

# **Advancing in the Aftermath IV: Tracking the Recovery from Katrina and Rita**

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## **Advancing in the Aftermath IV: Tracking the Recovery from Katrina and Rita**

This is the fourth in a four-part series tracking the recovery of areas along the gulf coast from two storms that pummeled the region in 2005. The reason for a special four-part series on the impact and recovery of these two storms was the sheer magnitude of their destructive power.

**Hurricane Katrina** tracked right over Plaquemines and St. Bernard Parishes and on up the Louisiana-Mississippi border on August 29, 2005. Katrina was a category 4 hurricane when it made landfall, with maximum sustained winds of 143 mph and gusts up to 165 mph. **Hurricane Rita** made landfall about a month later on September 24, 2005, coming in right on the Louisiana-Texas border. Rita was a category 3 hurricane when it made landfall, with maximum sustained winds of 120 mph. This latter storm was wide enough and powerful enough to re-flood New Orleans, some 230 miles east of its eye.

We will detail below several indicators of just how destructive these storms were. Perhaps the broadest indicator---covered in far more detail below---is the number of homes rendered uninhabitable. The author was told by officials at the national Association of Home Builders that the number of homes damaged so badly they were no longer livable was seven times larger than any other natural disaster in U.S. history.

Another indicator is the insurance payments the storms generated. According to the Louisiana Department of Insurance, insurance companies paid out \$2.4 billion in claims just to Louisiana policy holders due to Rita. Note that these claims do not include national flood insurance claims.<sup>1</sup> In the case of Katrina, insurance companies have paid out \$14.5 billion in claims so far.<sup>2</sup> Again, this figure does not include national flood insurance claims which will be far greater than that figure due to the widespread flooding in the New Orleans MSA.

### **The Key Indicators**

In this report we continue our tracking of 13 key indicators of the economic health of this region. These indicators were chosen based on the economic foundations of the area. These indicators include the following:

- Total non-farm employment
- Local sales tax collections
- Oil and gas production in the Gulf of Mexico
- Port statistics
- Casino re-openings
- Hotel employment/openings

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<sup>1</sup> **City Business** newspaper, September 18, 2006, p.27.

<sup>2</sup> **Baton Rouge Advocate** newspaper, September 23, 2006, p. 1D.

- Restaurant employment/openings
- Hospital employment/openings
- Manufacturing employment
- School openings
- Airline enplanements
- Construction employment
- Housing permits issued

If these storms had hit the Florida or South Carolina coasts, different variables would have been chosen. However, in the region hit by Katrina and Rita, the casino industry is prominent, oil and gas extraction is a major industry, and the ports play a large role. Finally, note that we do not just present data. We attempt to explain the behavior of the data.

The first of these four documents was released in February 2006, and it focused on the recovery effort primarily through the end of 2005. The second report tracked the recovery through April 2006, and the third covered the period up to August 2006. This report entitled “**Advancing in the Aftermath IV: Tracking the Recovery from Katrina and Rita**”, can be accessed at [www.lorencscottassociates.com](http://www.lorencscottassociates.com) and covers the period through the end of 2006.

### **Regions Covered**

Our recovery effort focus is on the four MSAs (metropolitan statistical areas) most impacted by these storms---the New Orleans and Lake Charles MSAs in Louisiana and the Biloxi-Gulfport and Pascagoula MSAs in Mississippi. These MSAs are indicated on Maps 1 and 2 for those not familiar with this region.

There were other MSAs in this region that were impacted by these storms. However, these other MSAs mainly enjoyed **positive spillovers** created by the storms. For example, Baton Rouge, Mobile, and Hattiesburg each experienced a significant influx of evacuees from the harder hit coastal areas, which caused most of their economic indicators---such as sales tax collections, housing sales, retail sales, etc---to spike upward. To no small extent, those spikes were temporary. All three MSAs experienced an “evacuees in/evacuees out” phenomenon, though each retained some evacuees and ended up larger than they would have been absent the storms.

The Lafayette and Houma MSAs found their economies experiencing a nice boost because the two hurricanes hammered the offshore oil and gas infrastructure, and these two MSAs are major staging areas for the rebuilding effort in the Gulf of Mexico. (For a detailed review of the impact on other MSAs in Louisiana, readers are encouraged to obtain a copy of the **Louisiana Economic Outlook: 2007-08** by calling 225-578-3777).

