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Renewing the Community? Pork Barrelling? Maintaining the Status Quo? What's the Agenda?

K. Lavon Wright

Abstract

In the wake of Hurricane Katrina there are thousands of businesses in the City of New Orleans closed. In an attempt to diminish financial loss, retain local businesses, and attract investment the Mayor's Office of Economic Development initiated the process of amending HUD guidelines to fit the city's current economic status, and expand the existing Renewal Community boundaries to include the entire city. Simultaneously, the state legislature in collaboration with the U.S. Congress worked towards a more inclusive incentive package, the Gulf Opportunity Zone. Analysis found in this paper gives increased evidence of communication bottlenecks in federal government, and how decision making principles during a time of crisis are unfortunately overlooked. Those most in need and with the most time constraints and fewest resources become underrepresented. Pork barrelling occurs, possibly "renewing communities not in need" or simply maintaining the status quo.

Shifting Local Agenda

Pre-Katrina Social & Economic Climate

Whether rightfully labeled or wrongfully misjudged, both New Orleans and the State of Louisiana are nationally viewed through the framework of the locality's heavily malfeasant past. It could be argued that this perception has caused a decrease in private investment and congressional influence which would aid the city in diminishing its economic and social challenges.

With disregard to improved academic score reports in schools performing below the state average due in part to superintendent-mandated changes in curriculum instruction, the recently elected Superintendent Anthony Amato was asked by Orleans Parish School Board to resign. It was said that "He failed to recognize the size and scope of the system's financial mess" (Gambit Weekly 2005). The improvement in test scores must have been less important. Under scrutiny from the public and "themselves," the

School Board continued to flounder in stabilizing the school system's finances after the superintendent's resignation and eventually lawmakers began calling for a state takeover of the local special government once again (Gambit Weekly 2005).

Elected official misconduct and ineffective bureaucratic political initiatives are widespread nationally and are not limited to Louisiana. Neither the local government nor the state can be singled out for more federal investigations than several other states. There have been consistent state probes into suspected political corruption in Chicago. The latest being Mayor Richard M. Daley's former patronage chief accused of ordering the shredding of files and deleting of computer data, so as to keep it out of the hands of federal investigators (Gambit Weekly 2005). San Diego's acting Mayor Michael Zucchet and Councilman Ralph Inzunza were both convicted on charges of wire fraud, conspiracy, and extortion in July of 2005, and there are several other investigations into civic contracts and affairs taking place nationally (Gambit Weekly 2005). However, it should be acknowledged that within every stereotype is a sliver of truth. Both New Orleans and Louisiana have a somewhat notorious reputation.

New Orleans was inundated with a stream of federal investigations in 2005 alone. Federal agents raided the home of Jacques Morial in the French Quarter, brother of former Mayor Marc Morial, and charged three individuals of stealing hundreds of thousands of dollars from an \$81 million city energy management contract signed by the former mayor. Another associate of former Mayor Morial, Glenn Haydel, was charged in August 2005 for wire fraud and money laundering with the Regional Transit Authority. Shortly following Hurricane Katrina in October, Police Chief Eddie Compass resigned after having four police officers cited for stealing 200 vehicles, 40 of which happened to

be cadillacs, further decreasing regional and national sympathy and increasing cynicism (Gambit Weekly 2005).

Before Hurricane Katrina and the displacing of the city's 450,000 plus residents with land space only measuring 181 square miles making the city the 31st largest city in the country and the largest city in the state, New Orleans threatened to come in second with the nation's second worst homicide rate, most likely to end the year with a tally of 300 plus murders (Gambit Weekly 2005). Studies show that high crime rates are directly linked to high unemployment and concentrated poverty. With 34.6% of households in New Orleans occupying the bottom tier of the national income distribution and an 18% poverty rate, the city was identified by the Brookings Institution as the sixth poorest city of the top one hundred largest cities in 1999. The median household income in New Orleans was one of the lowest, \$35,317 in year 2000, placing the city 96th out of the one hundred largest metropolitan areas (Berube and Tiffany 2004).

The Brookings Institute has six categories with similar measurements for determining the degree to which income levels are equally distributed throughout a city and mirror national income distribution. These categories are: balanced, divided, middle-class, higher-end, low-moderate, and stressed. In 1999 New Orleans was classified "stressed," having at a minimum twice as many households in the bottom two categories combined (lower-middle and middle-income) as in the top two categories combined (upper-middle and high-income).¹ Between 1970 and 2000 total non-farm employment grew 87% nationally, however, only a staggering 54% in the New Orleans metropolitan statistical area (MSA). In 1970, the city had more than 60% of the metro area's total

¹ Cities considered stressed are places struggling with larger problems that include the long-term transition away from a manufacturing dominated economy, extreme racial segregation, and migration out of the northern U.S. to southern and western states.

jobs, by 2000 that share had dropped to 42%. The city saw only a small 3% loss of jobs, meanwhile employment in surrounding parishes grew phenomenally. Neighboring Jefferson parish, directly across New Orleans' parish line, added 166,000 jobs (a 157% gain), St. Tammany parish added 69,000 jobs (a 431% gain), and St. Charles parish added 14,000 jobs (a 148% gain) (Brookings Institute October 2005). Conclusively, it can be denounced that even before the havoc of Hurricane Katrina, New Orleans was growing slowly and facing challenges commonly accompanied with low incomes and poverty (The Brookings Institution October 2005).

Pre- and Post-Storm Priorities

The chart below provides the city's federal agenda before the wake of Hurricane Katrina. The agenda is project specific and has a high emphasis on scaling up transportation and infrastructure. What is of particular immediacy is securing the city from possible storm devastation, measured by the number of projects listed and the estimated cost of completion regarding flood control, climate changes, wastewater inflow, canal lock replacement, ecosystem restoration, and emergency response shelters. Projects directly pertinent to protecting the city were of the highest priority, somewhat equal to that of transportation projects. Seven projects were initiated for transportation and storm protection, although the cost associated with transportation projects is higher, approximately \$1 billion in comparison to the \$88 million request in flood control. This does not necessarily correlate with higher or lower priority (City of New Orleans 2006).

Table 1.0
CITY OF NEW ORLEANS
Federal Priorities FY 2006 (PRE-KATRINA)
Appropriations: Grants/Requests

PROJECT	DESCRIPTION
Airport	Runway 10/28 (East/West) rehabilitation – <i>No funding for this awarded in 05. Project almost completed anyway.</i>
Community Health Center Project	Convert four existing child health clinics into family clinics to provide primary care. (Requesting look-alike status). <i>Authorized Pillsbury as a look alike Clinic</i>
RPC/RTA Airport to CBD Light Rail	Multimodal Transportation Project. Construction cost est. \$270M; \$135M would be FTA New Start; would require 50/50 match; the Regional Transit Authority is requesting \$5M from the state for FY 06.
RPC Road Projects	1) Carrollton Ave. (US 61 – US 90) 2) Holiday Dr. (Gen Meyer to DeGaulle) 3) Downman Rd. (Hayne to I 10)
RTA/Desire Streetcar Line	Rebuild Desire streetcar line from N. Rampart Street in CBD to Bywater
RTA/Bus Replacement/Lease Maintenance Program	1) FTA Approp. request for federal share of bus lease/maintenance program. 2) FTA Approp. request for replacement of 85 buses that will exceed useful life in 2006 3) TEA-LU authorization for federal share for RTA lease maintenance program for remaining years until 2010. 4) TEA-LU authorization to replace entire RTA bus fleet of 364 buses.
Superdome (Emergency Response Shelter/Plan)	Feasibility study planning and design to retrofit Superdome to “refuge of last resort”. (<i>State has said does not want Dome used as a shelter of last resort</i>)
SWB/SELA	Southeast La Urban Flood Control Project President’s Budget - \$10M House - \$10 M Seeking higher markup in Senate
SWB/SSERP/I&I	A.) Funding through EPA for \$10M for Wastewater Inflow & Infiltration project as in past. B.) Amend previous authorization in WRDA and coordinate with Jefferson Parish. Request for \$3M for Corps of Engineers in Energy & Water.
Union Passenger Terminal	1. Change language in 06 for FY04 app. for more flexibility – site planning &. 2. Ask for earmark funding for asbestos abatement & canopy replacement over track. (<i>rec’d 3 earmarks – one language, 2 funding</i>)
Chicory Tariff	100% USTR carousel tariff on chicory for 5 years as retaliation for European Union tariff on American meat products. Sent letter to eliminate tariff to delegation members. (<i>No Change</i>)
Climate Stewardship Act Coastal Aid	New Orleans is most vulnerable to climate change according to Int’l Climate Change Panel study. Letter sent to Senators to support. (<i>Amendment Failed</i>) Need authorization and funding for complete LA Coastal Area Ecosystem Restoration Plan. \$1.28B is federal share of \$1.9B project.

Table 1.0
Continued

PROJECT	DESCRIPTION <i>(Energy Bill-LA gets \$540M over 4 yrs. \$15 -17 M dedicated to Orleans Parish for Coastal Restoration projects)</i>
Federal City	Coordinating Federal City Concept. Want to ensure that BRAC analysts consider federal city project in scoring our facilities. <i>(Partially Successful I)</i>
Homeland Security Regional HQ	Encourage the Secretary to establish regional HQ, and choose N.O. as the most strategic place for it in this region. <i>(Secretary not interested in Regional HQ)</i>
Jazz Park	New Orleans Jazz National Historical Park (authorized) <i>(City took no action)</i>
Lock Project	Inner Harbor Navigation Canal Lock Replacement Project (Industrial Canal) Pres. Bill - \$0 House Mark-up \$9.38M <i>(\$11.250 M funded pre K; maybe more avail in 3rd supp under “commercial navigation & other projects”)</i>
NASA	Michoud to be part of “To Mars & Beyond”. <i>(Successful)</i>
Neighborhood 1 NFC	Coordinates our relations with HUD/HANO on issues, funding Maintain existing workforce (approx. 200) & keep NFC primary consolidation point for E government/ Maintain Bill Language to market & expand cross servicing activities of NFC; ensure back up center stays in Louisiana. (Some progress: Language to market & expand cross servicing approved FY 06 Ag Approp; Back up Center issue for LA alive; NFC got some new work but lost some TSP jobs; most workers returning to LA post K; \$35M in 3rd supplemental; need \$35M more in 2006)
Renewal Community	Reform & refine existing law to incentivize business & create job opportunities <i>(Expansion to 13 new census tracts to be done by Secretary; City has proposed that whole city be RC – legislative action needed)</i>
S&WB	Regulatory Issues
S&WB/Power Plant	Power Plant rehabilitation or replacement <i>(Waiting for SWB lead)</i>
Tax Credits for Homeowners	Amend Internal Revenue Code to coordinate the rehabilitation tax credit and the low income housing tax credit. Congressman Jefferson is a co-author of HR 659. <i>(some provisions in GOAONE post K)</i>
Tri-Dyne Road System	Test Tri-Dyne’s Pro-Active Roadway System on Pontchartrain Blvd. The \$7M project will reconstruct the roadway in a manner that can limit future maintenance and street restoration costs. <i>(Not funded)</i>

Increasing individual and business tax incentives is included much lower on the list. Aside from House Bill HR 659 to amend the Internal Revenue Code to coordinate the rehabilitation and low income housing tax credit and the request to expand the

Renewal Community into thirteen additional census tracts, there are not many projects included which directly influence business development and individual citizen savings.

As expected, the city's priorities shifted in the wake of Hurricane Katrina. There are only eleven federal "requests", compared to twenty-five "project" initiatives pre-Katrina. The requests are categorized under broader, more over-arching issues like "housing," "transportation," and "sewer and water" which would fall under the direction of specific departments in city government (i.e. Department of Public Works, Sewage & Water Board). In contrast to the city's pre-Katrina tax relief requests for individuals and businesses, post-storm there is significantly more emphasis placed on both the public and private sector for financial relief through loans and tax incentives.

Table 1.1
CITY OF NEW ORLEANS
Post Katrina Federal Agenda 2005

Requests

1) Lost Revenue Replacement

Operating Costs & Debt Service
S&WB/Power Plant
Lift 20% of entity's budget limit; payment of base salaries & overtime. Need cancellation provision back.

2) Estimate of Major Capital Losses

(Local Streets \$1.8B
Bldg & Rec Infra & Support \$648 M \$350M)

3) Hurricane Protection & Flood Control

**4) CBD to Airport (and to Baton Rouge)
Light Rail Project**

5) Parallel Requests from City related agencies :

Airport
Regional Transit Authority
Sewerage & Water Board

6) Housing Agenda

1. Gap financing in CDBG
2. HOME Funds
3. Seed Capital
4. Liberty Bond Program (residential)

7) Federal City / NSA conveyance/DHS Regional HQ

8) Tax Relief

9) Transportation

A specific look at the Orleans-Jefferson Parish Renewal Community (RC) shows that before Katrina the city was requesting the expansion of the RC into only thirteen census tracts. Post-Katrina the city placed on its agenda a request that the City of New Orleans, in its entirety, be classified as a Renewal Community, amending legislation to include 185 census tracts. The initiation of this request was made through the Mayor's Office of Economic Development.

For the purpose of this analysis, the Mayor's Office of Economic Development's quest to expand the Renewal Community boundaries to include the entire City of New Orleans is extracted from other initiatives and specifically explored, particularly focusing on the decision-making strategies employed.

In The Trenches

I took a tour of areas in the city identified as being underdeveloped and the department's top potential industrial, warehouse, commercial corridor priorities. There are 17 wards in the City of New Orleans. Out of the seventeen I was specifically assigned to assist in the business development of the now internationally famous Lower 9th Ward.

