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# Introduction

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# Introduction

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# On Their Own in Battered New Orleans

PETER G. GOSSELIN

Laurie Vignaud faces a double dilemma: If she rebuilds her wrecked ranch house at 1249 Granada Drive in the great suburban expanse south of Lake Pontchartrain, will her neighbors do the same? And even if they do, will that guarantee their Gentilly neighborhood does not end up an isolated pocket in a diminished, post-Katrina New Orleans?

Nothing in Vignaud's 46 years, not even her job as affordable housing vice president with Hibernia Bank, the region's biggest financial institution, prepared her for this problem. From her relocated offices in Houston, she recently confessed, "It's scary." "I don't know when I'll ever go home."

Double dilemmas abound in this deeply damaged city, and represent considerably more than the start of the slog back from disaster.

Lost amid continued talk of billions in federal aid is the fact that most homeowners and businesses are being left to make the toughest calls on their own. Lost is that New Orleans' recovery—which President Bush once suggested would be one of the largest public reconstruction efforts the world had ever seen—is quickly becoming a private market affair.

"My constituents have pretty much concluded that it's up to us to put our neighborhood back together and get on with our lives," said Republican city council member Jay Batt, who represents the Lakeview neighborhood just west of Vignaud's.

To market advocates, this is the way it should be. Rugged individuals settled the American West in the nineteenth century and can resettle the Crescent City in the twenty first.

But the risks that individual New Orleanians must shoulder in such an on-your-own recovery appear staggeringly large.

"There is no market solution to New Orleans," said Thomas C. Schelling of the University of Maryland, who won this year's Nobel Memorial Prize in Economic Sciences for his analysis of the complicated bargaining behavior that underpins everything from simple sales to nuclear confrontations.

“It essentially is a problem of coordinating expectations,” Schelling said of the task that Vignaud and her neighbors must grapple with. “If we all expect each other to come back, we will. If we don’t, we won’t.

“But achieving this coordination in the circumstances of New Orleans,” he said, “seems impossible.”

The situation in which residents find themselves is an extreme example of a trend underway for a quarter-century, a shift of economic risk from business and government to working families, and an increasing reliance on free markets to manage society’s problems.

Safety nets such as unemployment compensation, employer-provided healthcare insurance and pensions, and, recently, effective disaster relief have been reeled in or removed. Increasingly, families from the working poor to the affluent are left largely to buy and sell their own way to safety even when their individual efforts seem utterly ungunned, as they do in the case of Katrina.

“There are classes of problems that free markets simply do not deal with well,” Schelling said. “If ever there was an example, the rebuilding of New Orleans is it.”

### Promises, Then Reality

Prospects for a quick municipal comeback peaked 17 days after the hurricane and flood, when Bush stood before St. Louis Cathedral in historic Jackson Square and told a national television audience that “there is no way to imagine America without New Orleans, and this great city will rise again.”

The hopes thus raised were kept alive in the first two months following Katrina. The president sought first one, then two emergency spending bills totaling \$62 billion. The Army Corps of Engineers quickly signed contracts to rebuild the city’s protective levees to their pre-storm condition. The Federal Emergency Management Agency announced it would award 60,000 households the maximum allowable relief of \$26,200. A steady stream of planning conferences by architects, urbanists and political leaders spread the good word that major metropolises never die.

But in recent weeks, a new reality has settled in as the agencies that were stepping up to help guide the city’s comeback have stepped back down again.

FEMA said it would stop covering the hotel costs of more than 50,000 households at the beginning of December—later extended until Jan. 7—even while acknowledging that many, especially in New Orleans, would have trouble finding alternative accommodations.

Despite repeated pleas, the Corps and the White House refused to promise any strengthening of the levees beyond what was underway. Inves-

tigators, meanwhile, concluded that several of the protective walls that failed did not meet corps-approved standards, a discovery that raised doubts about the safety of the entire levee system.

Emergency spending slowed sharply. The national flood insurance program temporarily suspended claims payments for Katrina, and program officials hinted broadly that they would tighten eligibility requirements to get coverage for the next storm.

Even the tiny agency charged with gauging the elevation of America's ground added an unexpected hurdle. It quietly announced that New Orleans and environs had sunk more than anticipated, forcing it to replace all of its measuring sticks. The result is that New Orleanians will have to build higher to escape future floods. With so many new strikes against it, the city's recovery, already grindingly slow, has ground still slower. Three months after the storm, Entergy New Orleans, the bankrupt utility that serves the city, said that 55,000 of its 190,000 customers had resumed electrical service. Municipal officials estimate that less than one-third of the population has returned to live.