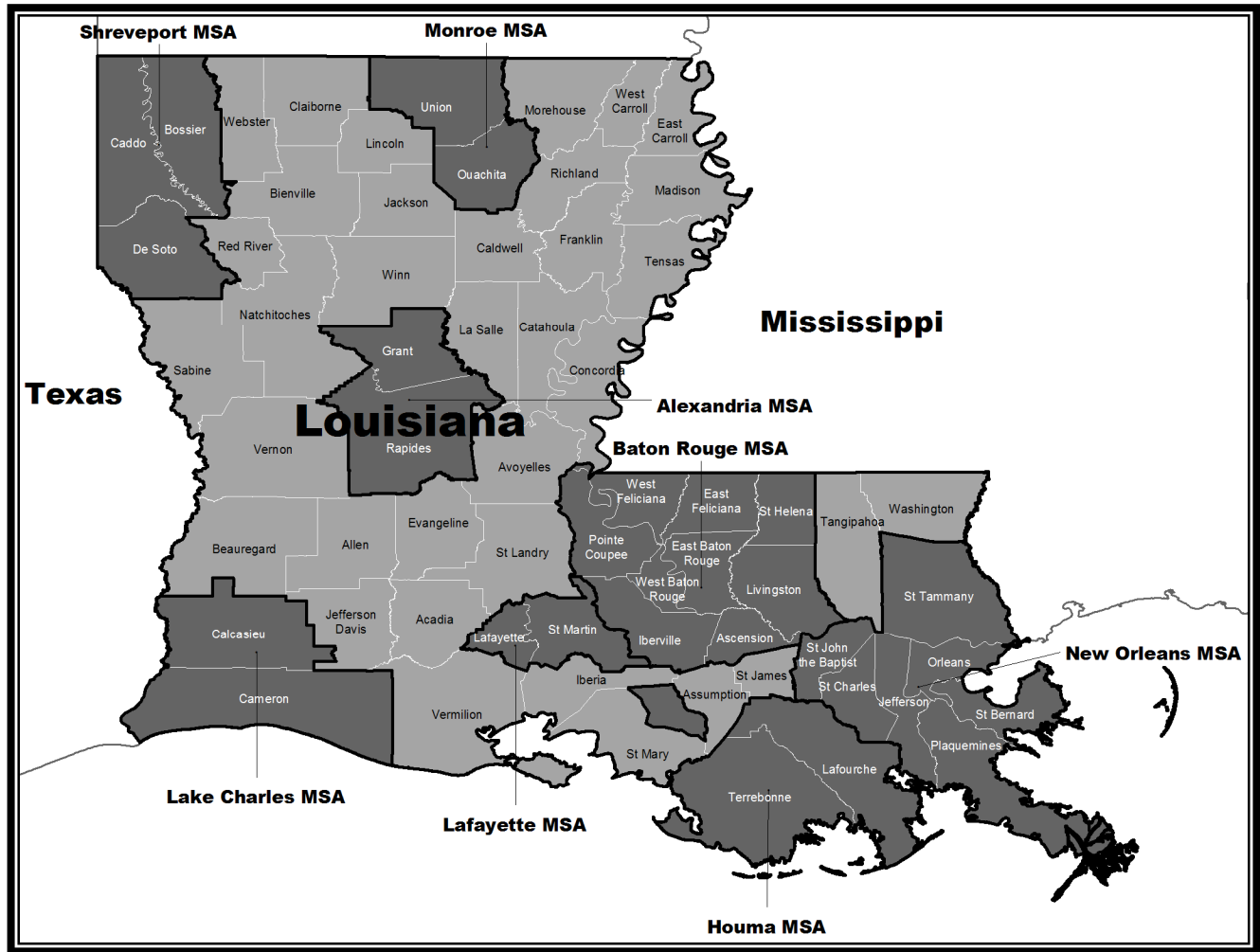
## **Outline of Report IV**

In this fourth report, we will begin by tracking the recovery effort in the most heavily damaged MSA---**New Orleans**. This has been one of the slowest regions to recover from the storms. We will then address recovery progress in **Lake Charles**. This MSA has bounced back much faster than New Orleans, a factor we will attribute to the general absence of flood waters in the case of Rita.

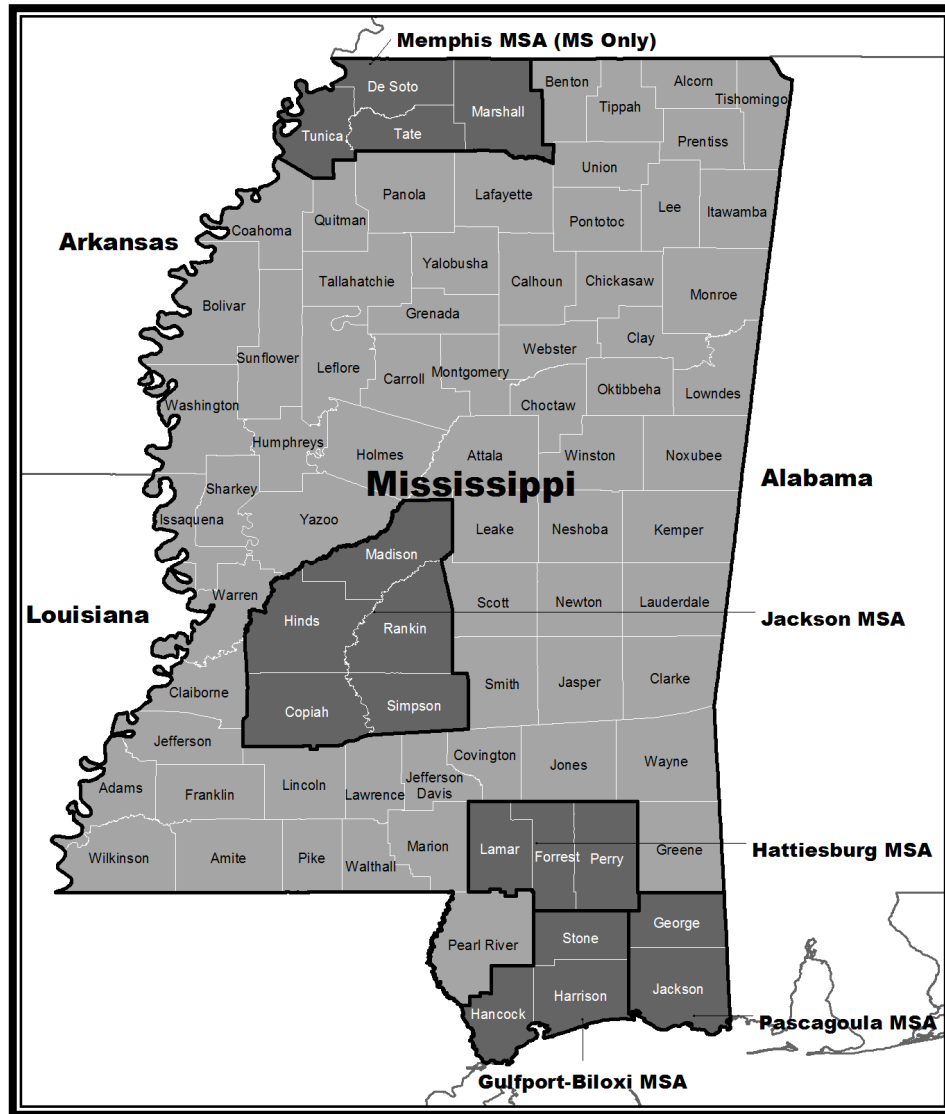
After providing details on the two Louisiana MSAs, our focus will shift to the Mississippi coast. We will begin by examining the **Gulfport-Biloxi MSA**. On the morning of August 29<sup>th</sup>, a tidal surge estimated as high as 32 feet entered this area at 6 am, advanced to about I-10, and by 11 am was back in the Gulf. As this surge retreated, its tremendous natural force stripped away everything in its path. While flood waters in New Orleans left homes standing with high water marks on them, in the Biloxi-Gulfport coast there was often nothing left but slabs. We will then address the second Mississippi MSA---**Pascagoula**. Located on the outer edge of Katrina's eye, Pascagoula also suffered from a water surge. But this region, like Lake Charles, is recovering much more rapidly than Biloxi-Gulfport to the west.