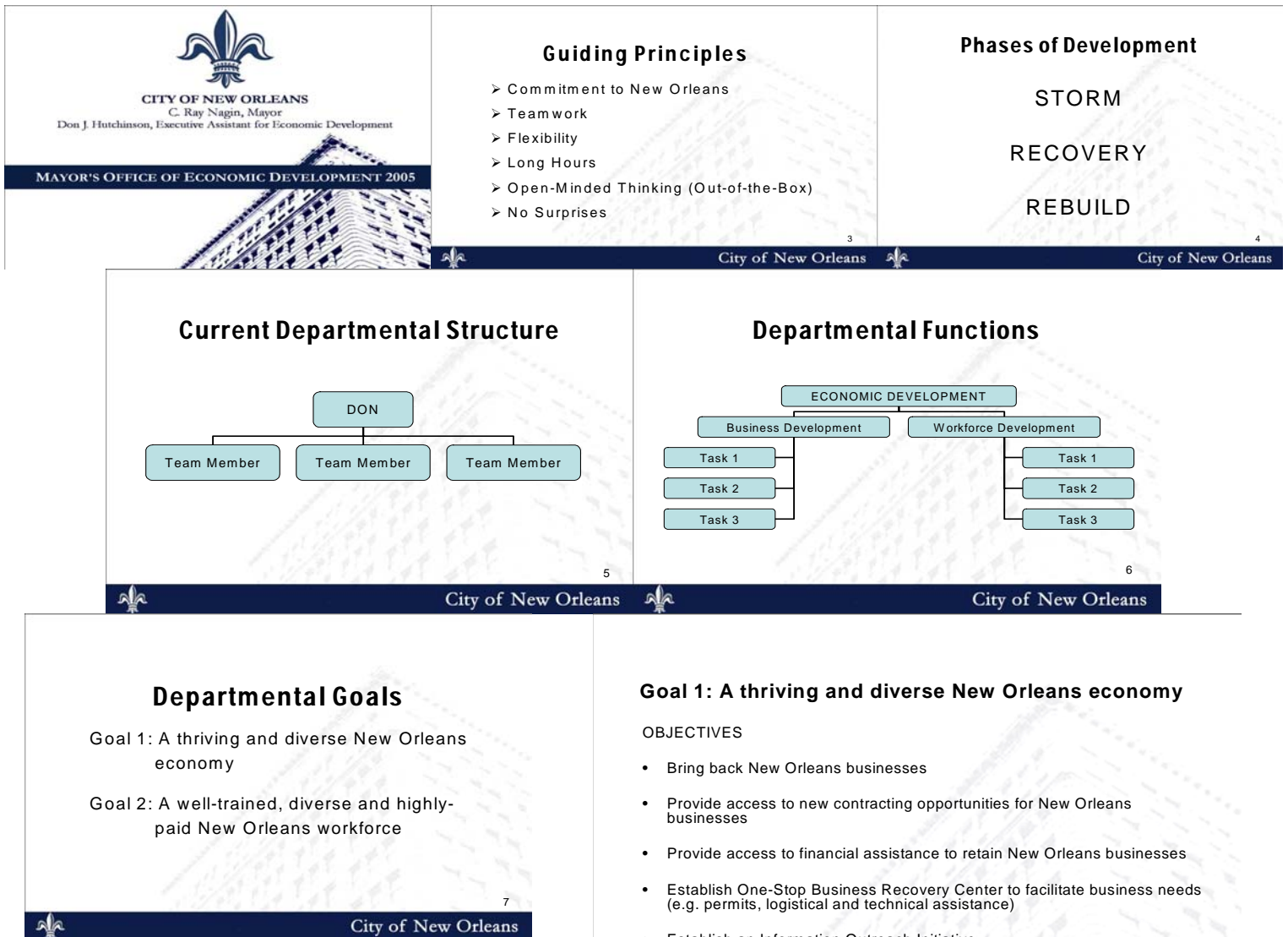
I took that tour on Friday, August 26th, boarded up windows with my father on Saturday, joked with relatives about who should leave with who for the "hurricane," contemplated where the family should go, questioned whether hotel reservations should be made, and reluctantly moved a few things from the garage upstairs. This hurricane, as have many others, was seen as a forced vacation. I remember a cousin jokingly talking loud in a colloquial dialect asking, "Who havin' the hurricane party?" He remained behind the carpools and for nearly two weeks his whereabouts were unknown.

Local Government in Crisis (Two Months Post-Katrina)

Expectations for employees during the first two months after Katrina were unclear, but it can be inferred that employees managed themselves in the same manner post-Katrina that they would have pre-Katrina, with the same information processes and established level of expected output. From the top ranking Assistant Director of the Mayor's Office of Economic Development (MOED) down to the intern, employee assignments were mostly delegated with minimal expansion of administrative control.

Facing unforeseen and unprecedented economic pitfalls led to the necessity for MOED to reassess departmental objectives, staff expectations, organizational structure, protocol, and phases of economic development. In mid-October a department meeting was held and a revised departmental precedent was set. Figure 2.0 gives eight of ten selected slides of MOED’s “Staff Precedent Presentation.”

Figure 2.0



Similar in purpose to the existence of MOED pre-storm, the mission of the department remained the same, “To Connect People and Businesses to Opportunities.” This is to be achieved through the pursuit of achieving two goals. 1) Taking needed steps to mold a thriving and diversified economy in New Orleans, and 2) Creating and attracting a well-trained workforce with a diversified skill set. Beginning with the organization’s most pertinent resource, its employees, guiding work principles were highlighted with the attempt of developing a work environment conducive to meeting the city and its citizen’s new challenges. Although departmental structure is delineated below the city’s phases of development, the departmental structure slide is directly linked to employee protocol and departmental guiding principles. This relationship should have been portrayed in the presentation. The Current Department Structure Diagram does not realistically portray the department’s process of decision making and implementation. There are twenty-two MOED employees post-Katrina, down from fifty-four employees pre-Katrina. Surely, other organizational tiers under the Executive Director exist.

Departmental goals are grouped into two categories. Departmental functions are grouped into two categories: Business and Workforce Development. Departmental Structure, if in line with Mayor’s Office of Economic Development’s mission and overarching goals, could have had two distinct classifications under the executive director, giving further understanding of the channels of implementation and protocol.

The organizational structure of MOED is pointed out because in the next sections, the bearing of this design will be connected to the department’s decision making processes.

Renewing the Community?

... and Naïve Inexperienced Student asked, “If we provide the Expansion for Request document with all signatures on it before January 1st can we accept CRD applications from businesses in the soon-to-be expanded area?” “Well, if New Orleans can get the document signed and mailed to D.C. before January 1st then yes, but you still have to have all CRDs approved by the state before the first as well. I’m sure theres a lot of businesses out there right now that need the help,” said Washington Mandate Bureaucrat. “Ambitious. We might need to wait till next year to issue CRDs. What applicants do you have? I don’t think they’re eligible. It’s too late,” said Local Veteran Director.

Background

The Renewal Community (RC) is a Department of Housing and Urban Development (HUD) initiative inaugurated under the Community Renewal Tax Relief Act of 2000 (CRTR Act). Viewed as an additional business incentive to pre-existing Empowerment Zones and Enterprise Communities, classification as a Renewal Community provides a specific urban or rural area additional tax grants, loans, and technical assistance. Through public and private partnerships communities with high unemployment and poverty rates and in perpetual economic decline are given incentives to attract necessary investment to spur sustainable private economic development (HUD 2006).

The CRTR Act authorized the designation of nine additional Empowerment Zones totaling one hundred thirty-four and forty Renewal Communities. These federally targeted areas for community development were segregated from their surrounding communities to benefit from a tax incentive package worth \$11 billion. By providing tax credits and deductions to businesses in the Renewal Community who hire employees who live within the RC and/or may be identified as being in a target group, businesses are encouraged to invest tax savings in hiring more employees, purchasing additional equipment, and making facility renovations. There are doubts as to whether the

Orleans/Jefferson RC has maximized its use of tax provisions and whether the initiative has been successful. By HUD's standards it probably has not been measurably successful. Designation as a RC mandates that HUD performance reports (PERMS) be completed on an annual basis. The reports are meant to assist individual RCs in crafting clear goals, objectives and output measurements to gauge the program's success on a local level, as well as provide HUD with a sense for the Community Renewal Tax Act's overall business impact. By assessing performance reports, HUD is also able to provide suggestions to CORAs (Coordinating Regional Authorities) to further assist in the development of RCs by maximizing the use of all tax provisions.

Although the Orleans/Jefferson CORA was established in 2002 and PERMS reports are to be submitted annually, this was not done. Only one PERMS report had been submitted to HUD by November 2005 for the year 2002. MOED was informed of this in November and asked to submit the report for 2003 soon, so as to begin completing the annual report for 2004. With a file cabinet half-full of unorganized files, cumulative data was insufficient. Suffice it to say that the PERMS reports eventually submitted, three years late, were "hypothesized" educated guesses made through surface level observation. Lack of self-performance measurement from the past RC Director in MOED, and the inability of the Internal Revenue Service (IRS) to discern between community programs that provide varied amounts of wage credits (i.e. Enterprise and HUB zones), make gauging the Orleans/Jefferson RC's success cumulatively inaccurate.

Table 3.0

Renewal Community Business Incentives:

Employee Hiring Provisions			
<i>Wage Credit</i>	<i>Work Opportunity Tax Credit</i>	<i>Welfare to Work Credit</i>	
Up to \$1,500 or 15% of any employee’s salary up to \$10,000 for each employee who lives and works in the renewal community.	Up to \$2,400 for employees hired from groups that have high unemployment rates or other special employment needs, including youth ages 18 to 24 that live in the renewal community. Other qualified groups include veterans, ex-felons, food stamp recipients, vocational rehabilitation referrals and summer youth.	Up to \$3,500 for the first year and \$5000 for the second year for each new hire of someone on long-term family assistance.	
Property Acquisition/Revitalization Provision			
<i>Commercial Revitalization Deduction</i>	<i>Environmental Clean up Cost Deduction</i>	<i>Zero Percent Capital Gains Rate</i>	<i>Low-income Housing Credit</i>
Allows businesses that construct or rehabilitate commercial property to deduct a portion of the costs over a shorter period of time than permitted under standard depreciation rules.	Allows businesses looking for land to deduct clean up costs of hazardous substances in qualified areas.	A business that holds an asset for at least five years does not have to pay taxes on the profit of its sale.	Ten year credit for owners of newly constructed or renovated rental housing who set aside a number of units for low-income residents. The State must allocate a portion of its annual cap.
Equipment Purchase Provision			
<i>Increased Section 179 Deduction</i>			
Allows businesses to take a deduction of up to \$35,000 on equipment purchases. That lets businesses deduct all or part of the equipment cost the year it is purchased instead of deducting the expense over time.			
Investor Provisions			
<i>New Markets Tax Credit</i>			
Investors in qualified projects can obtain a tax credit of 5 to 6 percent of the amount invested for each of the years the investment is held, for up to seven years of the credit period.			

In regards to employee hiring provisions given through RC wage credits, Work Opportunity Tax Credits (WOTC), zero percent capital gains attainment on property held

for a minimum of five years, and increased section 179 deductions for equipment purchase, there is not a federal mechanism yet in place to cumulatively determine whether the Renewal Community incentive package in and of itself independent of external factors assists the business community in impoverished areas. The Internal Revenue Service does not differentiate tax credits and deductions given to businesses in the Renewal Community from those given in Empowerment/Enterprise/HUB Zones. Outside of inquiring from local businesses how much they saved by filing for these incentives at the end of each tax season, Renewal Community incentives for hiring, purchasing equipment, and saving when selling property with the zero percent capital gains rate is not cumulatively captured, and therefore the argument that HUD's Renewal Community initiative for impoverished communities attracts, retains and scales up existing businesses lacks sufficient evidence.

Files for commercial revitalization deductions (CRDs) on a local, state and federal level are better maintained. CRDs allow businesses to accelerate their cost for renovation expenditures more rapidly. Businesses in the RC can opt to deduct renovation costs from their federal taxes over the course of ten or thirty-nine years. This provision assists business owners with their bottom-line by cutting their tax debt and allowing them to keep more money in their pocket, enabling them to re-invest in their business at an accelerated pace.

Twelve million dollars worth of CRDs are allotted to each of the four RCs in Louisiana. The Orleans/Jefferson RC has never allocated its full amount of CRDs in any given year since the program's inauguration in 2002. The downside to the RC's inability to do so means a loss of potential business revitalization that can not roll over and be

allocated in subsequent years. Whatever money is not allocated is lost. Beginning in 2003, out of \$12 million, the Orleans/Jefferson RC allocated \$5 million, and in 2004, \$7 million. As of August 2005, pre-Katrina, no monies had been allotted to any business owners for business revitalization in the RC. MOED's deadline for delivering business applications to the state Department of Economic Development (LED) was October 1, 2005.

Based on evidence provided in this report a concluding thought would be that the Orleans-Jefferson Urban Parish RC pre-Katrina lacked credibility in "renewing the community." There is no clear way to tell whether the federal initiative, of course implemented at a local level, had a significant if any impact on the community with its designation, if even at all, the evidence points in the direction that the RC designation has not had the positive impact on the community intended. There is no way to justify that businesses which decided to open there, remain there, hired more employees, or purchased better equipment did so because of knowledge of RC tax benefits. Even with the allocation of commercial revitalization deductions, the question arises as whether the CRD allocations had any tantamount bearing on the business' choice to re-invest and rehabilitate property. It may also simply be too early to determine MOED's success with the initiative.

Mistakes in RC Inauguration & Expansion

Renewal Community designations are spearheaded at the local level and acknowledged by HUD only after local governments have submitted completed applications. Based on what the local government submits, the community is assessed for meeting HUD RC requirements and granted RC designation. The Mayor's Office of

Economic Development (MOED) led the Renewal Community inauguration initiative and presented six census tracts in Orleans parish and one in Jefferson parish to HUD. In 2002, the two parishes were identified as meeting HUD's population, poverty and unemployment formula for designation as a Renewal Community based on the data of seven locally submitted and federally qualified census tracts.

