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# New Orleans Is Still Grappling With the Basics of Rebuilding

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By JENNIFER STEINHAUER

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*This article was reported by Adam Nossiter, Gary Rivlin, John Schwartz, Eric Lipton and Jennifer Steinhauer and was written by Ms. Steinhauer.*

NEW ORLEANS, Nov. 7 - Something once unimaginable has begun to happen here: the United Parcel Service is delivering again downtown. At Langenstein's grocery, celery and pork chops are moving out the door, and revelers spill out of the Magazine Street bars on Friday nights.

But just a mile away, workers are struggling to restore some flood protection to the city, which would barely stay dry in even a modest tropical storm. Tens of thousands of homeowners, facing six-figure repair bills for their rotting houses, are unlikely to get more than a fraction of that from the government. As phones ring in empty offices, even the shrimp business can barely find customers, and the economy remains comatose.

More than two months after Hurricane Katrina incapacitated this peerless, sultry American city, New Orleans has shaken off the shock of its collapse and has slowly begun to draw breath again. But as it moves from recovery into the more crucial rebuilding phase, it is only beginning to grapple with the elemental questions that will shape its future, many of which have arisen at the special session of the [Louisiana](#) State Legislature that began Sunday night.

Will New Orleans be granted a vastly strengthened flood protection system - at a cost of up to \$20 billion - or will it be told to allow low-lying residential neighborhoods to return to marshland? Will the city have to take control of thousands of houses to restore them - at a cost that no one has calculated - or will it have to tell thousands of evacuated residents not to return?

Every major decision seems to rely on another decision that has to be made first, and no one has stepped in to announce what the city will do and break the cycle of uncertainty. Many residents and business owners will not return and invest without an assurance of flood protection, for example. But workers who could rebuild the levees and much of the rest of the city are hampered by the lack of housing.

"We can't ask somebody to work for us if they have nowhere to live," said Robert Boh, president of Boh Brothers, a New Orleans construction company.

And construction of new houses, or the rebuilding of the old damaged ones, has been stymied by the high cost, the empty treasury of local government, and the debate over how to maintain the city's political and demographic base.

While some experts have warned that it makes little economic or environmental sense to rebuild low-lying areas like the Lower Ninth Ward, Mayor C. Ray Nagin and many other city officials have stated emphatically that the neighborhood will be rebuilt and protected, whatever the cost.

Developers have not yet received the kind of tax incentives that Washington provided to New York after Sept. 11, and local officials are preparing for the loss of up to half the city's 115,000 small businesses.

In rebuilding, timing and proportion are everything. Unlike New York officials, who seized their moment of national sympathy to nail down \$20 billion in specific appropriations from Congress after Sept. 11, Louisiana delegates asked for a hefty \$200 billion. After that amount was shot down, there was little clarity in the state's request, and two-thirds of the \$60 billion approved by Congress for the Gulf Coast has not been spent.

"Louisiana lost its credibility by asking for everything," said Walter Isaacson, the former chairman of CNN, who serves as vice chairman of the Louisiana Recovery Authority, a new state entity appointed by the governor to coordinate the reconstruction effort. "Now it is our job to say, we have some reasonable priorities for spending and we are going to be sensible and frugal about it."

### Keeping the City Dry

Amid the city's divisions, there is one area of consensus: its levees and floodwalls must once again be able to protect New Orleans from swirling gulf waters before the city can fully recover. To date, however, the Army Corps of Engineers has performed only the most rudimentary of repairs, plugging holes and driving steel pilings to create a quick-and-dirty version of protection against Category 3 hurricanes.

1 [2](#) [3](#)

[Next Page >](#)

Adam Nossiter and Gary Rivlin reported from New Orleans for this article, Eric Lipton from Washington, and John Schwartz and Jennifer Steinhauer from New York.