Finally, we will have a special section on the impact of the storms on the oil and gas extraction sector in the Gulf of Mexico. We will look at key indicators of how far and how quickly this sector has recovered after being blasted by these two storms.

Map 1: Louisiana Metropolitan Statistical Areas (MSAs)



Map 2: Mississippi Metropolitan Statistical Areas (MSAs)



## New Orleans

This MSA is comprised of seven parishes: Orleans, Plaquemines, Jefferson, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany. The first four listed are “in the bowl,” that is surrounded by the levee system.

### The Levee System

It is this levee system that failed after Katrina, flooding large portions of these parishes with water that stayed in place for weeks. Though Rita hit far to the west of this MSA, it caused sufficient wind and water surges to re-flood areas within the “bowl.” (For an interesting visual track of the collapse of the levees and subsequent flooding see <http://www.nola.com/katrina/graphics/flashflood.swf>).

Huge sums are being---and will be---spent by the Army Corps of Engineers to shore up this levy system. About \$1 billion has already been spent on the levee system since Katrina, and another \$1 billion is scheduled for 2007, and another \$3.5 billion will be spent over 2008-10. This spending alone will represent a huge infusion of spending into this region’s economy over the next several years.

### The Slow Pace of Recovery

Compared to what normally happens in the aftermath of a natural disaster, the recovery effort in New Orleans has been unusually slow. As we mentioned in our last report, it is as if someone was “riding the brake” on the recovery effort here. In this fourth report, we review again for our readers the cause of this plodding recovery pace.

Without question the key problem is the **lack of available housing**. What is causing the braking motion? Consider these factors:

- First, there is the sheer magnitude of the destruction. As seen in Table NO-1, there were 515,249 houses damaged by Katrina and Rita in the state, and **204,737 were damaged so badly that they were rendered un-inhabitable**, at least without major repairs. This latter number is many times larger than any other natural disaster in our country’s history. Over 180,000 of these homes that incurred major and severe damage were in the New Orleans MSA. Almost 60 percent of the homes damaged in the New Orleans MSA incurred major or severe damage.

**Table NO-1**  
**Impacts of Katrina and Rita on Housing in Louisiana**

<b>Impact</b>	<b>Statewide</b>	<b>New Orleans MSA</b>
Minor Damage	210,512	122,446
Major Damage	98,086	79,068
Severe Damage	106,651	102,898
<b>Total</b>	<b>515,249</b>	<b>304,440</b>
<b>% Major or Severe</b>	<b>39.7%</b>	<b>59.8%</b>

Source: FEMA, February 12, 2006.

- Secondly, recovery was slowed because these homes were primarily rendered uninhabitable by **flood waters**. Once flood waters enter a home, regular homeowners insurance basically no longer pays. The author owned a two-story townhouse in the Old Metairie sector of Jefferson Parish. The house sat in four and a half feet of water for about four weeks. On calling our insurance agent we were informed that once flood waters entered the house, home owner's insurance no longer applied. One must have flood insurance. This phenomenon created two brakes on the housing recovery effort:
  - Many homeowners **had no flood insurance** at all. Only 26 percent of the homeowners had flood insurance. Many were not required to have flood insurance because they did not live in the flood plain. Thus, any damage to their residence had to be paid for out of personal funds or federal assistance through the Louisiana Recovery Authority.
  - Even if a homeowner had flood insurance, there are limits on how much this federal program will pay. **Reimbursement is limited to 80 percent of the pre-flood value of the home or \$250,000, whichever is smaller.** If a couple owned a \$500,000 home in the Lakeview area and had \$50,000 in equity in the place, they would still have to come up with \$200,000 to repair their home.
- Flood waters also created another issue for homeowners. If it cost more than 50 percent of the pre-flood value of your home to rebuild, the home must be elevated to a new **base flood elevation level**. Homeowners in Orleans, St. Bernard, and Plaquemines Parishes did not even know what the new base flood elevation level was until April of 2006, and these base flood elevation levels were even then only advisory.
- The President and Congress agreed that money should be provided to homeowners for the gaps in coverage described above so they could rebuild their homes. Dubbed the "**Road Home**" monies, these dollars are clearly essential to the recovery effort. Yet even here, the brakes have been applied.



- First, Congress agreed on a Road Home money appropriation and that it was to be **split between Louisiana and Mississippi on a 55-45 percent basis**. Louisiana objected to this split because housing destruction in Louisiana was much greater than in Mississippi. Mississippi homeowners would get much higher awards than Louisianans. Time was lost as Louisiana went back to Congress and ultimately got another \$4.2 billion added to its slice of the pie. This was not completed until **June 2006**.
  
- Once the size of Louisiana's Road Home pie was determined, the Governor and Legislature had to **set up a program** for allocating these monies among claimants. That program was not finalized until June 2006. Then a **firm had to be hired to administer** the program. All of these steps have taken time. The first Road Home checks were supposed to be written in September 2006---one full year after the storms hit. In reality, the first checks were not written until October 2006. Even then, the pace of making these awards to homeowners has been painfully slow. **As of the first week in January 23 2007, only 258 Road Home checks had been written!**

All of these factors have combined to significantly slow down the rebuilding process in New Orleans. We will have more to report on this housing issue in the "Housing" section below.