What was not realized until 2005 pre-Katrina was that MOED had mistakenly omitted six census tracts which would have qualified in 2002, but no longer qualified in 2005. These census tracts were 5800, 5900, 6000, 8400, 8500, and 8600. This omission was realized when the former RC director began the process of amending RC boundaries to include sixteen additional census tracts.² Only thirteen of nineteen requested census tracts were accepted by HUD on the premise that the above six census tracts had lower unemployment and poverty rates in 2000 than in 1990, showing an "improvement." If MOED had requested the six census tracts in addition to the original seven initially, the total number of census tracts classified as an RC at the time of inauguration in 2002 would have thirteen, not only seven. A local government can request that a RC's boundaries be expanded at any time, but must meet the requirement of showing increases in poverty and unemployment, irregardless of whether the two statistics meet the threshold of 9.4% unemployment and 20% poverty.

² Every census tract included in the RC means more businesses having the advantage of saving and re-investing in their businesses and thus the community.

It was however found that although MOED's request to have census tracts 5800, 5900, 6000, 8400, 8500, 8600 be included in the RC was denied, census tracts 4401, 4900, 5000, 6400, 6500, 9400, 10300, 11200, 11900, 12101, 12102, 12300, and 12600 showed an increase in unemployment and poverty and met HUD's requirement of having a minimum of 9.4% rate of unemployment and poverty rate of 20%. These tracts could therefore be included in the RC boundary. MOED rejected 11900, 12101, 12102, and 12600 as HUD qualified and proposed additions on the grounds that the areas HUD was identifying as impoverished were anything but poor and underdeveloped. Many students lived in the area and attended well-known private institutions (Loyola and Tulane University), the housing there did not appear dilapidated, and furthermore was located adjacent in the city's Garden District, an area known for being "well-to-do."

It was determined by MOED that amending the RC boundary to include those four census tracts would increase political tension between city council members and thus their districts. MOED feared that a decision to include those census tracts would be viewed by the public as being a "conspiracy" to enrich the rich and ignore the poor. However, this decision to not accept the three HUD approved census tracts based on potential political tension was held pre-Katrina 2005.

Expansion of the Renewal Community

In the wake of Hurricane Katrina, MOED pushed for the expansion of the Renewal Community designation. The Director of MOED delegated the task of 1) expanding the RC boundary to include thirteen additional census tracts based on current HUD guidelines and 2) identifying all census tracts which would have qualified for RC classification originally based on 1990 data, submitting this data to HUD and ask that

they be flexible and despite their guidelines not compare 1990 data to 2000 data, and 3) facilitating discussion and garnering support needed to congressionally amend HUD guidelines so that all of New Orleans could be classified as a RC on the grounds that the RC initiative be amended to designate RC status to communities based on their most current statistics, not those of 1990 or 2000 (U.S. Census ten year reports), which may not delineate an accurate picture of the community's economy.

While targeting these three goals, an intern included the goal of allocating \$12 million in Commercial Revitalization Deductions (CRDs) to businesses in both the existing and soon-to-be expanded RC based on HUD's current guidelines. Within thirteen business days, \$11.1 million in CRD allocation applications were submitted to the state, meeting the deadline for December 30, 2005 that had been extended from October 1, 2005 due to Hurricane Katrina.

Table 3.3

CRD Amounts Pre-Katrina

2003	Ye Olde College Inn	\$442,209.64
	Critical Care Car Wash	\$514,029.99
	Five Happiness Restaurant	\$307,378.94
	Carl E. Woodward LLC	\$2,400,000
Total		\$3,663,618.57
2002	Carrolton Shopping Plaza	\$7,087,505

Table 3.4

CRD Amounts Post-Katrina

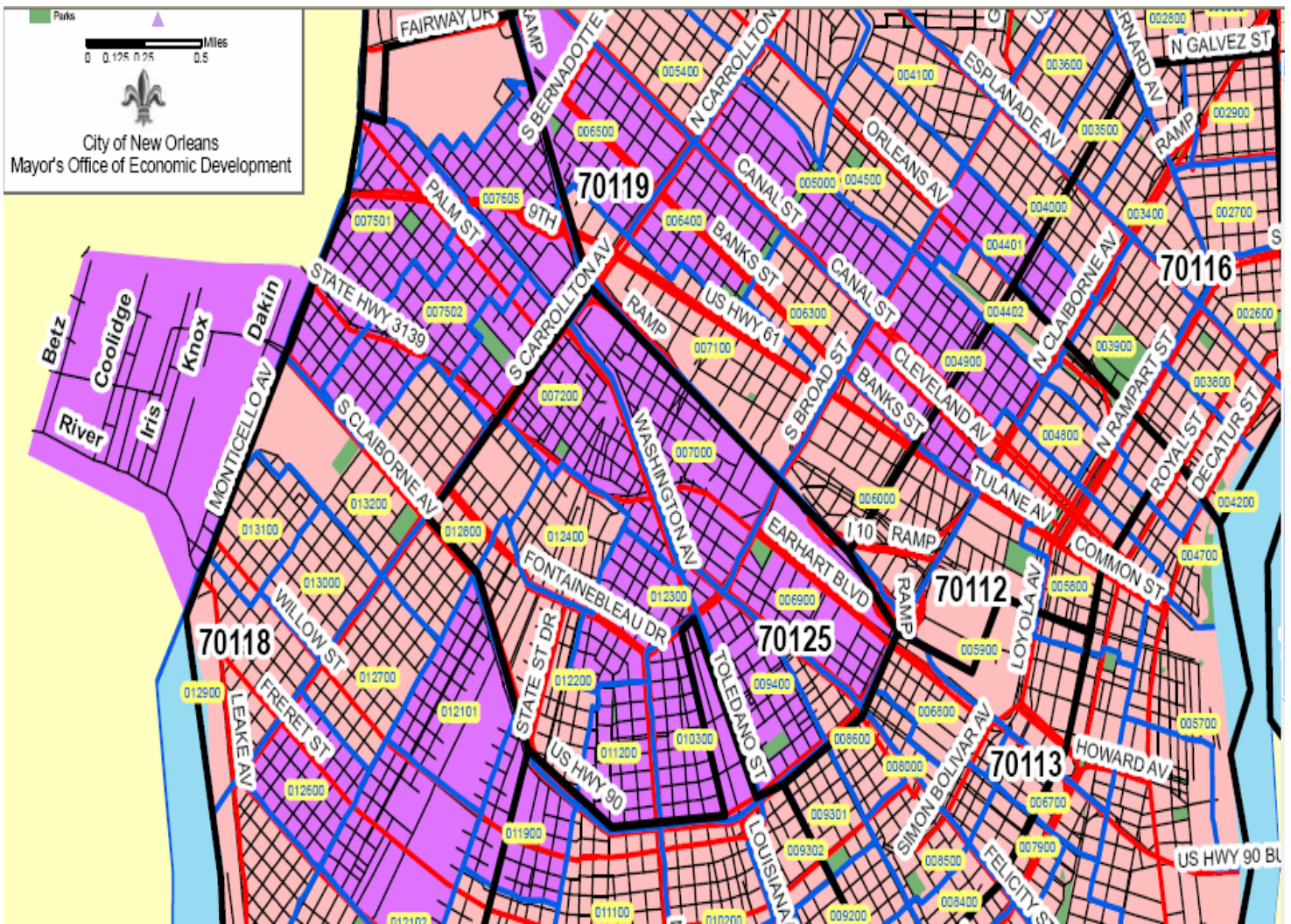
2005	
Company Name	CRD Amount
Helm Paint & Supply	\$1,700,000
Popeyes Chicken & Biscuits	\$196,600
La Strada Inn, Inc.	\$750,000
Security Iron Co., Inc.	\$458,550
Morphy, Makofsky	\$419,732
Bayou Coffee House	\$75,588
Delta World Tire Co.	\$300,000
French Riviera Spa	\$61,464
Elgee Uniforms	\$59,421
Duplain W. Rhodes Funeral Home	\$1,700,000
Rhodes Commercial Dev. LLC	\$4,500,000
Oliver H. Van Horn Co., LLC	\$900,064
Total	\$11,121,419

Under current HUD guidelines a designated Renewal Community must meet the geographic, population, and economic condition requirements for expansion into other census tracts (HUD 2006). The guidelines are the following:

- Every amended RC must have a contiguous boundary
- The amended RC must maintain a population of no more than 200,000
- Each census tract must have a poverty rate of at least 20%, and must be higher in 2000 than in 1990
- Also, HUD will confirm that in each of the requested amended census tracts that the unemployment rate is at least 9.4%, and is higher in 2000 than in 1990

Only a small portion of New Orleans qualified as a RC, approximately .02% of the city's land mass with nearly 60 small businesses post-katrina, amounting to 30% of the city's 1,800 businesses re-opened post-Katrina. The entire RC received flood waters as low as 3 ft. to as high as 7 ft. from Hurricane Katrina (FEMA 2005).

Map 3.5 HUD Approved RC post-Katrina



Post-Katrina 2005, MOED made the argument with HUD again that they would be willing to lose out on census tracts 11900, 12101, 12102, and 12600 in exchange for census tracts 5800, 5900, 6000, 6800, 8400, 8500, and 8600 which not only visibly showed signs of poverty, despite U.S. Census data that the area had decreased in unemployment and poverty, but would house some of the city's major economic development initiatives. These initiatives were the Biomedical District and Hollywood South. HUD immediately stated that doing so would necessitate congressional amendment, and could not be handled in-house on HUD's administrative level. HUD also gave MOED the heads up on what was happening within the department's own state legislature and Congress. Through a series of conference calls HUD explained a bill that was in the process of being passed to decrease the tax burden of businesses in the Gulf Coast.

Focusing solely on the desire of having HUD take actions which it did not have the power to take and classify three non-qualifying census tracts as a part of the RC, in addition to requesting that HUD assist the city in its entirety be designated as an RC, MOED continued in its pursuit of writing letters to congressmen and top HUD bureaucrats to support its wishes, ignoring the oncoming of the Gulf Opportunity Zone Act of 2005 (GO Zone). Ultimately, despite time and energy invested MOED was only allowed to include the areas which HUD had initially pre-determined for eligibility based on their current guidelines, and had missed any opportunity to have input in the crafting of the GO Zone bill.

Gulf Opportunity Zone

“What was that? What are they talking about? Thirty-one parishes in Louisiana all getting tax incentives...You know this mayor in Baton Rouge is really beginning to piss me off! What the hell does he mean – he wants to make sure East Baton Rouge, of all places, is gonna’ get its cut? He’s got extra expenses from the increase in his population? What!? He’s getting all da’ extra sales tax from all the people living up there that used to live down here... I’ll tell ya’ guys. Excuse my language ladies... but... Jefferson parish is gonna’ kick you’re a*#.”

-Small business owner in New Orleans speaking to Director of MOED

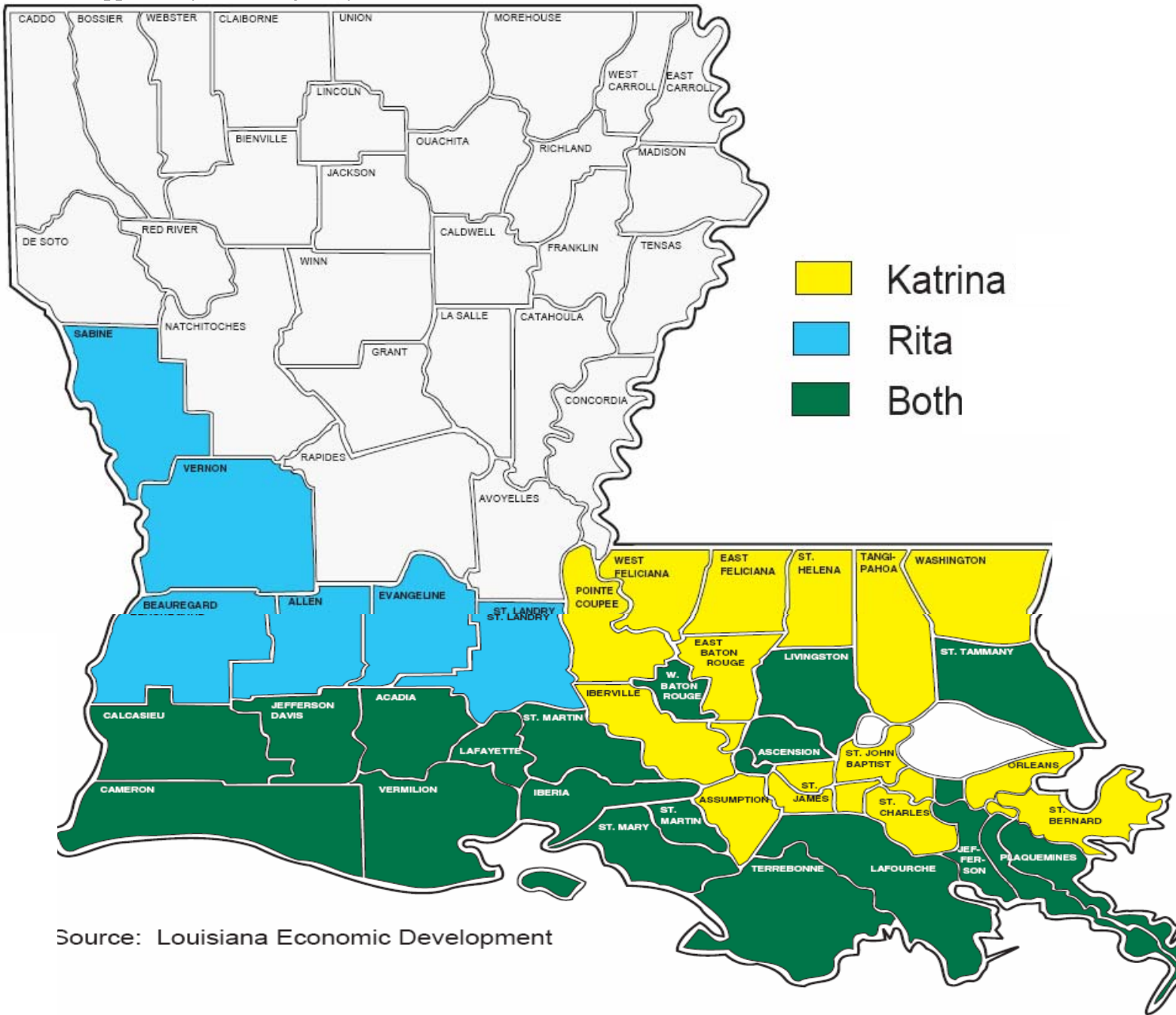
GO Zone’s Purpose

On September 16, 2005 in a televised address in the historic French Quarter of New Orleans at Jackson Square, President Bush outlined his plans to the nation to assist in the Gulf Coast’s recovery efforts and to prevent bureaucratic errors like those which had slowed the response to Hurricane Katrina. In the president’s plan to ameliorate the region in the aftermath of the most destructive hurricane ever (according to the National Oceanic and Atmospheric Administration) he proposed among other key initiatives the creation of a Gulf Opportunity Zone (CNN 2005).