[Next Article in National \(9 of 9\) >](#)



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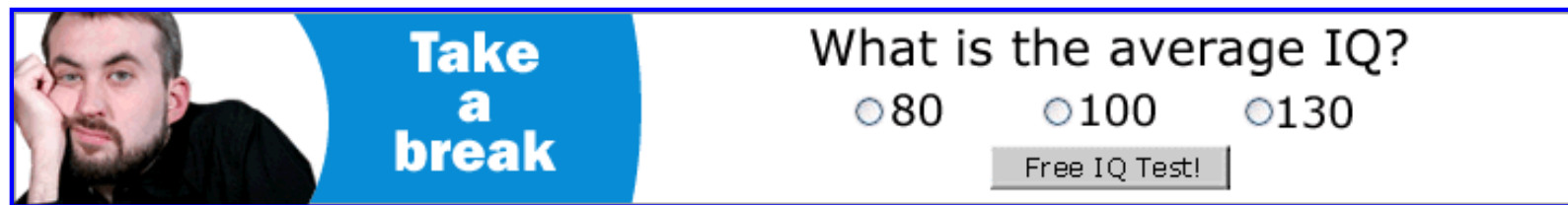
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(Page 2 of 3)

That will not be enough to restore confidence in the city's future among traumatized residents. Virtually all city and state officials agree that flood protection must be increased to withstand a Category 5 storm.

"The comprehensive coastal restoration and Category 5 hurricane protection system is our top federal priority," said Andy Kopplin, the executive director of the recovery authority. "And having Category 5 hurricane protection in New Orleans is essential for its long-term recovery."

But that commitment, according to the state, would cost \$10 billion to \$20 billion and take up to 10 years to meet. Restoring the coastline would cost \$14 billion. There is no sign yet that the administration is willing to write checks of this size.

Last week, President Bush submitted a spending request to Congress that included \$1.6 billion for repair of levees and wetlands, and an additional \$4.6 million to study the possibility of a levee upgrade. The proposal was immediately criticized as wholly inadequate by members of the state's Congressional delegation.

Even the immediate reconstruction work is moving slowly. The corps has advertised 49 contracts for engineering and construction work in the area, but so far only a dozen have been awarded, said Lewis F. Setliff III, who leads the corps' restoration task force.

Then there is the dirt. Even the most basic repairs will require about three million cubic yards of soil, the equivalent of a football field on which dirt is stacked 1,575 feet high, Mr. Setliff said. The corps has yet to find enough sites for the so-called "borrow pits" for the soil, which ideally need to be close to the construction sites.

Given these concerns, it is not clear that the corps will meet its self-imposed deadline of June 1 to return the city's flood control system to its pre-Hurricane Katrina strength, though that remains its intent.

"It may very well be in some areas it won't be what you call final protection," said Donald L. Basham, the chief of engineering and construction for the corps. "We may still be affording interim protection measures that if you want to walk away and leave that system for the next 20 years that's not the way you want to leave it. It won't be pretty."

## **A Roof Overhead**

Thousands of New Orleans residents want to come home. But for many of them, there remains nothing to return to.

In Lakeview and Mid-City, middle-class enclaves in the western half of town, street after street of empty houses sit browned with mud six feet up. Throughout the impoverished Ninth Ward and in neighboring St. Bernard Parish to the east, hundreds of homes have been virtually leveled, and blue tarps stretch over roof after roof throughout the city. All told, roughly 40 percent of the city's homes were flooded, and up to 50,000 homes are likely to be demolished.

"Housing is probably our most pressing issue right now," Mayor Nagin said in an interview. "Temporary housing for workers, housing that was damaged or flooded, the quick repair of that. There's just not enough footprint to accommodate the people who want to move back into the city right now."

The Federal Emergency Management Agency has begun to give tens of thousands of city homeowners financial assistance for rebuilding, but the grants are capped at \$26,200 per household, not enough in most cases for major reconstruction. Tax incentives for developers and other forms of bailout money - all doled out in Lower Manhattan in 2001 - have been discussed in Congress but not passed. As a result, several ideas that might once have been considered outlandish are being considered to resuscitate the city's housing stock.

Under one notion that is being discussed by a leading member of Mr. Nagin's rebuilding commission, the city could take control of a house, fix it up and then lease it out. The original owner would have the right to come back eventually and re-establish ownership claims. The idea, based on an old Louisiana legal concept known as usufruct, has already encountered some political opposition, but proponents say that local government may have no choice but to step in.

