city racked up 174 killings. Calculating the murder rate is difficult because New Orleans's post-Katrina population was still in flux in 2009, but it's roughly 48 murders per 100,000 people, meaning that the city isn't much safer than it was six years ago.

The city council has started taking steps to change that deeply troubling statistic, in part by putting pressure on the Orleans Parish district attorney's office. By 2007, Eddie Jordan, a pre-Katrina holdover in that important post, was a disaster, with a nearly nonexistent conviction rate. His biggest claim to fame was bringing a multimillion-dollar discrimination judgment down on his office for a mass firing of white workers. He also made the wrong kind of criminal-justice headlines when newspapers reported that his girlfriend was more than a passing acquaintance of a man suspected of shooting a cop. Facing pressure from the council and the threat of a recall, Jordan slunk off. The stats of the new DA, Leon Cannizzaro, are significantly better. Last year, felony convictions doubled from the previous year, the independent Metropolitan Crime Commission says.

With Landrieu in office, the spirit of competent law enforcement also has someone to push its agenda in the executive branch. "The city of New Orleans is not safe," the mayor said forthrightly before his inauguration, in a welcome change from his predecessors, who either denied the crime problem or implied that New Orleans, a poor city, just had to put up with it. Landrieu has tapped Ronal Serpas, a New Orleans native who clocked two decades on the NOPD before heading up the Nashville police department, to serve as police superintendent. The move has met with approval from citizen crime watchers. As Thom Kahler, a journalist who runs the Nocrimeline website, observed of Serpas's Nashville tenure, "The crime rate there . . . dropped each year," reaching the lowest levels in 30 years.

Serpas has his work cut out for him in the Big Easy. Because the NOPD has such a bad reputation, it still struggles to attract good candidates: only 25 of the 66 students in its police academy's most recent class graduated. Potential recruits consider the department an employer of last resort, despite a \$43,000 starting salary, more than most new teachers make. Serpas's admirably high standards should improve the academy's graduation rate, though it will complicate recruitment, at least in the short term: he will hire only officers with at least two years of college or military service. Another challenge is that he needs more outsiders. Right now, many New Orleans cops are intimately familiar with the neighborhoods they patrol, which isn't necessarily a good thing, since it isn't easy to arrest your cousin for domestic violence. A further challenge: though Serpas is pushing active policing to prevent crime, it's not yet clear that New Orleans will accept the aggressive tactics, including stop-and-frisk, that have helped cut violence in cities like New York.

Serpas knows that the police need to "win the public's confidence" so that people stop fearing and distrusting them—a perfectly rational attitude in the abuse-ridden recent past. So he and Landrieu have invited federal monitors to offer an outside perspective. Serpas has also opened each precinct's Compstat meetings, at which commanders and officers discuss current crime statistics and tactics to combat violence, to the public. And he has ordered the posting of reliable crime statistics online, satisfying bloggers like Kahler, who have long complained of delays, omissions, and inaccuracies in reporting the numbers.

After years of cynicism, New Orleanians clearly believe that Serpas can make a difference. "Good guys winning?" Kahler wrote exuberantly on his blog in September. "In the past week, there were only 5 robberies—or attempted robberies—reported in the French Quarter and its environs. And on Friday—Friday of all days!—the . . . 8th District NOPD [in the Quarter] received absolutely NO reports of crimes." Confidence in Serpas even kept French Quarter residents from voting this October to pay off-duty cops for extra security. Still, thugs engaged in a gunfight in a poorer neighborhood shot a two-year-old boy to death in late September, showing how far New Orleans has to go.

The ranks of New Orleans's new crime fighters aren't filled only by politicians and police officers; citizens, too, have joined the battle. Local judges have been a feckless bunch over the years, so in 2007, members of a new citizens' group, Court Watch NOLA, started bringing bright yellow clipboards to the city's courtrooms to monitor casework. The volunteers, many of them retirees, assess the efficiency of prosecutors, public defenders, and judges—for example, one judge took over an hour of unscheduled breaks one day in 2009. This past summer, the group issued a report that harshly criticized a court for being closed when scheduled to be open, "costing countless wasted hours to court personnel, police officers, parties and witnesses who make an unnecessary trip to court to find the courtroom door locked or the judge unavailable." The same report listed performance stats, judge by judge.

The volunteers are currently tracking 500 felony cases. Though such citizen involvement may sound tedious, it works. As the Metropolitan Crime Commission points out, "judicial efficiency continued to improve through 2009," with felony cases taking 120 days to close in 2009—longer than the national average of 92 days, but much better than the previous year's 140. Judges get it: run-of-the-mill felony cases may still generate little press attention, but someone is out there now, watching and taking notes.

Just as energized citizens and their new representatives have begun to transform law enforcement in New Orleans, they've demolished the business-as-usual attitude toward another pillar of public order: infrastructure. New Orleanians immediately recognized that the calamitous flooding after Katrina was an infrastructure failure, not a natural disaster. Like Arizona with its aqueducts and New York City with its subways, New Orleans survives thanks to engineering marvels: the region's federally built and locally maintained levees and flood walls. During Katrina, though, that infrastructure failed to withstand a storm whose force was well within its intended parameters.