The Gulf Opportunity Zone Act of 2005 H.R. 4440 (P.L. 109-155) was signed by the President three months later on December 21, 2005 while MOED worked expediently to have New Orleans, alone, classified as a Renewal Community for non-inexplicable reasons. MOED was not in sync with state governing entities. For well-defined areas of the states of Louisiana, Mississippi, and Alabama state and federal legislators decided to provide immediate help on taxes, housing, education, and job training for the victims of Katrina. Only areas defined as that portion of hurricanes Katrina, Wilma, and Rita as Core Disaster Areas determined by the President to warrant assistance under the Disaster Relief and Emergency Assistance Act are included in the GO Zone. Communities within the zone are provided incentives for the purpose of creating jobs, providing tax relief for

small businesses, and loans and loan guarantees for small businesses which would include those which are minority-owned (LA GO Zone Business Guide 2006).

Map 4.0 Gulf Opportunity Zone Eligibility



Source: Louisiana Economic Development

Gulf Opportunity Zone Provisions

Tax-Exempt Bond Financing

Present an opportunity for private business owners and corporations to borrow capital at very favorable tax-exempt rates to acquire, construct, reconstruct or renovate non-residential real property, qualified residential rental projects, and public utility property in the GO Zone.

Restricted to governmental agencies, qualified private activity bonds, or not-for-profit organizations. These restrictions on tax-exempt debt have been modified by Congress in the GO Zone to allow private business owners and corporations the advantage for a limited time.

Interest on these GO Zone bonds will be exempt from both federal and state income taxes and will be exempt from inclusion in the federal Alternative Minimum Tax; therefore, the interest rates will be significantly lower (as much as 1.5% to 2%) than rates available through conventional financing.

Bonus Depreciation

Taxpayers are now allowed an additional depreciation deduction equal to 50% of the depreciable basis of qualified GO Zone property for the first year the property is placed in service.

Qualified property includes: Tangible personal property, computer software other than software that would be amortized over 15 years, water/utility property, qualified leasehold improvement property, non-residential real property, residential real property.

Increased Section 179 Expensing

Under the GO Zone Act, the \$108,000 maximum amount that a taxpayer may elect to deduct under Section 179 in 2006 and 2007 is increased by the lesser of \$100,000 or the cost of qualified Section 179 GO Zone property placed in service during the taxable year.

The \$430,000 phase-out ceiling for this benefit is also raised substantially to \$1,030,000.

Enhanced Net Operating Loss Carryback

A net operating loss is the amount by which a taxpayer's allowable deductions exceed the taxpayer's gross income. In general, a NOL may be carried back in the GO Zone five years instead of only two years and carried forward 20 years to offset taxable income in such years.

Increased Tax Credit for Rehabilitation Expenditures

The amount of rehabilitation tax credits is increased from 20% to 26% for historic buildings and from 10% to 13% for buildings placed in service before 1936, for any certified structure or qualified rehabilitated building located in the GO Zone.

Clean-up, Remediation, and Timber Reforestation Costs

Taxpayers in a trade or business may claim a 50% deduction for costs paid or incurred in the GO Zone on or after Aug. 28, 2005, and before Jan. 1, 2008, to clean up and remove debris from real property or to demolish structures.

In dealing with hurricane losses, the cleanup cost and adjusted basis of the structure that was damaged can be used in computing the casualty loss caused by the storms.

Enhancement of Low-Income Housing Tax Credits

The GO Zone Act provides for a greater allocation of low-income housing tax credits for the affected areas, increases the number of persons that qualify as low-income, and increases the amount of financing that results from using the credit. These liberalizations make building in the GO Zone more attractive to investors both in terms of the amount of the credit available and the threshold for poverty that tenants must meet.

Gozoneguide.com

Gulf Opportunity Zone Provisions

Tax Credits for Employers

The GO Zone Act extends many of the provisions in KETRA to the Rita GO Zone, including the new Employee Retention Tax Credit and KETRA's enhancement of the Work Opportunity Tax Credit. And while the primary emphasis of KETRA was on tax relief for individuals, Congress recognized that the individual tax relief would be beneficial to many small businesses, whose owners were turning to personal savings and credit in an effort to help workers and save their businesses.

Work Opportunity Tax Credit

KETRA provided a new targeted group, which is "Hurricane Katrina employees." This group consists of individuals whose "principal abode" as of Aug. 28, 2005, was in the core disaster area.

For purposes of calculation of the Work Opportunity Tax Credit, for employees who work more than 400 hours, the credit will equal 40% of their first year's qualified wages not in excess of \$6,000. For employees who work equal to or less than 400 hours but more than 120 hours, the credit equals 25% of their first year qualified wages not in excess of \$6,000.

If the employer is located outside the core disaster area, they must have hired the qualifying employee by Dec. 31, 2005. If the employer is located within the core disaster area, they will have two years from Aug. 28, 2005, to hire a Hurricane Katrina employee and qualify for the credit.

Employee Retention Credit

New to the tax law is an income tax credit for "eligible employers" who continued to pay employees during the period their business was inoperable between Aug. 27 and Dec. 31, 2005, as a result of damage sustained by hurricanes Katrina, Wilma or Rita. This credit is calculated on 40% of the qualified wages paid to each eligible employee up to \$6,000 of wages.

Personal Casualty Losses

For many years, most taxpayers have not been able to benefit from these provisions because of two specific limitations. First, the casualty loss amount had to exceed \$100, and second, the amount deductible was further limited by an amount equal to 10% of the taxpayer's adjusted gross income.

KETRA has changed this by removing the two limitations on any losses that arose from hurricanes Katrina, Wilma or Rita on or after Aug. 24, 2005, in the disaster area.

Since this was a presidentially declared disaster, the casualty losses incurred after Aug. 25, 2005, can be reported on either the 2005 individual return or the taxpayer can elect to report the loss in the year immediately preceding the taxable year, 2004.

New Market Tax Credits

The NMTC Program permits individual and corporate taxpayers to receive a credit against federal income taxes for making qualified equity investments in investment vehicles known as Community Development Entities (CDEs).

Treasury's CDFI Fund has combined the 2005 and 2006 amounts and thus will allocate an additional \$600 million of NMTC authority for specific use in the GO Zone in 2006. This is in addition to the previously announced allocation authority for the NMTC program of \$3.5 billion annually for 2006 and 2007.

The Gulf Opportunity Zone Act of 2005 began as the second stage of tax relief for the Gulf Coast. The first incentive package was administered through KETRA P.L. 109-73 (Katrina Emergency Tax Relief Act of 2005), and provided for only those in the Gulf region affected by Hurricane Katrina. KETRA grew into the larger bill (GO Zone) after the oncoming of Hurricanes Rita and Wilma, bestowing federal tax and loan assistance to an increased number of citizens and businesses in the region (News Channel 5 on Your Side 2006). The GO Zone consists of the following principal elements:

The GO Zone has only received minimal criticism mostly pertaining to tax write-offs provided to gambling casinos amounting to millions of dollars in savings, though possibly more attention should have been placed on the overtly inclusiveness of the GO Zone's boundaries (Weisman Sept. 2005).

The GO Zone “Pork” Package

In a very different tone than previous Gulf Coast incentive packages White House officials in the very early stages of the GO Zone's proposal intended to include the gaming industry in the list of industries eligible for receiving tax breaks regarding investment in equipment and structure. This intention was welcomed and endorsed by the gaming industry of course and Mississippi's Governor Haley Barbour (Weisman Sept. 2005).

The necessity to grant incentives to the gaming industry of Mississippi, in particular, had not been needed in the past, and some economic experts in the state still contend that the industry can do very well and bounce back from 2005's hurricane season without them. An economist at the University of Mississippi, William F. Shughart II,

vocally acknowledged that even if the casinos were eligible, providing such tax hand-outs to them would be a waste of money.

This example of the indiscriminate nature of the president's proposal welcomed by Governor Barbour sharpened criticism in Congress of the federal administration's rebuilding effort. Sen. Max Baucus (Mont.), the ranking Democrat on the Senate Finance Committee, recommended a day after the GO Zone proposal that a panel convene fact-finding hearings to examine how many properties are insured and what incentives different industries need to rebuild. Conducting such research would surely decrease the amount of wasted, yet desperately needed federal revenue which could be returned to disaster areas and disbursed for recovery in infinite ways. Federal tax revenues generated from gaming could potentially be reallocated to qualifying community development entities or given in community development block grants to discriminately renew hurricane disaster areas with the greatest need within the gaming businesses' state. A senior Republican tax aide on the committee commented on the fact that existing legislation creating similar tax-favored zones excludes gambling facilities as well as golf courses, country clubs, massage parlors, tanning salons, hot tub facilities and liquor stores. The tax aide attributed tax legislation being written this way to past political reluctance to subsidize unpopular industries as well as the understanding that businesses "like gambling simply *do not need* such support" (Weisman 2005). The latter part of the quote is most pertinent. Why provide tax incentives or assistance to industries which demonstrate resilience and the ability to profit in the aftermath of 2005's hurricane season while they continue to create jobs, train their employees, purchase equipment, and make costly renovations independently? The money should go elsewhere.

Both Republicans and Democrats have admonished the Federal Emergency Management Agency's \$5 billion effort to purchase 300,000 trailers and mobile homes, despite record-low apartment occupancy rates in states just beyond Katrina's reach. Democrats also moved to repeal Bush's suspension of federal wage supports, which require federal contractors to pay workers prevailing local wages, on federally financed construction projects in Louisiana, Mississippi, Alabama, and lightly affected South Florida. Dozens of House Republicans have proposed significant spending cuts -- many of them on signature Bush programs -- to finance hurricane relief.

"What Hurricane Katrina destroyed in hours will take years to rebuild," Baucus (D) said. "The public expects the government to be careful with taxpayer dollars and put them to use in a smart and practical manner" (2005). White House spokesman Trent Duffy (R) said, "The federal government should not be picking which businesses should or should not rebuild. The emphasis of tax incentives should be to get people back to work, he said, and that means rebuilding structures as fast as possible" (2005). The argument is not which businesses should be rebuilt, but which businesses and communities need "government assistance" to rebuild, and to what extent.

Determined by the Federal Emergency Management Agency (FEMA) to be eligible for individual and/or public assistance from the federal government, the Louisiana GO Zone covers thirty-one parishes identified by FEMA as Core Disaster Areas. The parishes include: Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles,

St. Helena, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge and West Feliciana (FEMA 2005).

The Congressional Research Service estimates that 700,000 or more people have been significantly impacted by Hurricane Katrina, due to residing in areas that flooded or sustained significant structural damage. With an estimated 77% of Orleans' population affected, and nearly all residents of St. Bernard, the CRS analysis shows that Orleans and St. Bernard parish in Louisiana were disproportionately harder hit by flooding, amounting to approximately half of the individuals displaced by the hurricane to have lived specifically in New Orleans. With a combined population of 2.5 million people, only sixteen counties are reported to have received some flooding and/or structural damage based on FEMA flood and damage assessments, however thirty-one parishes are identified by FEMA as being in the Core Disaster Area and have been given equal access to tax provisions found in the GO Zone.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act authorizes a range of federal aid for states, localities, and households in the event of a federally declared major disaster. There are two major categories of assistance: Public assistance which encompasses various forms of aid to state and local governments and some nonprofit organizations, and federal assistance to individuals and households (Gabe, Falk and McCarty 2005). The Stafford Act provides presidential discretion in designating areas as eligible for disaster aid, however, regulations include the following factors for considering whether individual and household assistance should be available in an area:

1. Concentration of damage
2. Degree of trauma to a state and communities
3. Special populations
4. Extent to which state and local or voluntary agencies can meet needs
5. Amount of insurance coverage in an area
6. Amount of individual assistance provided by the state

Ultimately, the Stafford Act considers large numbers of injuries or deaths, large scale disruptions of normal community functions, and emergency needs such as extended or widespread loss of power, and whether the disaster area includes low-income, elderly or unemployed persons.