[< Previous Page](#)

[123](#)

[Next Page >](#)

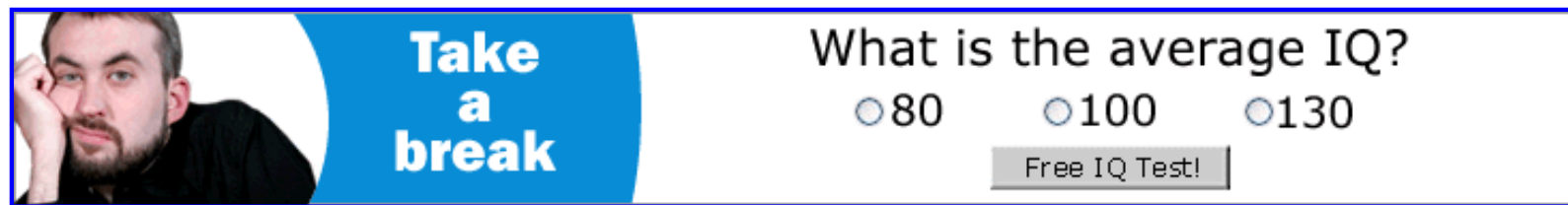
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(Page 3 of 3)

Joseph C. Canizaro, a wealthy developer who sits on the mayor's commission, has proposed building new housing in City Park, the beloved New Orleans equivalent of Central Park, and letting some low-lying neighborhoods revert to marshland. Though the idea is politically hard to imagine, it is remarkable for being discussed at all.

Fear of political consequences, though, have begun to undermine the process of actually getting anything done. Many of the destroyed homes sat in areas that were blighted before a drop of rain from the hurricane fell, and plenty were located in areas that will be vulnerable in the next storm.

While the politics become untangled, the futures of thousands of people hang in a terrible balance. "We need to know what the city is going to do," said Oliver Thomas, the president of the New Orleans City Council, "so we can start planning our lives."

### Looking for Work

As the city struggles to regain its physical shape, the spine of its economy is cracking.

Last week, Chase Bank reopened its main branch in a high-rise one block off Canal Street. Four tellers stood at their stations, and three other bank employees sat behind desks, in a branch devoid of a single customer at 2 p.m. on a Wednesday.

New Orleans has lost \$1.5 million in tourist revenues every day since the levees broke, according to the Louisiana Office of Tourism, and only 25 percent of its 3,400 restaurants have reopened. In September, the unemployment rate hit 14.8 percent.

The loss of tourism to New Orleans reverberates throughout the region. For example, the fish and shrimp industries, hurting from damage to boats and infrastructure, need mouths to feed in the city.

"We moved 8.2 million pounds of shrimp last year, and 5 million of it went to the New Orleans area," said Dean Blanchard, vice president of the Louisiana Shrimp Association. The volume of ships using the city's port - the nation's fifth largest - is still 70 percent off its normal capacity, said John Kallenborn, the Port of New Orleans's board chairman.

Small businesses are struggling to survive because of the paucity of residents and the lack of tourists, and many large companies have yet to return. Before the hurricane, New Orleans was home to roughly 115,000 small businesses. "Losing half those businesses is not out of the question," said W. Anthony Patton, a member of the reconstruction commission.

The Recovery Authority is considering asking for \$10 billion in grants to help small businesses, and Congress is now considering a proposal that would immediately set aside \$450 million in small business loans.

The city has already lost 29 of the 70 conventions that had been scheduled in 2006. Its convention center, has yet to reopen, and will probably not do so until early next year.

Seen from the perspective of the French Quarter and select neighborhoods such as the Garden District and Algiers, the city can seem in surprisingly robust shape. Grocery stores are open on the West Bank, as are bank branches, many restaurants and movie theaters.

"It seems as if the city is breathing again," Mayor Nagin said, although he conceded he had no clue as to how many of those exhaling were people who actually live in the City of New Orleans.

But some of the city's largest high-rises, including One Shell Plaza and Dominion Towers, are still shuttered. Rubenstein Brothers, a clothing store on Canal Street for 81 years, opened to great fanfare last month, yet by midafternoon that day its clerks, well dressed and standing smartly at attention, had nothing to do.

When will the rest of the world sip the city's coffee, take in free concerts by Rebirth Brass Band, nibble on po' boys and roam the French Quarter talking about something other than storm surge and FEMA? It could be many years.

"We've bottomed out and now we're beginning to claw our way out," said Scott Cowen, the president of Tulane University. "It may take three to five years to really build the model city we all aspire for New Orleans to be."

[< Previous Page](#)

[123](#)

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