To an extent almost inconceivable a few months ago, the only real actors in the rebuilding drama at the moment are the city's homeowners and business owners. To be sure, Washington is offering many relief payments, tax breaks and FEMA trailers. The city is speeding the approval of building permits. But for the rest, individual New Orleanians are struggling to come back largely under their own power, using mostly their own resources and negotiating their return substantially on their own terms.

While that might seem perfectly reasonable to outsiders, local and state leaders say that it overlooks the crucial fact that most of what people need to make such a one-at-a-time, free-market recovery work was demolished or severely damaged by Katrina, including about two-thirds of the city's 145,000 homes.

"What's missed is that it wasn't a single house or business that was destroyed, but an entire region," said Rep. Richard H. Baker (R-La.), chairman of a House financial markets subcommittee and author of one of the few comprehensive rebuilding proposals.

"It does no good to stand up just one person or family, because there's nothing left where they once lived—no schools or grocery stores, doctors or banks, police stations or firetrucks," Baker said.

"We've got to go into the business of restoring whole communities."

## A Family's Challenge

Among the communities are ones that Laurie Vignaud helped finance and others that her father, 74-year-old Leroy Vignaud, helped build.

The younger Vignaud grew up a few miles from Granada Drive, the only

daughter among four children of a plastering contractor and his wife. Laurie Vignaud and her brothers have lived most of their lives no more than a 10-minute drive from their parents.

In the mid-1960s, Leroy Vignaud began snapping up buildings to repair, then rent or sell, and has now gone through 20. By the mid-1970s, he was landing top-dollar jobs like restoring the ornamental plaster inside St. Louis Cathedral.

With the money he made, Vignaud was able to move his family into a big house with a circular staircase in a then largely white section of town. “I busted some ground there,” he said proudly of his economic and racial climb. His daughter had a debutante party when she turned 18.

But the elder Vignaud kept largely to his own. It was left to his daughter’s generation to learn to move effortlessly across the racial divide. By now, they have; black, professional and rising, they are widely seen as the future of New Orleans, the people—perhaps more than any other—who must return after Katrina for the city to rebound.

After a marriage to an Air Force officer that produced two daughters—Ashley, now 20, and Lindsey, 16—and ended in divorce, Laurie went to work for black-owned Liberty Bank. By the late 1990s, she had moved over to historically white Hibernia and was responsible for helping the bank comply with federal requirements that it reach out to poor and segregated communities.

Her job gave her the wherewithal to drive a Lexus ES 300 sedan, keep a second car for the girls and hire an interior decorator to help renovate the house on Granada Drive.

Her first project for the bank was an 18-house development called Delery Square in the poor, mostly black Lower 9th Ward. She put together a program to help ensure that New Orleans police officers and firefighters could buy in the city. She put together another to help cash-poor jazz musicians afford homes. She crisscrossed Louisiana and Texas, promoting affordable housing and doing deals.

Until Katrina.

Besides wrecking Laurie’s Granada Drive home, the storm damaged or destroyed virtually every one of her projects in New Orleans. In the case of Delery Square, the houses are still standing, although flooded. Almost every structure around them had been crushed or washed away.

Katrina also drowned the five properties that Leroy Vignaud had kept for retirement income—at least three of them irretrievably. He and his wife have spent most of the time since the storm sharing a three-room apartment in a Houston senior center with Laurie and her daughters. He is reluctant to go out in an unfamiliar city because he is legally blind and has diabetes. So he sleeps mostly, watches a little TV and, his daughter fears, broods about his losses.

To get some sense of the problems that confront property owners, start at 1249 Granada Drive.

Inside Laurie's house, floodwater flipped the black upholstered sofa with the white highlight, snapped her roll-top desk and deposited the washing machine on top of the dryer. Moisture got up under the glass of a hallway poster, making it almost impossible to read "Turning Point. The Harlem Renaissance." Humidity caused the wooden blades of her ceiling fans to wilt like dead leaves.

The only thing orderly is the mold, which covers every surface. Each spore sends out spoke-like tentacles called hyphae that bloom at regular intervals into furry "fruiting bodies." The result where a single colony has won dominance on a wall or overhead is a startling black bull's-eye.

"Conditions are optimal for the fungi," said University of Colorado mycologist Mervi Hjelmsroos-Koski, in New Orleans recently to take samples. "They are just doing their job" of digesting whatever they land on.

Back outside, look in any direction. Every structure for miles and miles is in essentially the same shape.