On the 1 to 5 Saffir-Simpson scale Hurricane Katrina was a midlevel Category 3 at the time of landfall. The storm's barometric pressure was 902 millibars (mb), the sixth lowest ever recorded, but still higher than Hurricanes Wilma (882 mb) and Rita (897 mb). At Katrina's peak after making landfall it sustained a wind speed of 125 mph. *55 miles south* of New Orleans. By the time the storm touched down in the Big Easy, wind speeds barely reached "hurricane" defined strength, however, it is noted that Katrina's winds are still ranked the eighth strongest winds of all hurricanes recorded at landfall. The magazine, Popular Mechanics, called Katrina "a large but typical hurricane." Sweeping across 250 mi. of coastline, pushing forward an unusually severe storm surge reaching over 30 ft. in some low lying areas, begirding three states, and traveling more than 100 mi. inland, the storm devastated communities primarily to its east (Popular Mechanics March 2006).

So then a crucial question is developed from the argument that "businesses should be rebuilt, but only a select group of businesses and communities need government

assistance to rebuild, and to a determined extent.” Did destruction inflicted upon thirty-one parishes in the State of Louisiana necessitate them all having access to business assistance pieces of GO Zone legislation?

Katrina Damage Assessment

When the GO Zone legislation was written thirty-one parishes listed in FEMA’s core disaster area in Louisiana are entitled to the following business incentives:

- Bonus Depreciation
- Increased Section 179 Expensing
- Enhanced Net Operating Loss Carryback
- Increased Tax Credit for Rehabilitation Expenditures
- Cleanup, Remediation, & Timber Reforestation Costs
- Enhancement of Low-income Housing Tax Credits
- Worker Opportunity Tax Credit
- Employee Retention Credit

When President Bush spoke to the nation from Jackson Square in New Orleans on December 21, 2005 he re-stated that “our job and our goal for the Gulf Coast was not to survive, but to thrive, and not just to cope, but to overcome” (The White House Dec. 2005). Looking at maps showing where the highest rainfall fell, where the worst flooding occurred, where the strongest winds blew, it appears that the thirty-one parishes included in the GO Zone did not all experience severe winds, destructive rainfall, and flooding. Finding qualitative and quantitative data to support a claim for several parishes that they experienced large amounts of devastation is difficult. It is suspect whether these hardly scathed parishes should benefit from business tax incentives intended to assist local businesses through tax savings and the attraction of new investment. These eighteen suspect parishes are: Acadia, East Baton Rouge, West Baton Rouge, East Feliciana, Assumption, Ascension, St. James, Iberville, Jefferson-Davis, Sabine, Allen,

Lafayette, Evangeline, Livingston, Point Coupee, St. John the Baptist, St. Martin, and Washington.³

FEMA's damage assessment is characterized by several damage categories classified under two sectors:

Structural Damage

- **Catastrophic Damage:** Most solid and all light or mobile structures are destroyed
- **Extensive Damage:** Some solid structures are destroyed; most sustain exterior and interior damage (e.g. roofs are missing, interior walls exposed), most mobile homes and light structures are destroyed
- **Moderate Damage:** Solid structures sustain exterior damage (e.g. missing roofs or roof segments); some mobile homes and light structures are destroyed, many are damaged and displaced
- **Limited Damage:** Generally superficial damage to solid structures (e.g. loss of tiles or roof shingles; some mobile homes and light structures are damaged or displaced)

Flood/water Damage

- **Flood:** Indicates a separate severe damage category related to the specific effects of flooding
- **Saturated Area:** Indicates the possibility of water damage due to saturated soil.

CRS estimates that more than 700,000 people lived in neighborhoods that either experienced catastrophic, extensive, or moderate flooding or structural damage throughout the three Gulf states. Approximately 657,000 people lived in areas that were flooded. This accounts for more than 90% of individuals most acutely impacted by the storm. Approximately 26% also lived in areas with either catastrophic, extensive, or moderate structural damage. 54,000 people lived in non-flooded areas impacted by

³ These parishes do not exhibit extensive or catastrophic damage from either Katrina or Rita. A few of these parishes do not exhibit mild damage.

catastrophic, extensive, or moderate wind and/or surging water. 97% of the total affected population resided in Louisiana (Gabe, Falk and McCarty 2005).

Flood waters by far were the most destructive force from nature. Three-quarters of Orleans' parish population is estimated to have been affected by flood waters, half of Plaquemines parish (south east of New Orleans), two-fifths of Jefferson parish (directly west and south of New Orleans), and for the most part, all of St. Bernard Parish (97% of its entire population, located directly south-east of New Orleans). Conclusively, in Louisiana, Orleans parish accounted for the majority of the state's population impacted by extensive damage (Gabe, Falk and McCarty 2005).

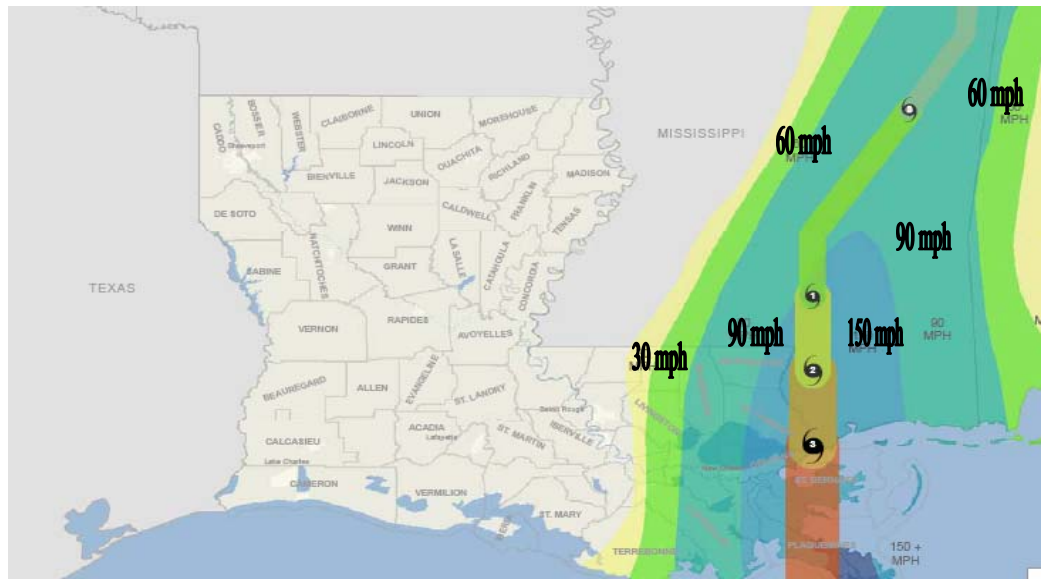
It can be concluded that these three areas having a disproportionate amount of affected individuals in comparison to the other "core disaster areas," should have received a business tax incentive package far greater than that given in the GO Zone to all thirty-one core disaster classified areas; or the fifteen "suspect" parishes mentioned previously should have been excluded from receiving tax provisions. The maps and tables below provide further credence to the GO Zone being overly inclusive and unnecessarily made accessible to several counties, though business insurance claims would further validate this argument.⁴ The attraction and appeal of the GO Zone to potential investors to heavily affected areas has been compromised.

One can see from looking at the maps below that only the extreme south east of the state received heavy winds, which are noted by Popular Mechanics as "barely reaching hurricane strength" after making landfall. Rainfall from Katrina only measured

⁴ Insurance claims have not yet been provided to the public for hurricane affected parishes.

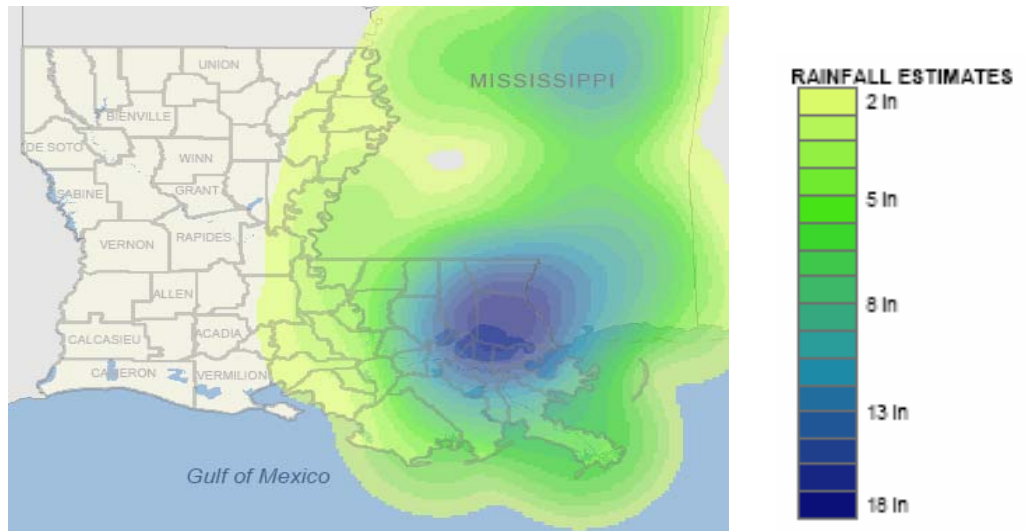
over a foot in approximately fifteen parishes and Katrina is noted as a worse hurricane than both Wilma and Rita.⁵ If viewing a FEMA map one finds very little mile, extensive, or catastrophic damage outside those parishes bordering New Orleans and the very bottom of the state's coastline.⁶

Map 4.2
Sustained Winds



2005 LA GEOGRAPHIC INFORMATION CENTER (LAGIC) – <http://lagic.lsu.edu>

Map 4.3
Rainfall



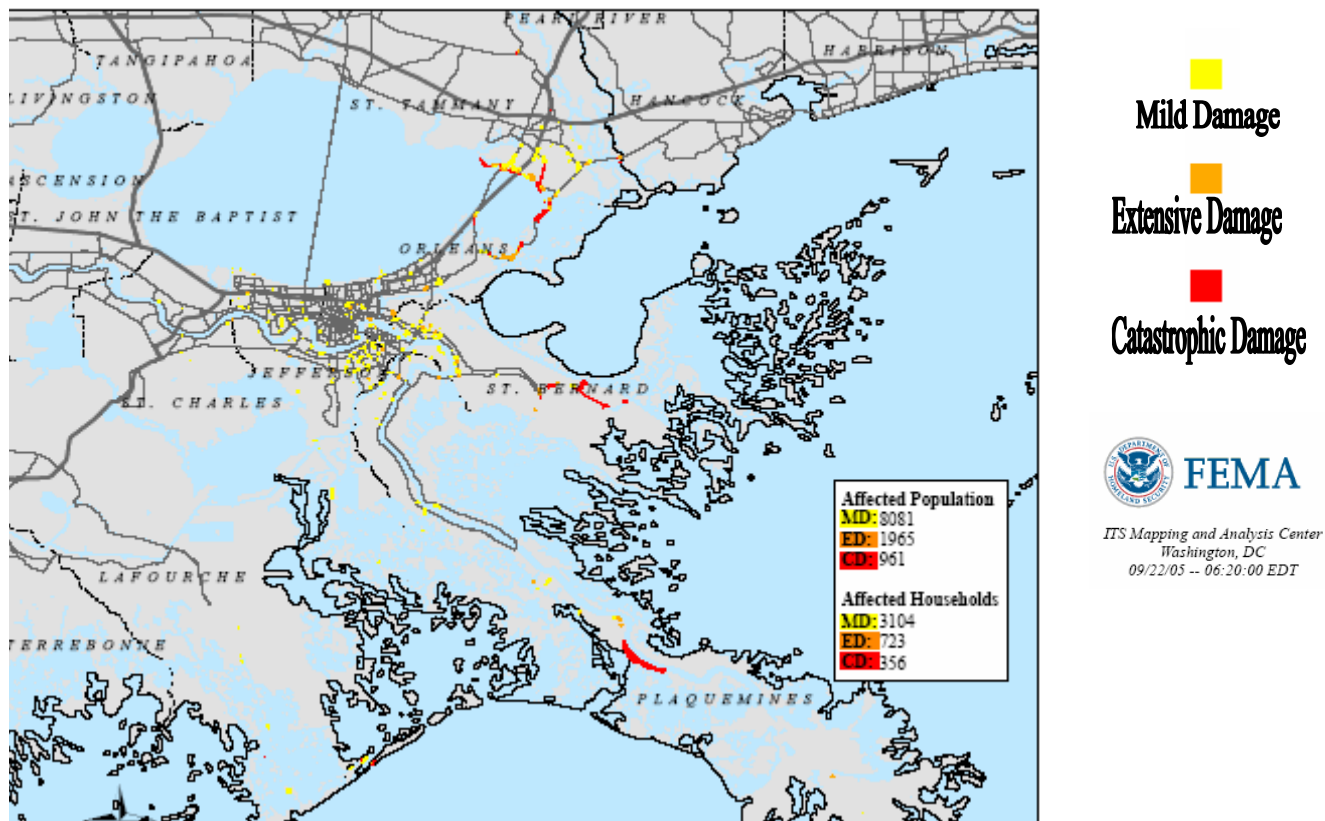
2005 LA GEOGRAPHIC INFORMATION CENTER (LAGIC) – <http://lagic.lsu.edu>

⁵ Rainfall amounts for Hurricane Katrina were not the primary impact of the storm.

⁶ Totals are incomplete due to storm damage experienced at many stations along the immediate Gulf coast.