Big Easy residents and their state and local pols recognized from the outset that improving infrastructure would be essential to giving people the confidence to invest time and money in rebuilding their homes. So they made sure that a healthy fraction of the federal recovery funds for Louisiana—about 37 percent, or \$27 billion—went toward nuts-and-bolts reconstruction. In particular, the Army Corps of Engineers has mostly finished a massive \$15 billion project in and around New Orleans to protect people and property from future storms.

New Orleanians understood that fixing their infrastructure would require more than money; they needed to fix infrastructure politics, too. Before Katrina, the "levee boards," which oversaw maintenance for levees and flood walls for the New Orleans area, were patronage factories, not credible safeguards of crucial assets. Then Ruthie Frierson, a genteel uptown real-estate agent, came along. Frierson helped launch a new group, Citizens for 1 Greater New Orleans, to push for a constitutional amendment consolidating the region's ten levee boards into two. The reform, the group believed, would reduce waste and concentrate public and press attention on the levees. The citizen-activists also

insisted on some radical new provisions—including that the people running the new boards actually know something about levees. The ballot measure passed a year after Katrina, with 80 percent of the vote.

Beyond its waterfronts, New Orleans has become an enormous construction site, as a mass of startlingly new infrastructure is built alongside the crumbling old. Soon, a new \$803 million, 5.5-mile bridge will connect the city to affluent commuter towns across Lake Pontchartrain, replacing an outdated 45-year-old model. Local roads, already a neglected disaster before Katrina made them worse, are receiving a nearly \$700 million refurbishment. Spruced-up streetcars and brand-new buses traverse them. Here, too, local officials realize that citizens are watching. One of Mayor Landrieu's first acts was to roll out a detailed list of road, playground, and library projects costing anywhere from a few hundred dollars apiece to a few million, so that neighborhoods could track progress.

Katrina also washed away much of New Orleans's sorry public school district, where majorities of students consistently failed. Once again, citizens are improving on what they had. The city's biggest education reform is that the majority of its 35,000 public school kids now attend charter schools overseen by a state-run school district. It's too early to tell much from test-score results, but it's clear that the success and optimism of charter school operators—from the national KIPP outfit to local nonprofits—at getting schools up and running has been a big factor in residents' decisions to return home.

Tiffany Monier, who works in finance at a private firm, came back to New Orleans in 2006 after seeking shelter from Katrina in Houston and Baton Rouge. She enrolled her fifth-grade son, Dante, in the inaugural class of KIPP Believe College Prep, a new uptown school. Teachers and staff there challenged her son—"a bright kid," she says proudly—to prepare for admission to one of New Orleans's top private high schools this fall. "He came home every day and talked about what he had learned in school," she says, and he won admission to the high school. His classmates, many of them from poor, single-parent homes, also benefited from KIPP's orderly environment, Monier adds.

New Orleans would do well, though, to take a more practical approach to paying for its new schools. Before Katrina, the city spent about \$8,000 per student. In 2008, its schools (both in the state-run district and in the smaller traditional school district) spent \$15,000 to \$16,000 per child—the one area of New Orleans's budget in which operating spending has increased dramatically. Much of the extra aid has come from the feds, who provided more than half of the state-run district's revenues in 2008, up from the 15 percent that they sent to New Orleans public schools before Katrina. When the federal money runs out, New Orleans will have to cut back elsewhere, or hike taxes, to fund its newly expensive school system.

To avoid that result, the city and state should require enterprising charter school administrators to compete on cost as well as on results. Some charters seem perfectly capable of operating on a shoestring. As Mark Nguyen, education coordinator of the economic development arm of Mary Queen of Vietnam Church, says of his group's charter school, "We just want a building"—to get out of the leaky trailers in which it has been teaching kids.

Even New Orleans's economy has adjusted to what a few years ago would have been unimaginable upheaval. It remains largely dependent on tourism and conventions, true, but start-ups in other industries are beginning to call New Orleans home. Nic Perkin and Justin Brownhill, both New Yorkers with no ties to New Orleans, decided in 2007 to make the Crescent City the headquarters for a venture that would let companies raise cash by selling financial assets called receivables.

Perkin and Brownhill picked New Orleans for hardheaded reasons, not emotional ones. They needed the East Coast time zone to run a financial business, as well as a legal environment favorable to trading receivables (Louisiana had it—who knew?). They also wanted someplace cheap. At a start-up company, Perkin explains, "every dollar makes a difference." New Orleans, with low taxes and inexpensive commercial and residential real estate, fit the bill. Three years on, Perkin thinks that he and Brownhill made the right call: their company, the Receivables Exchange, has grown from five local employees to 55. The partners have found that many of the talented people who left the city for better economic opportunity long before Katrina are eager to return, helping reverse the brain drain—a sign of the resurgent hope in New Orleans. And Perkin and Brownhill have discovered a benefit in the ease of persuading potential clients or vendors to come to New Orleans for a meeting: it's a short flight from both coasts, and visitors enjoy the food and the sights.