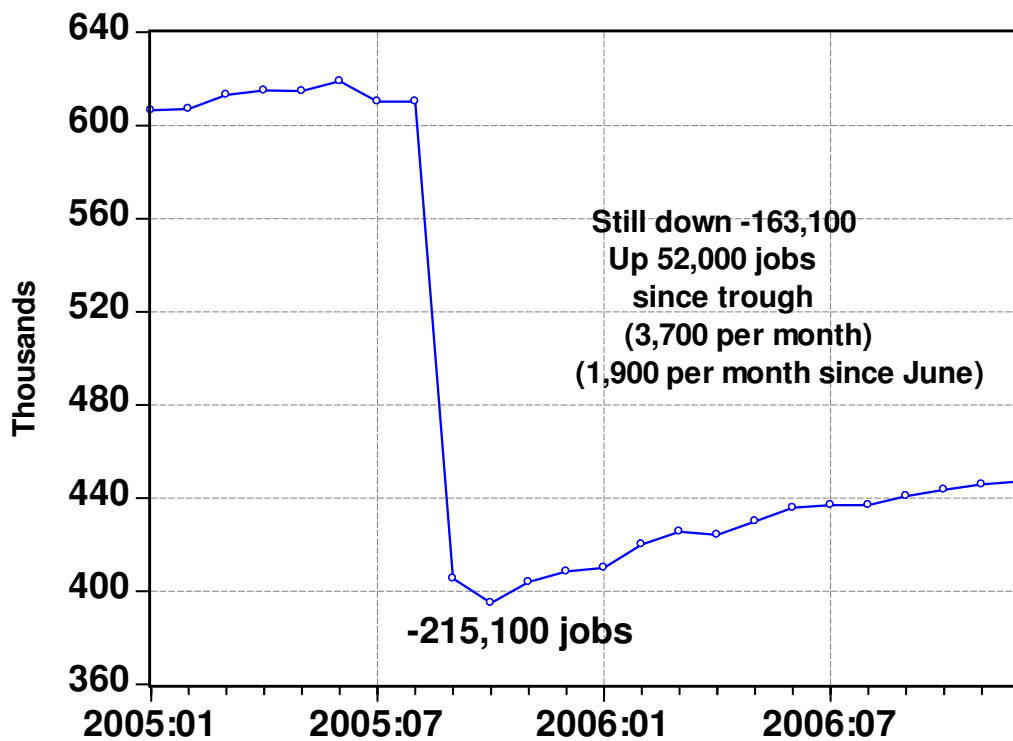
## New Orleans MSA Market – Total Non-Farm Employment

**Table NO-2**  
**New Orleans MSA Non-Farm Employment: 2005- 2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	606.5	<b>2006</b>	<b>Jan</b>	410.2
	<b>Feb</b>	607.1		<b>Feb</b>	420.1
	<b>Mar</b>	613.1		<b>Mar</b>	425.7
	<b>Apr</b>	614.9		<b>Apr</b>	424.3
	<b>May</b>	614.7		<b>May</b>	430.0
	<b>Jun</b>	619.0		<b>Jun</b>	435.9
	<b>Jul</b>	610.2		<b>Jul</b>	437.0
	<b>Aug</b>	610.2		<b>Aug</b>	437.0
	<b>Sep</b>	405.5		<b>Sep</b>	440.9
	<b>Oct</b>	395.1		<b>Oct</b>	443.7
	<b>Nov</b>	404.1		<b>Nov</b>	445.9
	<b>Dec</b>	408.5		<b>Dec</b>	447.1(p)

p = Preliminary. Data from <http://data.bls.gov>

**Fig. NO-1: New Orleans MSA Non-Farm Employment by Month**



We start our look at the economic indicators in this MSA with a review of the most up-to-date measure of the economic health of the area---non-farm employment. Figure NO-1 is a vivid reminder of what harrowing economic events Katrina and Rita

were for this region. By the time Rita had re-flooded New Orleans, employment had declined by 215,100 jobs in October, a drop of 35.3 percent on a year-over-year basis.

Since that trough, the area has recovered 52,000 jobs---a recovery rate of about 3,700 jobs per month. This still leaves the MSA 163,100 jobs below its pre-storms peak of 610,200. As seen in this figure, the recovery looks like a “kindergarten L.” Is a recovery of 52,000 jobs a good or bad pace of recovery? Perhaps a helpful baseline is to ask what normally happens in the neighborhood of a natural disaster. Instead of a “kindergarten L” we normally see a “V” (something we will see when we review the recovery effort in Lake Charles and Pascagoula areas below). Typically, just after a disaster, private insurance monies flow rapidly into the area, along with federal assistance monies, and a booming construction sector drives the economy back to its pre-storm levels or even higher.

This is not happening in the New Orleans MSA because the existence of standing flood waters changed the private insurance equation dramatically, as we indicated in our introductory paragraphs on this MSA. These monies are NOT flowing into the New Orleans area on a pace commensurate with the level of housing destruction, flood insurance payments have been inadequate to cover costs of rebuilding, and the Road Home monies have been slow to materialize. The convergence of these hindrances to the recovery effort have created the “kindergarten L” in Figure NO-1.

The careful reader will also note something of an unnerving trend in the “L” in Figure NO-1. Though jobs have been reappearing at a 3,700-a-month rate since the trough, that rate slowed noticeably in the last half of 2006. Indeed, the rate of recovery since June 2006 has been only 1,900 a month. We are aware of a study to be released soon showing that the number of firms open in Orleans Parish is actually dropping---not rising.

Table NO-3 shows the change in employment by broad industrial sector in the New Orleans MSA between December 2004 and December 2006. Comparing employment in the same month across years enables us to avoid the distorting influence of seasonality in the data.

With the exception of the rather small natural resources/mining sector, every segment of the New Orleans economy was hammered by these storms. Employment was down a total of 168,900 jobs or 27.4 percent. The largest percentage change job-loss (-52.2 percent) was in the “other services” sector, which contains the laundries, dry cleaning establishments, barber shops, beauty parlors, house cleaners, and related types of services. The biggest loser in terms of absolute job loss was the large “trade, transportation, utilities” sector, down 34,300 jobs. Not surprisingly, both of these sectors depend on a local population base for their sales, and this region has experienced a serious decline in population. Other local-population-dependent sectors such as education, healthcare, information, and financial services also took major hits to their employment. Interestingly, though the overall employment loss was 27.4 percent, government employment was down by less than half that rate at only 13.2 percent.