Map 4.4

FEMA-1603-DR, Louisiana Damage Overview Imagery Derived Assessment as of 09/21/2005 18:00:00 EDT



Map 4.5

Congressional Research Services 2005

Population affected by flooding or structural damage			
Selected Parishes	Total population in selected parishes	Total	Flooding
Jefferson	100%	40.8	39.7
Lafource	100%	0.1	0
Livingston	100%	0	0
Orleans	100%	77.1	76.8
Plaquemines	100%	48.8	42.4
St. Bernard	100%	96.9	96.6
St. Charles	100%	1.4	1.3
St. Tammany	100%	3.5	2.4
Tangipahoa	100%	0	0

Whether state legislators decided to roll out GO Zone boundaries on a “if you ask, we’ll supply basis,” or chose to request as much from Congress as they could; thinking

the more the state received the better without concerning themselves with being overly inclusive, the boundaries defined in the GO Zone have led to those communities not in need overshadowing those in need of business retention, development, and savings. Non-devastated GO Zone communities have become ideal places to relocate or remain in if a business had post-Katrina chosen to relocate its operations there while waiting to return to it's pre-Katrina community. The incentives intended to attract investment more easily are detoured off the path of locating in communities most heavily devastated and are actually given incentives to pursue entrepreneurship in communities which at this time are not in need because they all have access to the same GO Zone incentive package. This issue directly fuels interstate competition, but unfortunately automatically places heavily devastated communities not unlike New Orleans, St. Bernard, St. Tammany, and Plaquemines parish in a compromised and competitively inferior position.

Whether the GO Zone was purposefully issued as pork to surrounding parishes, or as is normally expected, the federal and state government pushed forth a bill simply filled with waste can both be examined. This legislation with broad boundaries resulted in the state of Louisiana losing the advantage of creating concentrated investment in the most needed communities, which by and large happen to generate the state's largest sales tax base, oil refineries, and fisheries. The state's agenda, just what they were trying to accomplish is blurry; however, it can be estimated that legislatures were trying to get as much as they could, in the fastest, least controversial way, jeopardizing 1) the social contract between communities most in need and government's redistributive role, and 2) the ability to attract and sustain incrementally planned, concentrated, economic

investment in urban and rural communities resulting in successes attributed to regional state influenced planning.

Crisis Decision-Making

“You know, I’m really thankful for the tax incentives. So, I mean, you tell me – what is the city going to do? We’re a million dollar business. What can the city provide me that will help my business? We need help! Tax incentives are nice, but these come after the fact. What assistance can I be provided right now? We already started renovations – my whole roof came off my warehouse – office – flooded. I’m repairing it – moved my office and I’m leasing next door, but look at the block! Nobody’s coming back, no street lights. What do I tell my women employees who gotta’ leave my building between dusk and dark with no street lights on. There’s no where to eat lunch – nothing’s open. I had a contract with Avondale Shipyard for five years. You know what they did? Gave it to a company in Missouri!! – after the state of Louisiana gave them \$50 million the year before. Remember that? Now you tell me! I gotta’ tell ya’...I’m angry! What am I supposed to do? What is the city gonna’ do? I love New Orleans, that’s why I’m here. Been here 75 yrs, minority owned. I’ve heard what the feds gonna’ do. What’s the city gonna’ provide to stop me from going to Jefferson parish, going to St. Charles?”... “tell you the truth, I really need business.”

-New Orleanian CEO speaking with Executive Director of MOED

Decision-Making Theory

One of the most frightening, yet fascinating subjects in history are crises. Unplanned, they occur suddenly, threaten vital interests, and raise enormous uncertainties threatening the status quo, demanding quick decisions to be made by leaders under intense pressure (Gilbert and Lauren 1980).

Most recent analytical studies of decision-making as well as historical accounts indicate that a modern state is in no way a monolithic or unitary actor. As delineated by Allison and Halperin, the process of decision making is comprised of multiple actors representing several different individual officials and their constituencies with bureaucratic positions and careers to protect and many organizations or groups with varying interests, values, objectives, and interpretations of the national “interest” in given

situations (Gilbert and Lauren 1980). The actors referred to connote those elected officials present at the local level in state legislatures during the bargaining process of the GO Zone tax package for Louisiana.

Crisis management theory recognizes the importance of and complexity in analyzing how decisions are made in a crisis domestically and internationally. Bargaining occurs not only between states, but also within states or groups of states, making the formation of conclusions about decision-making theories difficult. Different conceptions of how governments make decisions aimed at different degrees of analysis produce very different images of bargaining, how it is carried out, and what its chances are for success (Gilbert and Lauren 1980).

There are varying ideologies regarding the purpose of managing and studying crises. Many theorists concerned with crisis management concentrate their attention on 1) Changes in the composition or flexibility of contending alliances and alliance systems, 2) Systemic efforts by international organizations toward conflict resolution in interstate security disputes, 3) The process or organizational context in which decisions are reached during periods of intense crises, 4) Select aspects of bargaining during crisis management 5) Crisis management in regards to outcomes among participants as they bargain with each other, 6) How decisions are made in a crisis, 7) To uncover defects in decision makers that have been harmful in past crises (Gilbert and Lauren 1980). Several of the listed study sequences pertain to crises which are not seen as opportunities at all, but as disasters which if not managed could result in war. However, these ideologies are also pertinent to the study of domestic public policy crises. As a result of many studies, the

study of crisis management has become a “no man’s land sown with uncharted minefields,” as described by one scholar, but it should be acknowledged that an overwhelming number of studies are conducted pertaining to crises in times of potential war threats (Bell 1971). Less attention is given to crises withstood by local governments within states.

Model 1 Complete Problem Solver Model

In The Complete Problem Solver John Arnold provides what he has coined “A Total System for Competitive Decision Making.” He initiates instruction on the methods of successful decision making in competitive environments by posing the question, “How do we create a future rather than merely cope with the future?” Analyzing the root causes of the situation, options available, and decision risks are said by Arnold to greatly assist organizations in having discussions during the decision making process that involve argumentation and differences of opinion but simultaneously emphasize maintaining a focused set of priorities (Arnold 1992).

The best decisions Arnold claims are those which more logically achieve the satisfaction of the organization’s criteria, include values and feelings, and reduce risks to an acceptable level. Beginning with Root Cause Analysis one of the most important words in the problem solver’s lexicon is, “Why?” Understanding why things happen allows the decision maker to move on to Steps 2 and 3: choosing your options and assessing the risks, though “Time” is the primary enemy in competitive and/or crisis environments and decisions must be made rather quickly. There are seven steps outlined within this first step of analyzing root causes (Arnold 1992).

Steps in Root Cause Analysis

1. Prioritize Initiatives

2. **Define Problem or Opportunity**, asking what is not happening that should be happening, vice versa (general, observable, factual data)

3. Describe the Problem with a Three-Pronged Approach

-*Give the situation an identity*, asking who is involved, what products or services are affected, which organizational departments are engaged

-*Location*, asking where is the crises

-*Timing* (identifying short and long term effects)

4. Distinguish What is from What is Not

5. Diagnose Obvious Factors Contributing to the Problem

6. **Destroy the Hypothesis**, asking questions that might possibly undermine the hypothesis

7. **Decide What to Do Next** (determining the appropriate corrective or opportunistic action)

Over time data gets lost or distorted, original issues get lost as the problem transforms, feelings, emotions and opinions begin to infuse the crisis (Rashomon Effect).⁷ Many of these steps are taken by individuals and thus their organizations on a routine basis throughout the day and thus are taken for granted. Breezing straight through root cause analysis, typically skimming over the sixth step of destroying the hypothesis and identifying other factors responsible for the problem's existence leads many organizations to jump right into the solution. It takes increased time to be practical and follow a systematic method for solving problems and making decision then following

⁷ A by-word for any situation wherein the truth of an event becomes difficult to verify due to the conflicting accounts of different witnesses.

hunches and surface observations to arrive at a fast “result,” however rushing through analyzing the condition’s root causes may lead to perpetual oversights in the decision’s implementation phase, with the result, being the proposed decision not accomplishing its objective to extinguish or ameliorate the present condition (Arnold 1992).

Steps in Option Analysis

1. **Smoke out Issues**, asking if decision is necessary
2. **State Your Purpose**, identifying solution net ingredients will make you more likely to find a solution tailored to your needs
3. **Set Criteria**, identifying what you wish to achieve, preserve, and avoid
4. **Set Priorities**
5. **Identify Options**
6. **Test Options Against Criteria**
7. **Troubleshoot and Refine Your Choice**

Steps in Risk Analysis

1. **Scan and Specify Potential Risks**
2. **Prioritize Risks**
3. **List Likely Causes of Failure**
4. **List Preventive Actions**

Arnold points out that at the heart of Risk Analysis, performed during Option Analysis is the simple, yet overlooked necessity to smoke out the issues and inquire as to whether the decision being proposed is necessary. Tunnel vision is needed during the process of analyzing options to narrow perceptions and limit risks of searching for new and “newer” solutions, in effect wasting time and possibly losing influence. Identified options/problem solutions are tested in Step 6 to ensure that proposed decisions do indeed achieve, preserve, and/or avoid the overall purpose for the decision being stated in Step 2. Troubleshooting and refining the organization’s winning decision allows for the solution to be further improved after the decision’s election, and recognizes that having organizations spot early on what can go wrong with the decision’s communication

internally and externally through the organization and its effect on later implementation of the decision must be kept in mind (Arnold 1992).

As mentioned before, smoking out the issues is highly important, yet treated naïvely in the crisis decision making process. The more specifically you can identify high-likelihood causes, the greater the chance your experience, know-how, and judgment can help you make good decisions that will bring forth opportunities and results desired. While smoking out the issues ask questions: Has something happened that should not have, and therefore needs to be corrected or prevented in the future? Has something happened better than expected? Has something not happened that you wish to happen? Is something missing that needs to be provided?

In formal fashion, analyzing risks entails articulating what, where, and when. Consciously spelling out what can go wrong, where it can go wrong, and when it can go wrong alleviates threats of deciding upon an unfruitful decision built upon a poor foundation that did not fully account for factors that could have destroyed the initial root analysis hypotheses (Arnold 1992). Clearly identifying root causes first, systematically analyzing available options secondly, and lastly moving toward making a decision with the least risk presents a solution that is complete in its efforts to be effective in improving conditions.

MOED's mission and departmental goals post-Katrina remained the same, "To Connect People and Businesses to Opportunities." The departmental goals were 1) A thriving and diverse New Orleans economy and 2) A well trained, diverse and highly-paid New Orleans workforce. Objectives targeted under these two goals fit the needs of

the times for New Orleans' post-Katrina economic climate. The diversion from the path of finding the best way to achieve the first three bullets under Goal 1 (See Figure 2.0) occurs in the decisions made for implementation.

The first three bullets were most pertinent to business recovery in the first four months following Katrina up to January 1st and still are. These objectives initiate the plan to bring back New Orleans businesses, provide access to contracting opportunities, and provide access to financial assistance to retain New Orleans businesses. Had MOED used a systematic approach to decision-making such as the process outlined by Arnold the first step in forming a decision would have been analyzing the root causes for businesses returning slowly or not at all and choosing to remain in neighboring parishes and states. One of the primary root causes found would have been a lack of access to capital. Neither the Renewal Community or GO Zone provide access to capital. These initiatives assist businesses only when they are operational. MOED may have decided to aggressively target the disbursement of increased Small Business Administration loans (SBA). Secondly, if following a systematic problem-solving method MOED would have looked at all of its options, recognized the federal government's agenda to issue the GO Zone and became an active voice, possibly influencing decision-makers to concentrate provisions in most-neediest communities.

Method 2 Prudential Practical Reasoning-Pluralist Exchange Model

Two ideologies on opposite ends of the decision-making spectrum have been well researched through the contemporary study of public policy-making: elitist planning and pluralist exchange. Advocates of elitist planning view collective decisions as deliberate

choices from available options made by decision makers on behalf of another group. Advocates of the pluralist exchange model regard collective decisions as epiphenomenal outcomes as the result of reactive problem-solving, strategic planning and incremental decisions made by individuals or groups interacting with one another. Found in both paradigms is a standard criteria for evaluating policy options and making decisions based on explicit knowledge and adoption of a set of valued objectives. Evaluation of the outcome tests the extent to which policies effectively and efficiently achieve the set objectives by either 1) minimizing the costs of attaining objectives, or 2) maximizing the realization of values with given resources. Failure to meet prescribed criteria provides reason for rejecting the decision. The process of setting criteria and rating its level of effectiveness and efficiency is an instrumental concept of policy rationality and is the dominant public policy model generally accepted (Manzer 1984).

When the legitimacy of a policy is judged against fundamental beliefs and political principles on the community, and the responsiveness of a policy satisfying a particular individual or the community as a whole, then substantive rationality is appropriate to apply in evaluating a policy decision. Under the criteria of substantive rationality a good reason for adopting a policy option would be that the policy is considered “just” or “in the public interest.” If the policy does not meet these criteria there would be grounds for rejecting the policy/decision (Manzer 1984).

