

The Katrina Effect - Renaissance on the Mississippi

By Joel Kotkin. Forbes.com, May 31, 2011

In this most insipid of recoveries, perhaps the most hopeful story comes from New Orleans. Today, its comeback story could serve as a model of regional recovery for other parts of the country — and even the world.

You could call it the Katrina effect. A lovely city, rich in history, all too comfortable with its fading elegance and marred by huge pockets of third-world style poverty, suffers a catastrophic natural disaster; in the end the disaster turns into an opportunity for the area's salvation.

Had Katrina never occurred New Orleans would likely have continued its inexorable albeit genteel decline; the area's population dropped from 627,000 in 1960 to 437,000 in 2005, the year the hurricane occurred. Instead the disaster brought new energy and a sense of purpose to the Big Easy.

I first realized that New Orleans was going through some kind of renaissance when looking at some numbers. In Forbes' list of the country's [biggest brain magnets](#) — based on analysis of where college-educated adults were moving to by demographer [Wendell Cox](#) — New Orleans ranked [No. 1](#), ahead of such hot spots as Raleigh-Durham, N.C., and Austin, Texas.

Then came our analysis of the [best large cities for jobs](#): New Orleans ranked No. 2 in our survey, up a remarkable 46 places. New Orleans' performance was particularly impressive in the information field, which includes software and entertainment, and in which the Big Easy grew the most — over 30% last year alone — among our major metros.

Yet numbers do not tell the whole story. Sometimes statistics simply look great against the background of catastrophic decline. New Orleans was so far down and received so much recovery money that recent improvements could be explained as a short-term bounce back from a disaster.

But the resurgence of New Orleans, whose population is now back to almost 350,000, represents something far more significant and long-term. For one thing, the storm undermined the corrupt, inept political regimes that had burdened the area for decades. "Katrina shattered the networks and broke down the old hierarchies," notes Tim Williamson, a New Orleans native and founder of Idea Village, a nonprofit focused on aiding local entrepreneurs. "People felt we were dying. Now we feel like we are refounding a great American city."

For example, inept leaders like former Mayor Ray Nagin and the equally lost [Kathleen Blanc](#) have been replaced by more effective figures like Mayor Mitch Landrieu and Gov. Bobby Jindal. Equally important, according to a recent [Brookings report](#), New Orleanians have become

noticeably more engaged with their community. Particularly impressive have been improvements in the local schools, once among the nation's worse. Last year, the majority (61%) of public school students in Orleans Parish (counties in NOLA are called parishes) attended charter schools, which are now attracting some middle class families.

Most impressive, this once stagnant region has transformed into an entrepreneurial hot bed. "Five years ago people thought we were crazy to be here," says Matt Wisdom, founder of [Turbosquid](#), a firm with 45 employees that provides three-dimensional images to corporate clients. "Now instead of people being amazed we are here, they want to get here to ride the wave."

Walking along Magazine Street from the edge of the Garden District to the Central Business District, you still pass some rough areas. But the way is peppered with scores of independently owned shops and small businesses, many of them opened since the hurricane. Their owners for the most part appear to be younger than 40.

"We used to have this huge brain drain to the Northeast, the West Coast and Texas, but this has changed," Williamson says. "After Katrina everyone was forced to become an entrepreneur. The dominant concept for the rebuilding has become one of resiliency and self-employment — it's been bottom up. It's become as much of our identity as Mardi Gras or the Jazzfest."

Since its founding back in 2000 Idea Village has assisted 1,000 local companies with business plans, financing and focus. Most are small, but some of what Williamson calls post-Katrina generation companies, like [Naked Pizza](#), founded in 2006, have expanded rapidly. Specializing in a healthy, organic version of the traditional high-fat fast food, Naked Pizza has won financial backing from Dallas Maverick owner [Mark Cuban](#). The company, which employs 40 employees at its New Orleans headquarters, expects to have over 70 franchises by the end of the year .

Many rapidly rising businesses specialize in digital media, attracting talent from other places like the West Coast and New York. 37-year-old Kenneth Purcell, founder of [Iseatz](#), moved his entertainment and travel business from New York to NOLA in 2009 and has since grown his company from seven people to 25.

One big advantage of starting a business in New Orleans is its affordable housing. Based on median price against median household income, the region's prices are roughly 50% less than those in New York or San Francisco. This is particularly attractive both to middle-aged couples with children who can afford a spacious suburban home that are far less expensive than their equivalents in Los Angeles, Westchester or Silicon Valley.

It also is attractive to the smaller subset of employees, many of them young, who are drawn to traditional cities. Some New Orleans neighborhoods remind me of pre-1980 Greenwich Village, offering a charming urban environment without either the extortionate price tag or oppressive density.

Immigration, much of it from Mexico, also is contributing to the regional remake. Over the past decade, as both white and black populations dropped, the Asian population grew by 3000 and Hispanics by 33,500, most of them settling in suburban Jefferson Parish. Once predominately African-American, New Orleans is returning to its more multi-racial past while re-establishing its strong cultural and social ties to Latin America.

Yet despite all positive signs, it may be too early to proclaim, as some boosters do, a “New Orleans miracle.” After all, the city’s population remains over 100,000 below its depressed pre-Katrina levels. There are still over 47,000 vacant housing units in the city, many of the uninhabitable, notes Allison Plyer, who runs the Greater New Orleans Community Data Center. Overall, the recovery remains stronger in the suburbs, many of which suffered less damage from the storm. The share of regional population living in Orleans Parish, where the city of New Orleans is located, has slipped to 29% compared with 37% in 2000. Jefferson Parrish now has more jobs than the city across all income categories.

Plyer believes the priority for the entire region lies in restoring the higher-paid blue-collar and middle-class jobs that for decades have disappeared from the city. Young tech and media firms can help gentrify parts of a city, but they are not sufficient to provide opportunities to the vast majority of its residents. To do this, Plyer suggests, the region will have to focus more on [“export” oriented jobs](#) in industries such as energy, manufacturing and trade.

Critically these fields can provide decent salaries for a broad swath of workers. Right now, Plyer adds, 45% of the workforce earns less than \$35,000 a year, one byproduct of the domination of the generally low-paying tourism industry. Jobs connected to shipping pay twice as much on average as tourism; energy three times as much. A new steel plant announced recently by [Nucor](#) in suburban St. James Parish could create more than 1200 jobs with average pay of \$75,000 annually.

“We’ve allowed Houston and Biloxi to move ahead in a lot of these other industries,” she explains. “We have to move ahead in engineering and services and energy to compete with Texas. We can’t be just a tourism economy.”

Ultimately, New Orleans’ long-term recovery may depend on exploiting historic *raison d’etre*: location. The region stands astride the primary corridor for the Midwest grain trade and sits in the middle of the Gulf trade routes. It also boasts some of the nation’s richest energy deposits.

Coupled with its enormous cultural appeal, resurgence in the more traditional economy could spark the most remarkable urban comeback story of the new century. Once the poster child for urban despair, New Orleans may develop a blueprint for turning a devastated region into a role model not only for other American cities but for struggling urban regions around the world.