## City Was Ailing

New Orleans looks substantially less resilient than other American cities that have come back from disaster. Chicago at the time of the Great Fire of 1871 and San Francisco after the 1906 earthquake were boomtowns. New York after 9/11 was largely intact. By contrast, much of New Orleans' economy had been stagnating for a generation before Katrina. What had not been stagnating either contributed little to overall growth or was damaged by the storm and flood.

The ports of New Orleans and nearby South Louisiana, the largest in the nation, were largely spared by Katrina. State and local officials pass up no opportunity to describe them as gateways to the Mississippi River basin and linchpins of the American economy.

But asked about inferences that the city is equally important, Gary P. LaGrange, president of the Port of New Orleans, said, "That's bull."

Most of the steel, rubber, plywood, grain and frozen poultry handled by the ports flow straight through without stopping to be processed or purchased. "New Orleans is the biggest through-put port in the country," said LaGrange. "It doesn't need the city. The value added here is very minimal."

By contrast, the city's hospitals and universities, which provided New Orleans with 17% of its private sector employment, lie in ruins with little chance of quick recovery.

Tulane University is expected to slash its graduate programs, which now number 44, when its board of trustees meets. Among the most painful

decisions will be putting off for at least the rest of the academic year, and perhaps substantially longer, returning its medical school from Houston, where most of it is now temporarily housed.

Louisiana State University, which manages the city's two biggest hospitals, Charity and University, has furloughed all but 275 of its nearly 4,000 New Orleans employees, and will shortly have to permanently lay them off.

"I'm going to run out of cash by Christmas," said Donald R. Smithburg, chief executive of the LSU hospital system. "Without some fast financial help, I don't know how I'll ever get the pieces put back together again."

With such top-down elements of its economy as these damaged or isolated, New Orleans appears almost entirely dependent on a bottom-up process of one individual's decision to rebuild piling atop another's until recovery becomes self-sustaining.

In theory, such a virtuous cycle is at the heart of every market economy, and, once underway, should revive the city. But a look at some of the uncertainties facing individual New Orleanians—rich and poor, black and white—suggests that this is where matters turn truly daunting.

### Levees Hold the Key

According to Schelling, the key to making almost any kind of human activity work is "credible commitments." Buyers must make them to sellers. Governments must make them to citizens. Nations must make them to each other.

The credible commitment that virtually every resident of New Orleans wants more than any other is a pledge from the Army Corps of Engineers to rebuild the levee system bigger and better than before Katrina.

"If they put back good levees to the [Category 3] level authorized before Katrina and we can get a commitment to build them slowly up to Category 5, people will come back," said Walter Isaacson, a News Orleans native, former editor of Time magazine, former chairman of CNN and co-chairman of the Louisiana Recovery Authority, a new state board appointed by Gov. Kathleen Babineaux Blanco to oversee reconstruction. "It won't be a purely rational decision, but they'll come."

But the corps has made it clear that it has no intention of making any such grand commitment soon.

In part, the problem is cost; estimates of what it would cost to bring the city's levees up to Category 5 range from \$4 billion to more than \$30 billion. In addition, the corps' budget is perhaps the most closely controlled of any in the federal government, with Congress ear-marking almost every dollar to particular projects, leaving the corps little maneuvering room.



But there also appears to be a sense among senior corps officials that local demands for greater protection, if indulged, would be unceasing.

"It's of interest to me," New Orleans district commander Col. Richard P. Wagenaar told the *Los Angeles Times* several weeks ago, "that all the political leaders, all the business leaders and all the homeowners were all perfectly comfortable with the system on Aug. 28," the day before Katrina made landfall. "They knew full well it was being built to Category 3, and everybody was fine with that," he said.

But when a storm of greater strength struck and overwhelmed the levees, Wagenaar said, people "suddenly wanted to look back and say, 'Hey, what happened?'" The implication: When would calls for still more ever end?

In the weeks since Wagenaar made his comments, state investigators discovered that sheet pilings along floodwalls that failed on 17th Street and London Avenue near Granada Drive extended to barely half the depth that Corps designs called for, and that the walls themselves were of a weaker design than what the corps had recommended. On Wednesday, corps engineers partially confirmed the findings.

The news has opened a new front in New Orleanians' fight for outside help in rebuilding. In effect, they argue that while what happened to much of the city was a natural disaster, what happened to many of the suburbs south of Lake Pontchartrain was the result of a failure of the corps and therefore something for which Washington should compensate them.

"We're talking about the negligence of man, not an act of God," said Republican state Rep. Emile "Peppi" Bruneau, who represents the area.

"Our citizens are showing the spirit to survive, but it is unfair to ask people to pump their already damaged savings back into their homes and businesses without a demonstrated commitment from the federal government to protect us the right way this time," New Orleans Mayor C. Ray Nagin said.