**Table NO-3**  
**Change in Non-Farm Employment in New Orleans MSA**  
**December 2004 – December 2006**

Sector	Change in Employment	Percent Change
Total	-168,900	-27.4%
Nat. Res. & Mining	1,600	18.8%
Construction	-7,600	-25.3%
Manufacturing	-9,600	-25.0%
Trade, Trans., Utilities	-34,300	-27.1%
Information	-3,300	-30.6%
Financial Activities	-7,600	-22.2%
Professional. & Bus. Services	-23,900	-32.6%
Education	-8,500	-43.1%
Healthcare	-23,500	-38.2%
Leisure & Hospitality	-26,300	-30.8%
Other Services	-11,700	-52.2%
Government	-13,900	-13.2%

Data from <http://data.bls.gov>

**New Orleans MSA Market –Manufacturing Employment**

**Table NO-4**  
**New Orleans MSA Manufacturing Employment: 2005 –2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	37.6	<b>2006</b>	<b>Jan</b>	27.4
	<b>Feb</b>	38.4		<b>Feb</b>	28.1
	<b>Mar</b>	38.4		<b>Mar</b>	28.0
	<b>Apr</b>	38.4		<b>Apr</b>	28.1
	<b>May</b>	38.4		<b>May</b>	27.9
	<b>Jun</b>	38.9		<b>Jun</b>	27.9
	<b>Jul</b>	38.7		<b>Jul</b>	28.2
	<b>Aug</b>	38.6		<b>Aug</b>	28.5
	<b>Sep</b>	27.2		<b>Sep</b>	28.3
	<b>Oct</b>	27.5		<b>Oct</b>	28.6
	<b>Nov</b>	27.2		<b>Nov</b>	28.4
	<b>Dec</b>	27.2		<b>Dec</b>	28.8(p)

p = Preliminary. Data from <http://data.bls.gov>

**Fig. NO-2: New Orleans MSA Manufacturing Employment**

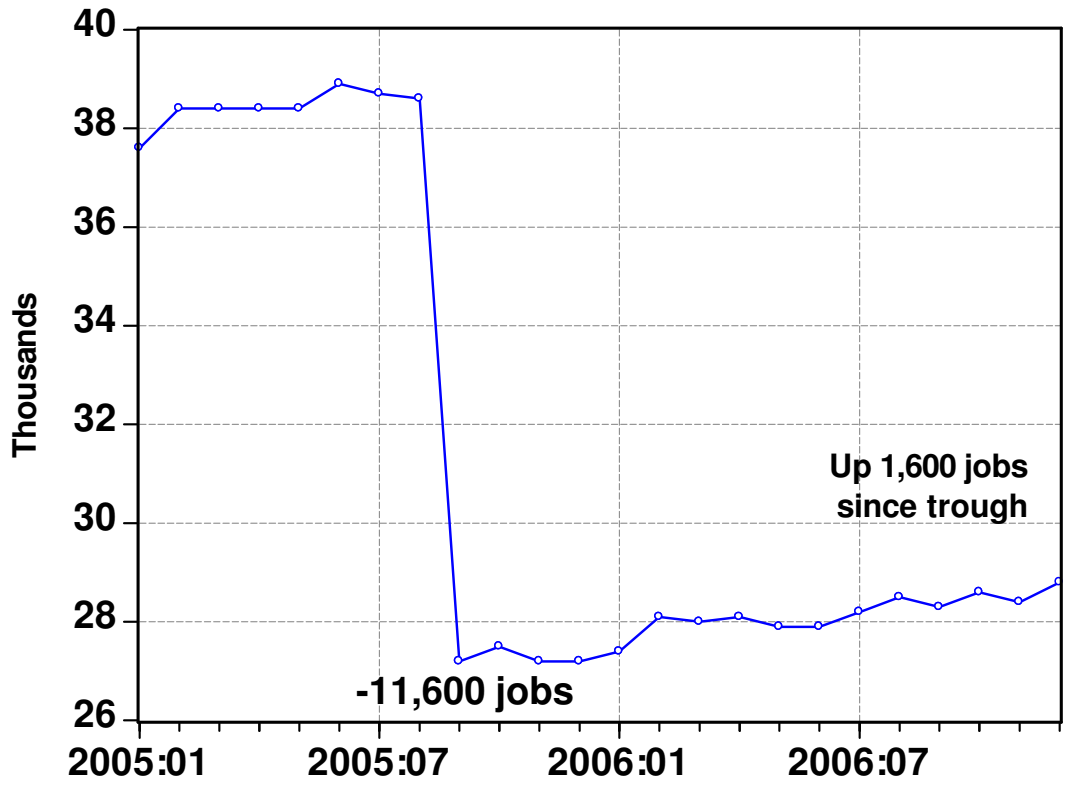


Table NO-4 and Figure NO-2 track the recovery in the manufacturing sector in the New Orleans MSA. After declining by 11,600 jobs (-30 percent) immediately after the storms, the region has recovered only 1,600 of those positions and remains 25.4 percent below a year ago (see Table NO-3). Note that 900 of the jobs recovered since the trough occurred in February 2006. Since February, the MSA has recovered only 700 manufacturing jobs.

As we mentioned in our last report New Orleans' manufacturing sector is essentially bifurcated along size lines. The large employers---such as Textron Land & Marine, Northrop Grumman Avondale Shipyards, Lockheed Martin Space Systems, Bollinger Shipyards, and the chemical and refining facilities---are well on their way to (or are above) their pre-storm employment levels. In fact, most of these large employers showed no decline in their workforces after the storms even though their facilities were badly damaged. Employees were kept on the payroll even though their plant may have not been fully operational. These large employers did not want to lose their employee base, they had the financial wherewithal to weather the period until their plant was back up, and they were able to develop creative ways to house their employees---such as bringing in cruise ships for housing or creating trailer camps.