Contemporary decision-making should be confronted with a concept of policy rationality that takes both instrumental and substantive rationality into account and weighs them equally. David Gauthier’s analysis of practical reasoning has been

influential in the development of the concept of substantive rationality. In simple terms, Gauthier defines a practical problem as a problem about what to do. It is a problem that arises in a particular set of circumstances which can not be overlooked in resolving the issue. It confronts a person or a group whom constrain the potentials for action with their attitudes and level of capacity. There is no formula provided for the theory of practical reasoning (Gauthier 1963). Gauthier argues that words such as “ought,” “should” and “best” guide the vocabulary and discourse of practical judgments. Practical judgments guide action and outline what is best to do or what should be done, and are made through deliberating the options provided and reasons for taking action.⁸

The reasons to justify a practical judgment involve both prudential and moral considerations and are more like hypothetical imperatives than those decisions which are categorical. Prudential reasoning highlights the desires, needs and aims of the agent. Three basic statements comprise the prudential practical reasoning process. Statements that:

1. Specify and rank the decision-maker’s preferences
2. Specify the context of decision-making (available options and potential benefits and costs)
3. Specify actions to be taken

In no way does Gauthier attempt to make the method of practical reasoning a “sure-catch-all-way” to solving all crises, but regards the process as a way in which to arrive at the best decision recognizing that although attempting to reason “practically,”

⁸ Gauthier notes that practical judgments are action-guiding not action-determining. He hypothesizes that very often we act on present desires or inclinations against what we know to be the reasonable course of action.

the decision-maker(s) is still operating within the realm of the uncertain. “One must look before one leaps, but one must still leap”.⁹

Basic statements comprising prudential practical reasoning are similar to Edith Stokey and Richard Zeckhauser’s framework for analyzing elitist-planning. In their textbook, *A Primer for Policy Analysis*, the following steps towards successful decision-making are provided:

1. Establish the context of the public problem and objectives for perusal
2. Lay out alternative courses of action and possibilities for gathering further information
3. Predict consequences of alternative actions, rating the outcomes
4. Take the best course of action

Scholars differentiate the two dominant paradigms of public decision-making as pluralist-exchange models (reactive problem solving) predominately assuming prudential reasoning (restricted to desires of agent), and elitist-planning models (anticipatory planning) predominately assuming moral reasoning on the part of the decision makers. Prudential reasoning in an elitist-planning model must bring the criterion of political rationality into balance with economic and technical criteria. Decision makers must ask vital political questions that influence a self-regarding mode of rationality. What will be the impact of the decision maker’s policy if people are not persuaded to accept it? What will be the impact of the decision maker’s policy if the price of gaining acceptance is very high and resources are scarce? By necessity, decision makers may have to work incrementally, continually assessing political costs against societal benefits and making further adjustments (Stokey and Zeckhauser 1978).

⁹ Gauthier argues that only a practical judgment produced after limited deliberation is useful because the time to deliberate is limited. Limited practical judgments still serves to explain or justify action.

In Lindblom's "market society" a skeptical view of human intellect is given. Debate and bargaining processes are employed as interactive processes to take the place of intellectual analysis. In a negative light, the market society is seen as one in which decision makers do not think out their problems; they act them out. Decisions are highly decentralized and disconnected causing large societal problems which are ameliorated through by-products or epiphenomena of many individual or group decisions. The market society takes an incremental approach to problem solving and fosters a trial and error approach (Lindblom 1977).

This pluralist exchange process is also described as reactive problem-solving. With the general motives of officials mixed, including power, income, prestige, convenience, security, personal loyalty, pride in proficient performance of work, desire to serve the public interest and commitment to a specific course of action, leaders in general are depicted as making decisions grounded in self-interest. In pluralist exchange models of public decision-making, prudential reasoning is a desirable norm. As noted by Aaron Wildavsky, it is difficult enough for a decision maker to calculate how the interests he/she is advocating might best be served, but even more difficult to perform the same calculation for others who may be affected (Wildavsky 1964).

It can be argued that MOED actively sought to expand the pre-existing Renewal Community of seven tracts to twenty tracts immediately realizing that it was an initiative which could easily be reached, possibly helping the city "save face" in a suffering business environment which it appeared to have little assistance to give. The department, the city, the state, and FEMA were all learning what roles they should play,

who had the resources, and how to easily have access to them. When Mayor Nagin and Governor Blanco announced the expansion of the Renewal Community in November 2005 it may have given hope to businesses that help was truly on the way, however once realizing what the Renewal Community really provided (tax incentives) and realizing the few businesses which actually qualified based on locale, business men and women grew increasingly disgruntled and disappointed. They either weren't in the twenty eligible census tracts, but were one of the other one hundred sixty-seven or had lost everything and had been told they were denied a SBA loan.

This decision was pluralist-exchange based being that it was highly reactive and practical. However, whether the decision to amend the RC boundaries to twenty census tracts was moral and acting in the public interest is arguable. Was the expansion in company's interest or simply a pacifier? Both.

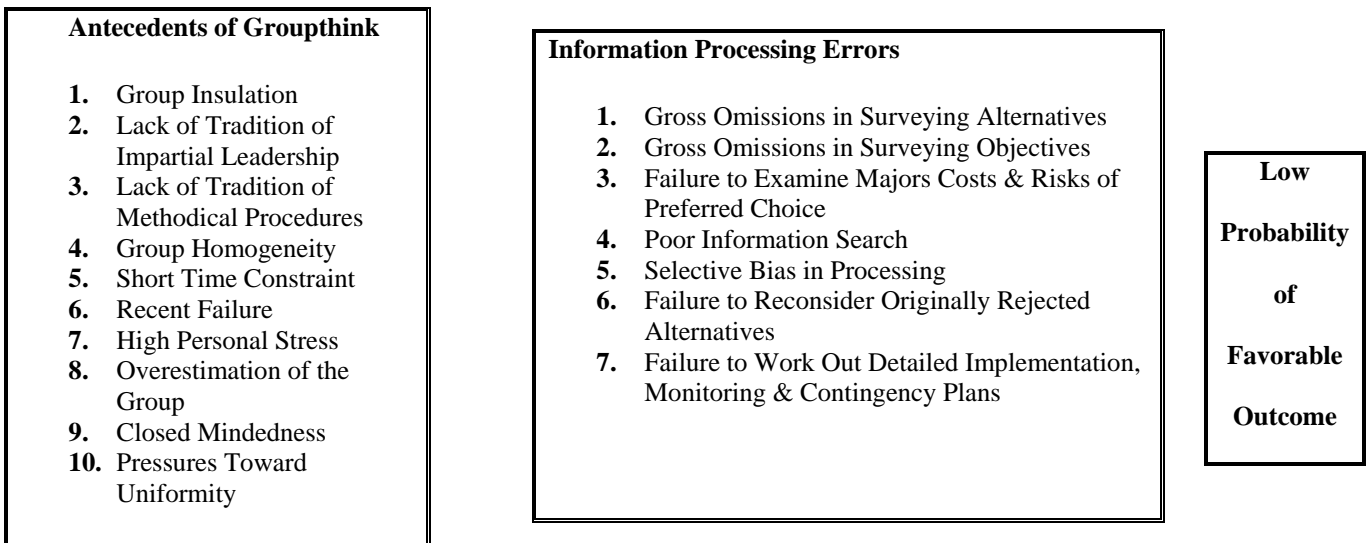
Method 3 Antecedents of Groupthink Model

The theory of groupthink is considered to be one of the most cited contributions to the study of decision making. Since the introduction of the theory in the early 70s the core of the hypothesis for the groupthink model is that the existence of certain antecedent conditions within groups of decision makers results in defective decision-making processes, which in turn are highly likely to produce poor policy outcomes. The scholar behind the theory, I.L. Janis hypothesized that information-processing errors, also referred to as symptoms of defective decision making, are first preceded by several different variables and are an important causal source of defective decision making. Quite a major matter, it is during the stage prior to having to process information

regarding crises that an organization establishes group norms, allows for a leadership style to emerge and set precedents, and situational constraints materialize (1996).

Antecedent factors contributing to how an organization processes information include such factors as: group structure, leadership style, and situational variables. These antecedent conditions set the stage for effective or defective decision making. Therefore, it is at this early stage that decision-making groups can adopt procedures intended to avoid defective decision making (Schafer and Crichlow 1996).

Figure 5.0



Derived from Janis in 1982 ten negative antecedents of groupthink are directly linked to seven information processing errors resulting in a low probability of favorable outcome. From a theoretical review Mark Shafer and Scott Crichlow refined a set of operational definitions for the ten antecedent conditions.

1. **Group insulation:** Decision makers do not coordinate and communicate with others outside the immediate decision-making circle. They isolate themselves

- from other bureaucrats, intelligence officers, diplomats, allies, and those on location at the scene of the crisis, relying almost exclusively on members of its own group for information and counsel.
2. ***Lack of tradition of impartial leadership:*** The leader limits open discussion of a wide range of alternatives, and has a history of making their positions clear or giving the impression that he/she has predispositions.
 3. ***Lack of tradition of methodical procedures:*** The leader has not made a routine of having information search teams, routine and systematic decision-making meetings, and analysis of pros and cons.
 4. ***Group Homogeneity:*** A lack of disparity exists in the social background and ideology of the members of the decision-making group.
 5. ***Perceived short time constraint:*** The group suffers under perceived temporal limits that affect its ability to consider policy options fully.
 6. ***Low self-esteem caused by recent failure:*** Recent defeat weighs on the minds of decision-making group and affects current decisions.
 7. ***High personal stress:*** Crises causes great anxiety because of both the stakes involved and the perceived chances of success or unpleasant policy options.
 8. ***Overestimation of the group:*** Group operates in air of invulnerability
 9. ***Closed-mindedness:*** Group relies on stereotypes or guiding metaphors or analogies.
 10. ***Pressures toward uniformity:*** One or more of the following exist: self-censorship, an illusion of unanimity, direct pressure on dissenters, self-appointed mind guards.

Janis notes that this condition is not situational bound but rather a general pattern of behavior (1996). Connections between antecedent conditions and faulty decision making in some cases appears anecdotal. In others, systematic statistical analysis investigates 1) whether each individual antecedent condition is correlated with Herek's index of information-processing errors, 2) the cumulative effect of antecedent conditions on the number of information-processing errors, 3) the direct effect of the antecedent's index on crises outcomes.

Faulty structural environments are seen as the primary factor in producing unfavorable outcomes and are the effect of antecedent conditions on crisis outcomes. It was hypothesized that a higher number of antecedent conditions results in a higher number of information-processing errors by the decision-making group. Four of the ten antecedent conditions were found to be related to information-processing errors in a statistically significant manner through an individual bivariate analysis. These influential antecedents are: lack of tradition of impartial leadership, lack of tradition of methodical procedures, overestimation of the group, and closed mindedness. A fifth variable, pressures toward uniformity, is close to being significant. The other six antecedents, although identified as present in the study of select case studies, were not found to be statistically significant (Schafer and Crichlow 1996).

The set of antecedent conditions clearly found to be correlated with information-processing errors in group decision making deal with leadership style (lack of tradition of impartial leadership), group procedures (lack of tradition of methodical procedures), and

patterns of group behavior (overestimation of the group, closed mindedness and pressures toward uniformity) (Shafer and Crichlow 1996) .

An important policy-making implication of Shafer and Criflow's hypothesis is that if what matters in terms of the quality of the decision are the structural preconditions, then focusing on the information-processing errors alone is misguided. By the time an organization/decision-making group gets to the information-processing stage it is too late. What matters to begin with is how the leader and decision-making group structurally organize and regularly conduct themselves. Research findings do not necessarily suggest that information-processing errors are unimportant. Instead, the processing errors are classified as treatable symptoms of a problem that has earlier origins, namely in the structural and behavioral environment of decision making.

As delineated in the dysfunctional organizational design of MOED, the proper remedy presents itself as leaders and decision-making groups re-structure their environment. Twenty-one employees with diverse work functions can not be grouped into one category, "Team," under one head, the director, and be expected to not incur problems had through miscommunication. See Figure 2.0. Re-structuring the work environment to one which develops patterns of impartial leadership and methodical procedures and avoids overestimation of the group, closed-mindedness, and pressures toward uniformity leads to better decisions and hence, successful outcomes. With these characteristics of effective decision- making at play, fewer processing errors should emerge, and outcomes may be more favorable.

Decision-Making Model Analysis

When analyzing the three decision-making models in this text there are several points found in each model present in MOED's two primary decisions. This is the basis for why the three models, complete problem solver, prudential practical reasoning, and groupthink were selected for review and analysis of MOED's organizational structure and decision-making processes. Questions are raised surrounding local, state and federal legislatures basis for deciding which parishes are entitled to provisions made in the GO Zone, however the focus of this analysis is on an organizational unit operating on the local level to achieve self-defined goals.

Model 1 Critique

Delineation of the three models shows that the Complete Problem Solver Model provides the most detailed and outlined process for arriving at effective and efficient decisions of the three models. It is a simple process laid out in plain language that can assist organizations in acquiring desired outcomes. However, there appears to be overlaps found amongst the three forms of analysis: root cause, options, and risks. The seven steps defined in chronological order in root cause analysis may not be the best route provided for attempting to define a plan of execution and implementation. The steps would prove to be more useful if arranged in the following manner.

Arnold's Root Cause Analysis Procedure

1. Prioritize Initiatives
2. Define Problem or Opportunity
3. Describe the Problem with 3-Pronged
4. Distinguish What is From What is Not
5. Diagnose Obvious Factors Contributing to Problem
6. Destroy the Hypothesis
7. Decide What to Do Next

Suggested Root Cause Procedure

1. Describe Problem with 3-Pronged Approach
2. Diagnose Obvious Factors Contributing to Problem
3. Define Problem or Opportunity
4. Distinguish What is From What Is
5. Destroy the Hypothesis
6. Prioritize Initiatives
7. Decide What to Do Next

Prioritizing initiatives is explained by Arnold as the process by which organizations sequentially articulate what it is they would like to implement in order to achieve a set goal. This step in the decision-making process should not be conducted first. Giving the situation an identity by acknowledging who is involved and what is affected, taking the situation's location into account, and identifying the short and long term effects of the crises should be done first. Step 4, Distinguishing What is From What is Not, should remain in the same order, however, the remaining five steps should be arranged as portrayed in the above chart. Identifying what is obviously causing the problem second, compiling factual data for further insight into the crises, articulating a general hypothesis and then attempting to undermine the hypothesis through high-level questions, brainstorming potential initiatives to eradicate the crises, and then deciding on what path to take after prioritizing those initiatives will lead to be a clearer, more effective, and successful decision. Step 4, Distinguishing what the problem is from what it is not is probably not needed, and an internal processing step taken when taking the first step of describing the problem with a three-pronged approach.

Arnold's method gives the presumption that if followed in the order provided organizations and decisions makers will indeed ultimately arrive at successful decisions. His steps do not have to be followed "to a T" to arrive at a decision that actually caters to outcomes desired. The steps found in option and risk analysis are necessary, but one might find that they may have previously completed a step listed in these two areas of analysis in the first analysis of root cause analysis.