The problem for residents is that years will pass before all of the investigations are complete and the decisions made. In the meantime, the discovery of flaws along the two canals has caused fear to spike about the safety of the entire levee system and produced the opposite of the "credible commitment" New Orleanians need.

"You have to wonder whether the same flaws exist in places that didn't breach," said King Logan, a marketing executive whose home in the tony Country Club Gardens neighborhood took on 6 feet of water, despite being considered on high enough ground to be safe from flooding.

"I'm certainly not going to rebuild," he said, "until somebody convinces me the rest of the system isn't as poorly built."

Such transparent lack of confidence represents a huge strike against chances for the kind of free-market recovery on which city now depends.

## Flood Insurance Woes

If city residents aren't getting what they need from the Army Corps of Engineers, they are having even less luck with the government's national flood insurance program.

In theory, the FEMA-run program should make decisions about whether to rebuild easier because it assumes some of the financial risk involved by promising to cover up to \$250,000 in flood damages.

And because FEMA requires that the buildings it insures be built above the projected level for a once-in-100-years flood, the program seems to provide protection against the actual physical risk of flooding as well.

But flood insurance has turned into a morass in the wake of Katrina, with many homeowners and business owners finding it nearly impossible to collect for the just-passed storm or to figure out what coverage they'll be eligible to get for the next one. The disarray represents a second strike against hopes for a go-it-alone rebuilding.

Part of the problem is that while Washington provides basic flood insurance, the government depends on private insurance agents to sell it as part of a standard homeowners' policy. Interviews, lawsuits and complaints filed with the Louisiana insurance commissioner's office suggest that many agents are underselling the flood portion of policies while overselling the company-provided homeowners' part.

Some homeowners, like Louis J. Gentry Jr., who together with his wife, Kim, just finished rebuilding their Lakeview home two years ago and insured it through State Farm, have discovered themselves financially "upside down" without enough flood coverage to pay off their mortgage. Others, like Vignaud, who insured through Travelers, said that they were assured the homeowners' portion of their policies would cover their house's contents even in case of flood, only to learn otherwise since Katrina.

Spokesmen for State Farm and Travelers refused to comment.

But problems with past coverage are nothing compared with the confusion over future coverage. Homeowners are worried—apparently with good reason—that the rules are about to be changed so that many will have to literally raise their houses in order to qualify for flood insurance. For tens of thousands like Vignaud, whose post-World War II suburban homes were built on concrete slabs rather than above the ground on piers, that's a near impossibility.

New Orleans now requires owners to comply with a 1984 map that divvies the city into dozens of districts, each with a different base flood elevation that's dependent not just on where a structure is relative to sea level but also on how good local drainage and the city's pumping system are in that area.

Michael K. Buckley, deputy director of the national flood insurance pro-

gram, said in an interview that FEMA was about to announce that it thought the city would need to raise those flood elevations 1 to 3 feet.

Buckley cautioned that the increase was only advisory; Washington is at least a year away from requiring the city to adopt higher elevations. City officials have promised that anyone who rebuilds in the meantime will be grandfathered under current rules. But sooner or later, many New Orleanians are going to have to raise the elevations of their buildings, or go without flood insurance.

In a final perverse twist, a separate federal agency that certifies the measuring points that are used to gauge buildings' elevations recently withdrew hundreds of its benchmarks for the New Orleans area, saying that they had sunk as the ground had subsided and were no longer accurate.

The National Geodetic Survey replaced the old benchmarks with nine new ones. State and local officials said the new benchmarks effectively raised by as much as a foot the zero mark, or starting point, for measuring whether a building meets the elevation required to qualify for flood insurance.

"People have got to realize New Orleans is sinking," said Roy K. Dokka, a geologist and director of LSU's federally funded Center for GeoInformatics. "It can be made safe if the proper steps are taken, but it's a vulnerable place to live."

Chalk up a third strike against free-market reconstruction

## Who Will Come Back?

Even after learning to live with their fear about the levees and solving their flood insurance problems after wrapping their minds around the idea that their homes may have to be raised and the land under them is sinking, New Orleanians still have another hurdle to cross.

That's the double dilemma of whether if one person rebuilds, will his neighbors, and, even if they all do, will that be enough to ensure their neighborhood's survival?

As a work crew gutted 1249 Granada Drive on Monday, heaping appliances, sofas and sheetrock in a 6-foot pile on the curb, Laurie Vignaud suddenly realized her only evidence that any of her neighbors had returned since Katrina was similar heaps outside their houses.

