

Testimony of Suzanne Mestayer
Chairman of the Board
Greater New Orleans, Inc.

Senate Homeland Security and Governmental Affairs
Committee

“Hurricanes Katrina and Rita: Outstanding Need, Slow Progress”

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On behalf of Greater New Orleans, Inc., the economic development organization for 10 parishes in the New Orleans region, I would first like to thank Committee Chair, Senator Joe Lieberman and his colleagues for holding this special hearing to address the needs and the rate of progress of our region. We hope that through these deliberations that awareness can be raised about the magnitude of the problem and the impact on coastal communities, and ultimately that federal policy solutions can be considered for short term and long term interventions desperately needed.

Eighteen months ago, Hurricane Katrina barreled through Southeast Louisiana leaving behind wreckage greater than any other disaster in this country's history. Businesses, their employees and their families were faced with a reality that their levee protection and community safety were compromised; their community lacked housing, their healthcare services were disrupted and their utility rates increased tremendously and last they experienced the critical issue of access and affordability of insurance for both homeowners and businesses. This region is struggling to bring home a population loss of 300,000, over 200,000 homes and 18,000 businesses. The progress is slow and we need your assistance to move forward by addressing critical issues like infrastructure, insurance, workforce, HUD Zone and marketing challenges.

Hurricane stricken areas are struggling to repair or rebuild billions of dollars of damaged infrastructure and Parishes and the State are responsible for a 10% match to FEMA for infrastructure repair dollars.

This is millions of dollars parishes could have received to aid in their infrastructure needs if the government would have stayed consistent to past disaster responses. Congress waived local matches after other disasters like Hurricane Andrew in 1992 and following the 2001 terrorist attack on New York's World Trade Center. But no such overarching waiver has been approved for Louisiana after Hurricanes Katrina and Rita,

the most expensive and third-most costly natural disasters in U.S. history, respectively. We urge the federal government to be consistent with the precedent they have set and help Louisiana's progress by providing this relief.

Another large obstacle to our recovery is insurance. 5 fold premium increases, and 10 fold deductibles have become common place since Hurricane Katrina, impacting all sectors and all size employers throughout the region and south Louisiana.

Understanding property coverage is an issue all along Gulf Coast and Atlantic states. GNO, Inc. recommends a short term federal policy solution in the spirit of the Go-Zone legislation, applicable to all hurricane impacted states, for a limited time period of 3 years, while market forces can stabilize and states can do their part. Our Insurance Task force comprised of representatives of the insurance industry, real estate, banking and other private sector leaders from the community are developing solutions like these and others to address the problem. The goal is to develop a comprehensive strategy to address the insurance issues for businesses in the surrounding 10 parish region. The task force will approach the problem by developing three tracks: Federal Relief and Intervention, State Policy and Legislation, and Private Sector Initiatives. We need a commitment from the federal government to quickly consider this policy approach.

Katrina has also created a dyer need to replenish the region's workforce to help rebuild. There are not nearly enough skilled workers to fill the needs employers have to rebuild or locate in the region. One important strategy we share with Louisiana Economic Development is increasing the number of skilled guest worker Visas. We are urging the federal government to increase the current number of guest worker Visas for hurricane impacted areas in Louisiana over the next 3-4 year period to help our region rebuild. The current national cap is about 67,000 guest worker Visas granted annually. National and Foreign employers support this strategy, it is not there intent to replace domestic

workers with foreign substitutes, but instead fill the gaps to the current workforce that has decreased due to the storms.

For example, GNO, Inc. is working with a Chinese flooring company looking to invest in the region. They would like to bring Chinese workers to the state to build their facility and then, hire American workers. The workforce required to build the company is not currently here and the extended Visas would allow the region to get back on its feet and allow Louisiana workers to return to good jobs and more importantly to their homes.

Another significant workforce issue is that the federal government currently allocates dollars for workforce in a non cohesive system. The money is distributed into silos without integration. The money must be spent on specific projects and cannot be redirected to priority areas.

In order for a strong workforce to be reestablished and attractive to prospective investors to our region, the dollars must be flexible and able to be spent as local workforce coalitions required for the overall workforce rebuilding process.

Another solution to speeding up the recovery is the expansion of the Historically Underutilized Business (HUB) program to the Gulf Opportunity Zone. By designating the entire Gulf Opportunity Zone a HUBzone, the federal government will stimulate economic development growth where it is most needed at no cost to the federal government. This expansion of the program would enable small businesses in the affected region to recover through their own efforts.

This expansion targets small businesses which have been the least able of taking advantage of existing GOZone incentive programs. Not only would affected manufacturers, information technology companies and other suppliers benefit from this

program, but new companies would be attracted to the region, employing Gulf Coast citizens and helping the area to rebuild itself.

We also ask request that you waive the of the Competitive Demonstration program which exempts certain industry groups such as construction from the small business set-asides in the Small Business Act will enable small businesses to win more contracts better reaching the small business contracting goals.

Finally, an additional measure that would greatly assist our local small businesses would be a higher HUBzone set-aside requirement on all Katrina-Rita related contracts. This would create an incentive for major contractors to partner with companies headquartered and located in the area. Local companies in the HUBzone would also be able to participate in more nationwide opportunities to perform work outside the area bringing wealth into the region.

Last, in the wake of 9/11, the federal government provided New York City dollars to re-brand and promote the city post 9/11. Like 9/11, the disasters of Hurricanes Katrina and Rita have caused damage to Louisiana's tourism sector caused conventions to turn away, vacationers to choose other locations and hindered economic development overall.

We are urging the Federal government to invest \$100 million in CDBG or other funding sources for tourism/cultural economy and economic development promotion program for all of Louisiana.

This pool of money would be used not only for promotion of the state to help the tourism sector recover, but also to help communities build their tourism and cultural assets, such as arts and music, that make them unique and interesting to visitors.

This pool of funds would also be used for economic development image building to help the state improve its “investor confidence” with businesses, commercial development decision makers, as well as tourists and conventioners.

GNO, Inc. would like to offer its expertise, energy and resources to Senator Lieberman and the committee, with a firm commitment to work with him and his staff to narrow the federal relief options for consideration in the upcoming Congressional sessions, which is ambitious but necessary from the perspective of those of us on the ground. We would also like to offer to testify before the committee in subsequent hearings to continue to offer solutions and provide education to the committee on these vital obstacles.