Model 2 Critique

Advocates of the pluralist-exchange model acknowledge that decisions are often a result of reactive problem-solving, strategic planning and incremental decisions. A detailed model is not provided for guiding a decision-maker through a process to arrive at a successful decision as that found in the Complete Problem Solver, however a standard criteria for evaluating policy options and making decisions is present. The specifics of how to evaluate a policy/decision is simplified and judged based on the decision's ability to achieve the set goal. Manzer's ideology that a decision is viewed as successful if it is seen as effective and efficient is very business-like in manner. An efficient decision is defined as one which minimizes the costs of attaining objectives. An effective decision is defined as one which maximizes the realization of values or priorities with given resources. This type of evaluation of a decision may not truly capture the full degree to which an actual process is needed systematically ensure that all factors influencing the situation, all options with their identified risk levels are considered. So, although the evaluation of good decision is stated rather plainly, the process by which to best arrive at the efficient and effective decision is not provided.

Evaluating a decision through the realm of substantive rationality is also useful, but just as all decisions can not be viewed as successful solely based on their level of effectiveness and efficiency, neither can a decision viewed solely as “just” and in the “public interest” be considered successful. Other attributes of a good decision must be present. As Gauthier points out, the reasons to justify a practical decision should encumber both prudential and moral considerations. This is to say that the desires of the decision maker as well as the proposed decision should work together to implement what is in the public interest.

Of particular appreciation is Gauthier’s acknowledgment that decisions are made within the realm of the uncertain. There are often multiple decisions on the table to choose from. The goal is to choose the best decision comprised of suggestions detailing what should and ought to be initiated. Acting out the best decision in an incremental fashion is realistically the only way to determine the success of a decision, and allows for alterations to be made along the way throughout implementation. This method however is seen by Lindblom in his “market society” as something not to be modeled. Yet, in all decisions that are made it should be acknowledged that it is only through trial and error that the decision can truly proven to be effective and efficient. This step of the process could be added to Arnold’s Complete Problem Solver Model which ends with simply deciding what to do next. A “complete” process would include acknowledging that after the best decision has been made and implemented, alterations may still be needed.

Model 3 Critique

In the former two models focused is given to the process by which an organization should arrive at the best decision for execution taking into account both prudential and moral reasoning. The third model, antecedents of groupthink, was elected because of its emphasis placed on negative factors which effect organizational structure, information processes resulting in defective decision making.

Crises management hypotheses like most hypotheses in general have value judgments attached to them. One premise pertinent to the study of crises is that crises are largely bad and those which are mismanaged worse. Evaluating decisions chosen by the Mayor's Office of Economic Development without utilizing a model founded in analyzing factors contributing to decisions which are defective would be overlooking a useful method of assessment.

Janis' hypothesis that information-processing errors are preceded by several variables which are important casual sources of making poor decisions adds further understanding and steps toward arriving at the best decision. All of his ten antecedents of the groupthink model were not empirically proven to be statistically significant, but each was found present in several case studies analyzed by Janis, and should remain included in the list of antecedents to be aware of. It is averred through his study that far previous to an organization sitting down to decide the best plan of action, a leadership style has emerged, group norms have been established, and organizational constraints have been identified and accepted.

Definitions provided by Shafer and Crichlow are useful and only the first antecedent seems to not take the full implication of its title into account. “Group insulation” which is the first antecedent listed notes that having a group of decision makers isolate themselves from others in government or in some involved with the situation at hand contributes to arriving at poor decisions. What should have also been included in this definition is the negative impact presented when collective decision-makers only focus on their own agenda, only half recognizing the agenda of others or not at all. It is possible that this trait is included by the scholars under Closed Mindedness.

Faulty structural environments are seen as the primary factor in producing unfavorable outcomes and are the effect of negative antecedent conditions on crisis management. The structural environment is molded by the organization’s leaders and thus emphasis is rightfully placed on how the leader develops and facilitates decision-making groups and their discourse and process for analyzing the crisis. Overall, this model hits the target in assessing factors contributing to defective decisions and should always be considered by local governmental leaders when directing organizations through times of normalcy, doing so automatically feeds into the establishment of departmental norms and will more likely be adhered to during times of crises.

As said previously, it can be inferred that norms set pre-crisis are carried through during times of crisis. Departmental norms had in MOED are not an exception to the rule. If there is a lack of leadership impartiality or a lack of methodical procedures for arriving at decisions for implementation, it is very difficult to establish new antecedents as norms during a time of crisis with less resources and time.

Lessons for MOED in Crisis Decision-Making

Eight months following Hurricane Katrina business recovery in New Orleans is still dismal, yet steady. The unemployment rate of workers still displaced by Katrina jumped to nearly 35% in May, a 54% increase since April. Louisiana's labor force has shrunk every month since November, and is now 12% smaller than it was in July 2005, a month before the landfall of Katrina. Nearly one in three of the working age adults still displaced by Katrina are still out of a job. The proportion of utility customers using services again in New Orleans has increased from about 50% in March to 60% in April. Only one in five public schools are open, however the re-opening of two elementary schools and one high school is indicative that families are returning to the city. Marking the steady return of the tourism and hospitality industry, hotels and bed and breakfasts continue to re-open in the metro area. 64% of bed and breakfasts have re-opened, and 60% of the hotels (Liu, Fellowes, and Mabanta May 2006). Of the 8,560 businesses in New Orleans pre-Katrina, approximately 1,800 of them have been able to re-open (Census Bureau 2003).

Of the various ideologies for studying the purpose and management of crises there are two pertinent concentrations of study which correlate well with those decisions chosen by the Mayor's Office of Economic Development. These studies concentrate on 1) The purpose or organizational context in which decisions are reached during periods of intense crises and 2) How decisions are made in a crises (Brecher 1977; Allison 1971). There are three decisions which are questionable for possibly not having achieved desired outcomes. These questions are: MOED's decision to 1) Pursue amending legislation to

expand Renewal Community boundaries to include the entire City of New Orleans. 2) To consciously or unconsciously overlook early intermediary legislative discussion and processes for the inauguration of GO Zone legislation. What is also questioned in this text, but is only of tertiary focus is the reasoning behind state legislatures working with the U.S. Congress to include all thirty-one parishes classified as “core disaster areas” in the Gulf Opportunity Zone (GO Zone).

Devastation caused by Hurricane Katrina has won this storm the number one spot for being the worst natural disaster ever recorded in this nation. Although, many would say that that the devastation caused by this storm was not natural at all, but of man-made nonfeasance, it should be expected that any governmental entity tackling new and uncharted dilemmas will stumble, miss opportunities, choose half-baked decisions, and thus perform sub-optimally. Katrina has shown the world how little prepared the United States is in dealing with domestic threats and catastrophes, whether looking at the slow reaction time of FEMA, the inflexibility and high standards of SBA low-interest loans, or over-issuing of financial assistance from Red Cross.¹⁰ MOED has not proven itself to be any different from state and federal governmental entities to perform outside the realm of mismanagement and mere mistakes.

The Mayor’s Office of Economic Development was faced with two challenges. The challenge of working with a staff that was cut in half, from fifty-four employees, down to twenty-two on a reduced budget. The job of each employee of course was

¹⁰ See Hope Yen (2006, March). FEMA Mismanaged Katrina Recovery Effort, GAO Says. Washington Post. Retrieved May 29, 2006, from <http://www.washingtonpost.com/wp-dyn/content/article/2006/03/16/AR2006031602154.html> Also see (2006), March). Statement: American Red Cross Currently Investigating Allegations. Retrieved May 29, 2006 from <http://www.redcross.org/pressrelease>

multiplied, yet the resources were depleting. Under normal circumstances an organization faced with the challenge of downsizing and re-stabilizing its organization is given a minimum of six months to organize, set new precedents, and again focus on achieving set outcomes. MOED was given a month, resulting in those necessary interrelated strategies such as helping the organization to focus on a new clearly illustrated future, encouraging new thinking, and flattening organizational structures by consolidating administrative positions while widening the span of control (Benest 2005). These necessary strategies to reshape processes, precedents, and protocol in MOED were possibly omitted, and carried forward negative antecedents which resulted in defective decision-making.

The antecedents of the groupthink model as described by Janis were highly influential in setting MOED on the path of pursuing the expansion of the Renewal Community throughout the City of New Orleans. Those antecedents most evident in the organization's structure are group insulation, lack of tradition of impartial leadership, lack of tradition of methodical procedures, perceived short time constraint, high-personal stress, and closed-mindedness. Lack of tradition of impartial leadership, lack of tradition of methodical procedures, and consolidation of administrative positions while widening the span of control (noted earlier) are illustrated in MOED's "Staff Presentation." See Figure 2.0. Notice the hierarchy of organizational structure. It does not clearly define protocol, a process for decision-making, and hints at the possibility of many bottle-necks in not only decision-making, but implementation.

The other antecedents of MOED's information processing errors are found in MOED's decision to pursue expansion of the RC without making itself privy to those conversations regarding business recovery at the state and federal level. In the pursuit of achieving its own agenda MOED isolated itself and did not become involved with the federal and state agenda to include thirty-one parishes in the GO Zone until the communication and process of passing the legislation was complete. By then it was too late.

It is from these findings that MOED is encouraged to 1. Review its antecedents of group think and work towards improving its organizational and communication processes internally. 2. Using Arnold's Complete Problem Solver Model or a decision-making model very similar begin to consistently implement a step-by-step process for arriving at what Gauthier considers to be the "best" decision/plan of action, and 3. Keep in mind that while working towards providing effective and efficient public policy, prudential practical reasoning should be deliberate, yet not neglect moral reasoning. Decisions must be made timely with the public's interest in incremental fashion to allow for flexibility if needed.

Had MOED asked pointed questions noted in the Complete Problem Solver Model the organization may have never pursued expanding the Renewal Community until after communicating with the state and federal government and having input in the writing of the GO Zone legislation. Priorities post-Katrina would have changed. Months before Katrina MOED was in discussion with HUD to expand the RC to include thirteen additional census tracts. This was a Pre-Katrina agenda that MOED followed up on

immediately following the hurricane and re-locating its operations back into New Orleans, but based on MOED's outcomes should not have been the first initiative to address.

Had MOED taken time to re-organize, assess departmental goals, and truly identify root causes, options and risks, deciding to have legislation regarding the Renewal Community amended may have become a second priority, not a first. MOED may have prioritized objectives to accomplish such by first working with HUD to request the expansion of the RC based on HUD's current guidelines, widening the boundaries to include twenty census tracts, and then working with the state legislature to amend the RC legislation congressionally to allow for "the most recent census data" to be used for eligibility in acquiring increased census tracts throughout the city.

Hypotheses concerning crisis management, unlike conventional scientific statements are imperatives seen as "recipes for action." The objective of crisis management that stands out pertaining to the inauguration of the GO Zone is the zero-sum situation in game theory - gain for one side is by definition a loss for the other. With every "extra" parish unnecessarily included in the GO Zone's boundaries, a loss can be attributed to that "extra" parish's inclusion in the legislation for lessening the appeal of investment in more affected areas. A hypothesis regarding the GO Zone would be that the GO Zone is merely maintaining the status quo. Those businesses which can do - do. Those businesses save. Those which can not do - don't. "If you can make it on your own, then we, the federal government, will give you a kick back, a reward for your hard work." Since this is the case, and this is pretty much what incentives ultimately do, then

MOED should have taken an active role in the politics behind this legislation's inauguration as a primary actor.

Conclusion

In the end the City of New Orleans is possibly not attracting the level of investment that it could had it not had to compete with so many parishes within the state. Furthermore, the expansion of the RC to include the entire city has not yet been passed. These two conditions only aggravate the notion that MOED has accomplished little in assisting the business recovery effort. What businesses are craving are loans, not tax incentives. While MOED canvassed the city and held workshops regarding tax incentives, businesses lacked what they truly need assistance with: quick financing and easy access to low-interest loans and seed capital.

Several antecedents influenced the department's organizational structure thus increasing information processing errors, resulting in unfavorable outcomes. Questions posed during option analysis articulated in the Complete Problem Solver may have avoided this waste of time and energy. Have we "smoked out the issues?" "What is our problem?" Businesses are in need of financing. "Is expanding the RC going to remedy this dilemma?" The answer would have been "No." Give the problem an identity – "Who is involved?" The state and federal government. "What are they trying to accomplish?" They are more than likely going to quickly pass the GO Zone. "What are the details of this legislation?"- gathering increased data. "This does not help New Orleans. It increases interstate competition when we are already disadvantaged. What are our options? What are our risks? Here is our plan of action."

MOED worked incrementally towards arriving at a decision using prudential practical reasoning, placing its desires at the forefront. The drawback to this was the desired outcome being hard to come by because the real dilemma of businesses not having working capital was overshadowed by initiatives had by MOED pre-Katrina. Working in isolation, lacking a tradition of impartial leadership and methodical procedures, having a perceived short time constraint, high-personal stress amongst decision-makers, and closed-mindedness worked against MOED being able to not only achieve its agenda of expanding RC boundaries to include the entire city, but also led MOED to being a non-participant in a decision-making process that they could have been successful in, the inauguration of the GO Zone. Neither initiative is proving to be “renewing the community.” Whether the GO Zone is filled with “pork” and given to parishes not in need of the provisions given should be studied further. A suggestion would be to extend the GO Zone deadline for parishes found to have incurred catastrophic damage for an additional three years, ending in 2011. As for now the post-Katrina status-quo for New Orleans has been maintained and predictions of whether President Bush’s promise that “our job and our goal for the Gulf Coast was not to survive, but to thrive, and just to cope, but to overcome” is sketchy.

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