But do those piles mean that Granada Drive residents are ready to rebuild, or simply are picking through the wreckage and trying to buy time by stopping the mold's spread?

"I keep looking at all this stuff and wondering whether they're coming back or not," said Vignaud. "It's crazy, like a riddle I can't solve."

In fact, a few neighborhoods appear to have solved the riddle, or at least

to have taken a good run at it. But the ways in which they have says much about the daunting dimensions of the problem facing the rest of the city.

On the northern edge of the city is New Orleans' Greek Orthodox community and its church, Holy Trinity Cathedral. As warnings about Katrina grew darker in the days before the storm, community leaders matched up families to whisk the elderly and infirm out of danger. In the days immediately after, they mobilized to come back again.

"We ran it like a business," said John D. Georges, the parish council president and chief executive of Imperial Trading Co., a regional supplier of convenience stores.

Father Anthony Stratis worked the phones and sent out e-mails to find parishioners. Parish council member Dr. Nick Moustoukas followed up by wiring money to the neediest. Ten days after the storm, Georges and council member Christ Kanellakis helicoptered in to rescue the church's chalice and tabernacle.

By acting in concert, members of the Greek community have in effect provided each other with an immense self-insurance policy, guaranteeing that if one family rebuilds, others will. And, should more enticement be needed, the church, according to Georges, Moustoukas and others, is providing returning families with thousands of dollars of cash aid, has organized bulk purchases of new appliances and has arranged for crews that repaired the cathedral to be introduced to people whose houses are in need of work.

By the time the cathedral reopens for its first full service in two weeks, its marble interior walls will have been repaired, its lawn will have been resodded and Holy Trinity will be back in business.

Without ethnic and religious ties like the Greek community's to bind them, other neighborhoods are turning to what's been described as the great new binder of people: the Internet. Dozens of neighborhood websites have popped up since the storm. Quietly, almost by accident, the city is emerging as a test of the Internet's power to let people organize themselves.

When 28-year-old Cherie Melancon Franz and her husband, Arthur, 32, used the website Rebuild Lakeview ([http://groups.yahoo.com/group/rebuild\\_lakeview/](http://groups.yahoo.com/group/rebuild_lakeview/)) to organize a "back to the breach" gathering at a levee break along the 17th Street canal in early October, they expected 50 people. Instead, they got 500. When the couple, who lost their home at 5837 Milne Blvd., subsequently arranged a \$6,500-a-house group rate for demolition, they got 15 takers in a matter of hours.

Others, realizing that they face the double dilemma of not knowing what their neighbors will do or whether their neighborhood will reach the critical mass needed to survive, have tried to use the website to solve the problem.

“One of the difficult parts of going to Lakeview,” one resident said in a message posted last week, “is that it is impossible to know who is staying and who is leaving . . . I suggest that all those that are staying, hang a Mardi Gras flag on their houses to show their neighbors that they are coming back.

“Wouldn’t it feel good to . . . see these flags popping up all over the place? Do it!”

Still, “Rebuild Lakeview” and similar sites have left many residents with the same aching questions about when will it be safe to return and what their neighbors will do.

“I read it every few days, and there’s some good information,” said Lou Gentry, whose house at 6622 Louisville St. is about 10 blocks from the Franzese’s. “But until they tell me something definite about the levees and the insurance and who’s coming back, I’m keeping my money in the bank.”

### Little Choice But to Leave

When Laurie Vignaud was in town last week, she registered the car she purchased to replace her drowned Lexus, and renewed her Louisiana driver’s license—two inexpensive ways to maintain her connection with New Orleans.

But when the work crew gutting 1249 Granada Drive hauled the last load from the house, she told them to board it up after it dried. Then she and her daughters headed for Houston and a newly rented three-bedroom town house in a gated suburb.

“It would just break my heart if I lose that house,” she said. But with so much up in the air about the levees, insurance, her neighbors and the city, she said, “there’s no way I can do anything now.”

Vignaud’s employer, Hibernia, was acquired recently by Virginia-based credit card giant Capital One Financial Corp. and is aggressively expanding in Texas. The bank’s Houston-based executives have asked her to stay, according to Hibernia Executive Vice President Willie Spears. Next week, she expects to be in Brownsville to hire a new employee, then fly on to Dallas for more hiring.

Meanwhile, Leroy Vignaud is trying to get FEMA to put a trailer next to his house with the circular staircase. He has purchased a small pickup truck and a few tools.

Legally blind and on unfamiliar terrain, he has asked his wife to drive him home to retrieve what he can.

“I can’t walk away from my resources,” he said.

*Note*

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