

**Testimony of Walter Isaacson,  
Vice Chairman, Louisiana Recovery Authority  
Regarding H.R. 4100, the Louisiana Recovery Corporation Act**

Mr. Chairman and members of the House Financial Services Committee, I'm Walter Isaacson, a New Orleans native and Vice Chairman of the Louisiana Recovery Authority.

As the panel appointed by Governor Kathleen Babineaux Blanco to address the short- and long-term issues of the recovery, the LRA wants to work with the White House, the Congress and Louisiana's Congressional delegation to advance legislation on behalf of those who have suffered so extensively from Hurricanes Katrina and Rita.

I come to you as chair of the LRA's federal legislative initiatives task force to speak in support of the important concept behind the Louisiana Recovery Corporation. The magnitude of the rebuilding task in Louisiana is unprecedented. And no aspect of our state was more completely devastated than the homes where people lived.

Louisiana needs a smart and bold process to channel resources for the rebuilding of our state. I have consulted with a number of my colleagues on the LRA Board and its Executive Director Andy Kopplin on this legislation. We believe the concept outlined in the Louisiana Recovery Corporation Act has the potential to serve as an important enabler for rebuilding our homes and communities.

This bill deserves your prompt consideration. I thank Congressman Baker for his leadership on this issue. We look forward to working with this Committee and the Congress on this important legislation.

While many states were affected by Katrina and Rita, Louisiana bore the brunt of the these massive storms

\* According to the American Red Cross, Katrina alone destroyed an estimated 275,000 housing units, nearly 10 times as many units destroyed by Hurricane Andrew. Over 200,000 of these units are estimated to be in Louisiana alone (three times the housing units destroyed in Mississippi).

\* Nearly 90% of Louisiana's affected housing units are expected to be destroyed or badly damaged.

\* 90 percent of Katrina's estimated \$44 billion in flood and storm damage occurred in Louisiana (nine times that of Mississippi); 50 percent in New Orleans alone. (Source: AIR Worldwide estimates from aerial photos)

\* Louisiana sustained 60 percent of the \$39 billion in estimated insured losses by Katrina and Rita (2.5 times that sustained in Mississippi). (Source: ISO)

As you might expect, this level of devastation has created a financial disaster. Like many Americans, home owners in the affected communities had much of their personal wealth tied up in their homes. The value of those homes was inextricably linked to the richness of the communities in which they resided. For many homeowners, a life's work was washed away along with their prized neighborhoods. And along with their homes went the financial resources required to rebuild and carry-on with their lives.

This financial disaster has also hit hard our local community banks and financial institutions. These institutions extended mortgages and credit backed by the homes that were destroyed. These financial institutions – many minority owned and / or serving our poorest citizens -- face huge losses as a result of this disaster. These banks were and are essential to the economic life and vitality of our communities.

We need a vehicle to begin redeveloping our neighborhoods. To start this process, we need to provide liquidity through a standard process for property owners and banks. To finish the process right, we need to rebuild these communities consistent with the desires of state and local leadership in partnership with the private sector. A Recovery Corporation can provide the liquidity, the standard framework and process, and the partnership with the State and private sector to enable this redevelopment to begin in earnest.

The LRA was established to provide leadership for the state's recovery and rebuilding. Our Board is broadly representative of our state and the affected communities. We have established good working relationships with organizations and local governments in Southeast and Southwest Louisiana and have exchanged board members with Mayor Ray Nagin's Bring Back New Orleans Commission. In addition, the co-chair of the St. Bernard Commission is a member of our Board. We have pledged to work together with a common vision, and that's what we'll do.

An example of the LRA's leadership is the recent prioritization for distribution of the of \$250 million in hazard mitigation funds. This federal resource will help us rebuild smarter and stronger.

Based on my interactions with many of these local and state leaders, I believe that to succeed a Recovery Corporation must follow several important principles:

- \* Partnership with the State through the LRA
- \* State and local involvement in the decision-making for redevelopment
- \* Consistency with State and local redevelopment plans and standards
- \* Individual choice by homeowners
- \* Market-based solutions
- \* Transparency
- \* Cost efficiency

HR 4100 meets many of these principles. We believe for the concept to succeed, the Recovery Corporation must embed as explicitly as possible the role of State and Local

leadership in the decision-making process for redevelopment of the affected areas. Those of us at the LRA thus hope to work in clear partnership with the Recovery Corporation. This will ensure that the work of a Recovery Corporation is consistent with the overall strategy the LRA will define through its planning and decision-making process.

We have had discussions with Congressman Baker about our desire to have greater State participation on the proposed Board of the LCR. And we have emphasized the importance of consistency and alignment with the LRA's overall strategy for recovery and redevelopment. We look forward to continuing to work with the Congressman and this committee to shape this legislation.

As you can see there is long way to go before we can restore the people of South Louisiana to the lives they cherish. We are on the first leg of a 100-mile marathon. On behalf of the LRA and the citizens of the state of Louisiana, we appreciate your consideration of this important legislation and your support of our efforts. Thank you.