Employment in the area refineries and chemical plants is where it was pre-storm. Employment in the transportation equipment sector---which includes such big operators as Avondale, Bollinger, Lockheed Martin, and Textron---is essentially back to pre-storm levels. In addition another large employer has returned to the MSA. **Trinity Yachts** has returned to its France Road facility near the Industrial Canal and has signed a 35-year purchase agreement with the Port of New Orleans, and has made \$4.5 million in investments at the site. Also, the firm plans to invest \$6-\$8 million more at its facility to increase efficiency at the site.

The smaller manufacturers, especially the food processors, continue to be very slow about coming back to the region. These firms and firms in other sectors of the economy learned a harsh lesson after the floods. Once flood waters entered an establishment, more often than not business interruption insurance did not pay. Their small size sapped the ability of these firms to weather the down time between the storms and re-opening, and these same financial limitations prevented these companies from being able to support creative ways to solve the housing issue for their employees.

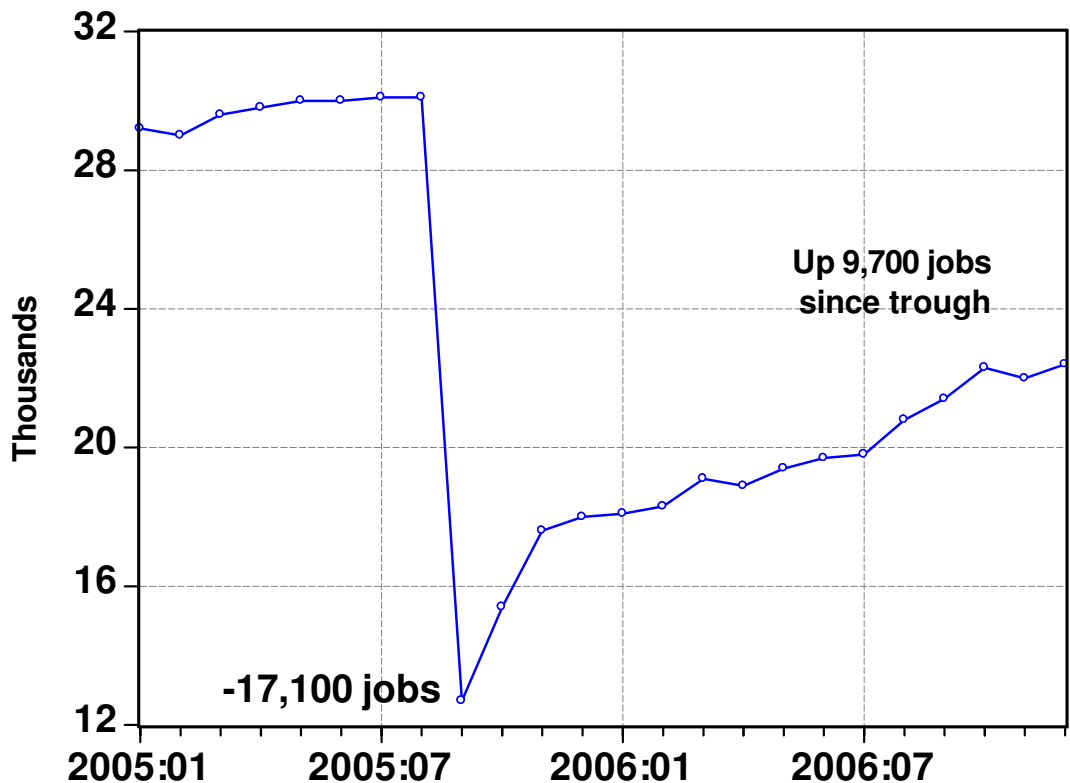
New Orleans MSA Market –Construction Employment

**Table NO-5**  
**New Orleans MSA Construction Employment: 2005 –2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	29.2	<b>2006</b>	<b>Jan</b>	18.1
	<b>Feb</b>	29.0		<b>Feb</b>	18.3
	<b>Mar</b>	29.6		<b>Mar</b>	19.1
	<b>Apr</b>	29.8		<b>Apr</b>	18.9
	<b>May</b>	30.0		<b>May</b>	19.4
	<b>Jun</b>	30.0		<b>Jun</b>	19.7
	<b>Jul</b>	30.1		<b>Jul</b>	19.8
	<b>Aug</b>	30.1		<b>Aug</b>	20.8
	<b>Sep</b>	12.7		<b>Sep</b>	21.4
	<b>Oct</b>	15.4		<b>Oct</b>	22.3
	<b>Nov</b>	17.6		<b>Nov</b>	22.0
	<b>Dec</b>	18.0		<b>Dec</b>	22.4(p)

p = Preliminary. Data from <http://data.bls.gov>

**Fig. NO-3: New Orleans MSA Construction Employment**



Construction employment in the New Orleans MSA is detailed in Table NO-5 and graphed in Figure NO-3. Employment in this sector initially plummeted by 57.4 percent or 17,100 jobs. There was a spurt of growth in this sector in the first two months after

Katrina (rising at a rate of 2,200 jobs per month), but since then, the recovery can best be described as “plodding” (up only 370 jobs per month). Note that there has been basically no change in employment in the past two months.

### **New Orleans v. Lake Charles, Biloxi-Gulfport, and Pascagoula**

We mentioned earlier in the section on total non-farm employment that it is usually a robust construction sector that drives the recovery effort in a region after a natural disaster. Indeed, when we review construction employment in Lake Charles, Biloxi-Gulfport and Pascagoula, we will find that construction employment is much higher today than pre-storm---exactly what one expects when mountains of private insurance monies come flowing into a region, along with federal recovery assistance monies.

Some argue that the construction employment numbers for New Orleans are missing a serious **underground economy** involving cash payments to immigrant labor. While one has to give some credence to that assertion, the same phenomenon has to be occurring in Lake Charles, Biloxi-Gulfport, and Pascagoula as well, yet their construction numbers are at record levels. That same reply applies to assertions that many construction companies operating in New Orleans are from out-of-state. It seems more likely that the construction numbers are low because of the greatly reduced population, the shortage of construction labor given the vastness of the destruction, and the slow pace of federal funding to the area---especially the Road Home monies.