Perkin and Brownhill are far from alone in choosing New Orleans. Their offices—on Camp Street, in the Central Business District—are surrounded by start-ups. On his blog earlier this year, business consultant Taylor Davidson listed 58 such companies, from Audiosocket, which licenses music rights to entertainment companies, to TurboSquid, which deals in 3D modeling. "There's a lot going on in New Orleans," Davidson says.

The companies keep coming. Perkin says that he receives "at least one e-mail a month" from a friend or colleague moving to New Orleans. "The cost of living is 30, 40, 50 percent less" than living in New York, he observes. As for quality of life, Perkin acknowledges concerns about crime. But he draws on his experience growing up in Manhattan in the 1970s and '80s. In New York, he says, change came gradually; it happens on a weekly basis in New Orleans. "I never thought that I would see two cities reinvent themselves," he adds.

New Orleans's recovering economy contrasts starkly with that of the nation as a whole, where investors remain paralyzed—shocked by the financial and economic collapse, terrified of arbitrary Washington actions, and crowded out by government activity. And in

many ways besides investment, strange though it may sound, New Orleans provides a model for the rest of the country in the wake of the financial crisis.

Above all, the city has refused to spend the past five years pretending from a fiscal standpoint that the storm never happened. Before Katrina, New Orleans employed 7,406 full-time workers. By late 2006, it had slashed its workforce 36 percent, to 4,735, and the number hasn't risen much since. Even though tax collections still fall short of pre-Katrina collections, the city faces a \$70 million deficit this year against a \$1.2 billion budget, hardly disastrous. In fiscal terms, it's very different from cities and states around the nation, which, bolstered by federal "stimulus" funds, continue to throw money around as if the property and credit bubbles had never burst.

New Orleanians have cut back in part by taking the same pragmatic approach to basic government services that they did to politics. Last year, for example, the city's Regional Transit Authority handed over operations to France-based Veolia Transportation under a five-year contract, seeking to reduce excessive labor costs and improve service. It took Katrina to help New Orleans figure out that the purpose of transit is to serve customers, not government employees. Again, that's a realization that has eluded many states and cities whose payrolls keep swelling.

Then there's that \$27 billion spent on infrastructure—the nearly 40 percent of the money that the feds sent Louisiana, a fraction that easily bests the federal stimulus of 2009, which devoted less than 20 percent of its funds to the infrastructure that the country desperately needed. But perhaps the most instructive recovery success story in New Orleans is an \$8.6 billion program—a federal one—called Road Home, which encouraged owners of damaged or destroyed homes to accelerate their decision whether to rebuild in New Orleans or make their evacuation permanent. If they decided to rebuild, they would receive a \$66,000 grant, on average, to help. Alternatively, they could sell their homes to the state, with the proceeds first going toward paying off mortgages and liens. The state would raze what was left of the house, if anything, and sell off the property, offering the first bid to next-door neighbors.

Though stories abound about Road Home's inefficiencies, inconsistencies, and potential for fraud, the program led to massive housing reinvestment across the city. Despite early criticisms that the program would subsidize an exodus from southeast Louisiana, 89 percent of New Orleans families who participated in it opted to rebuild. The certainty that it created, in turn, encouraged further private investment: homeowners wouldn't have to worry that they would rebuild only to wind up living next to a decaying shell. In the upper-middle-class neighborhood of Lakeview, where Katrina rendered about a third of all lots vacant, residents initially cringed at the bargain-basement prices that the lots fetched—as low as \$50,000, less than a third of their pre-storm values. But as a stable environment emerged, prices rose as high as \$80,000. Prices had to go down steeply before they could go back up again.

That's a concept that the federal government still hasn't grasped in other areas. In the rest of the nation—for example, the Florida and central California neighborhoods that have faced a similar vacancy problem since the housing bubble burst four years ago—federal aid to financial institutions and home borrowers has helped people deny reality rather than face up to it. The Obama administration has helped people stay in homes that they can't afford via new, federally subsidized teaser-rate mortgages; it has rescued lenders, too, who have used the federal support to delay necessary losses and foreclosures. A genuine national recovery program would follow the Road Home model, helping people and institutions realize their losses and start over, even if it hurts at first.

New Orleans could still fail, of course. The city has yet to prove that it has the political fortitude to drive down crime and keep it low. Social problems, including young single motherhood, still pervade whole neighborhoods. Complacency and voter apathy could return. The infrastructure that the feds are building could remain unfinished. The newcomers could give up—just as previous New Orleanians, both native and transplanted, reluctantly gave up on the city before Katrina.

But for now, New Orleans has something that it hasn't had in decades: optimism. That's an asset that the whole country could use a dose of.

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