The big difference between New Orleans and these other three MSAs is that homeowners and business owners in New Orleans experienced **flood waters** in their structures. The first ramification of that is there was not a flood of private insurance monies into the New Orleans area, and all the “brakes” on the construction recovery effort that we described back on pages 6-8 came into play.

### **Construction Activity Ahead**

Despite the rather negative implications of Figure NO-3 and Table NO-5, there are reasons to believe that the construction sector could be a major factor in the recovery of this region. There are several large construction projects underway or planned in the immediate future:

- \$803 million will be spent between now and 2011 to build a new, 6-lane **twin span over Lake Pontchartrain** between New Orleans East and Slidell.
- \$705 million has been allocated to widen the **Huey P. Long Bridge**.
- **Marathon Oil Company** will soon begin a \$3.2 billion expansion of its refinery in Grayville.



- The **Army Corps of Engineers** will spend about \$4.5 billion over the next four years to rebuild and elevate the levees in the region.
- **Freeport McMoran Exploration** has received approval to proceed with the construction of a \$1 billion LNG import terminal about 16 miles east of the mouth of the Mississippi River.
- Plans are almost in place for a joint-venture between **LSU and the VA** to rebuild a new hospital to replace Big Charity. LSU plans to commit about \$800 million from FEMA, community block grant funds, and the state construction budget for this project.
- Construction has begun on a \$60 million **Tracage** luxury condo project in the Warehouse District.
- **Dow Chemical** has announced a 100-million-pound capacity expansion at its Union Carbide facility in St. Charles Parish. The value of the investment was not announced.
- The **Hyatt Regency Hotel** has announced plans for a \$715 million revitalization plan to create a 20-acre multi-use National Jazz Center and park along with some public office buildings if funding becomes available. If the National Jazz Center does not work out, the Hyatt may come back as a 300-350 room boutique hotel instead of the 1,200 room hotel it was pre-Katrina.

In addition to these construction projects, there will be the money pumped into the economy through the rebuilding of the damaged homes in the area. Analysts are carefully monitoring (1) when the Road Home monies will become available and (2) how recipients will use those monies. Regarding the first, the phrase “slow as molasses” comes to mind. By January 23, 2007---nearly 17 months after Katrina made landfall---only 258 award checks had been written to homeowners. There is a detailed verification process that must be done before a check is written to an applicant, including whether the applicant received FEMA assistance monies, whether the person lived in and owned the home pre-storm, whether it was the primary residence, and how much insurance money the homeowner received. By the way, the program to provide relief to **landlords of rental property** damaged by the storms had not issued any checks by January 4, 2007 and is reportedly not expected to for months to come.<sup>3</sup>

Regarding the second question of how these Road Home monies will be used, recipients have three options:

- Option 1: return and rebuild in New Orleans;
- Option 2: leave New Orleans but rebuild somewhere else in the state;
- Option 3: take a 40 percent haircut on their award and rebuild in some other state.

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<sup>3</sup> Times Picayune, January 4, 2007, NOLA website

As of January 4, 2007 there have been 95,144 applications for Road Home monies. When filling out their application, homeowners were asked which of these options they were going to choose. The breakdown for all applicants across the state is shown in Table NO-6.

Table NO-6  
Statewide Applicants Benefit Option Chosen  
As of January 4, 2007

<b>Benefit Chosen</b>	<b>Number</b>	<b>Percent</b>
Option 1	64,480	67.8%
Option 2	11,216	11.8%
Option 3	1,438	1.5%
Undecided	12,573	13.2%
No Information Available	5,437	5.7%
Total	95,944	100.0%

Source: [www.road2LA.org](http://www.road2LA.org)

Two-thirds of the applicants are already committing to rebuilding their original homes. So far, few recipients (1.5%) have chosen the option to leave the state; however, nearly a fifth of the applicants either have not yet decided or no information is available.

What is interesting is to view the benefit option breakdown across the three biggest parishes within the bowl. This breakdown is shown in Table NO-7. While 86 percent of Jefferson Parish residents and 74 percent of Orleans Parish residents plan to return to their original home (option 1), in heavily damaged St. Bernard Parish only 40 percent have made that choice.

Table NO-7  
Benefit Option Choices in  
Orleans, Jefferson and St. Bernard Parishes

<b>Benefit Chosen</b>	<b>Orleans</b>	<b>Jefferson</b>	<b>St. Bernard</b>
Option 1	30,160	10,677	4,819
Option 2	3,835	511	4,284
Option 3	752	71	425
Undecided	5,549	788	2,494
No Information Available	742	323	185
Total	40,948	12,370	12,207

Source: [www.road2LA.org](http://www.road2LA.org)

It appears that those taking advantage of the program will have to sign a **legal covenant** where they commit to (1) build to code and comply with FEMA flood elevations, (2) remain in the home at least three years if staying in-state, and (3) get flood hazard insurance. Those homeowners **with mortgages** will be required to manage their

recovery monies with their mortgage lender. Those **without a mortgage** will receive their award in installments, possibly a third each year for three years.<sup>4</sup>

We should mention three other points about construction projects in the New Orleans MSA. **First, some projects that we listed in earlier reports are being scratched from the list.** City officials have decided to postpone the \$314.9 million expansion of the Convention Center because demand for the space did not justify construction at this time. The \$190 million renovation of the World Trade Center into a convention hotel has hit a financing snag. One report indicates that of the 4,000 high-rise condo units proposed since 2005, more than 1,400 have either been dropped or put on indefinite hold.<sup>5</sup>

Secondly, **construction costs have spiked** in the area. The author conducted a survey of the construction industry in February 2006 and found that construction industry wage rates had already jumped 22-30 percent depending on the skill, and that did not include hazard pay, sign-on bonuses, and lodging expenses. As an example, in 2005 the cost of the widening of the Huey P. Long Bridge was estimated to be \$413 million. In late 2006 that estimate had been revised to \$705 million.

Thirdly, and on a more positive note, Congress extended the Gulf Opportunity Zone Act. This Go Zone legislation allows business owners to take advantage of the bonus depreciation provision of this ACT or low interest bond options until December 21, 2010 instead of allowing it to end on December 31, 2007. Without this extension, investors would not have been able to complete their projects in time to earn the Go Zone benefits.

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<sup>4</sup> As reported in the Baton Rouge **Advocate** newspaper, August 10, 2006.

<sup>5</sup> [www.nola.com](http://www.nola.com), October 15, 2006.

## New Orleans MSA Market –Housing Permits

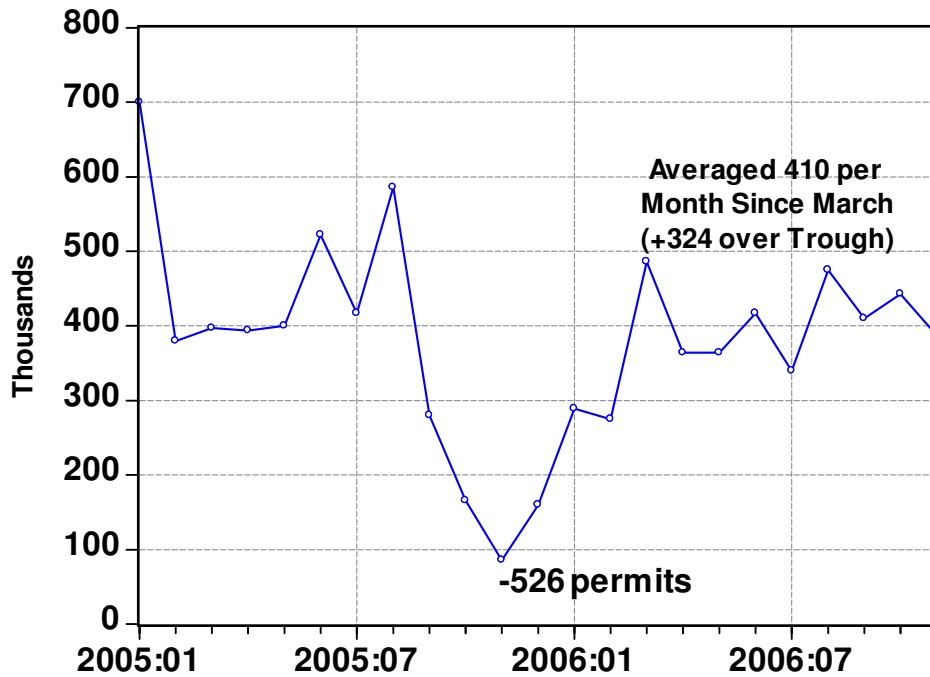
**Table NO-8**  
**New Orleans MSA Housing Permits**

<b>2005</b>	<b>Jan</b>	700
	<b>Feb</b>	380
	<b>Mar</b>	397
	<b>Apr</b>	394
	<b>May</b>	400
	<b>Jun</b>	522
	<b>Jul</b>	417
	<b>Aug</b>	586
	<b>Sep</b>	280
	<b>Oct</b>	166
	<b>Nov</b>	86
	<b>Dec</b>	160
<b>2006</b>	<b>Jan</b>	289
	<b>Feb</b>	275
	<b>Mar</b>	486
	<b>Apr</b>	364
	<b>May</b>	364
	<b>Jun</b>	417
	<b>Jul</b>	340
	<b>Aug</b>	475
	<b>Sep</b>	410
	<b>Oct</b>	443
	<b>Nov</b>	387
	<b>Dec</b>	595

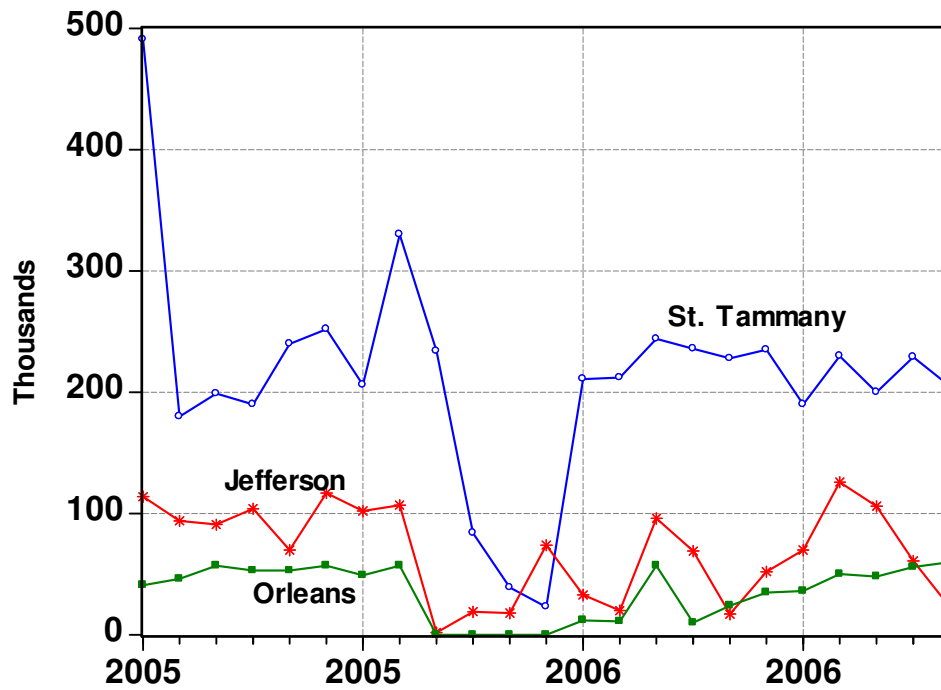
In Table NO-8 we report the pre- and post-storms pattern in housing permits in the New Orleans MSA, and these data are graphed in Figure NO-4. Permits plunged from 586 in August 2005 to only 86 in November of that year. Note that since March 2006, permits have averaged 410 per month---essentially the level achieved pre-storms.

The decline of 500 permits between August and November 2005 was heavily concentrated in St. Tammany (-291), Orleans (-57), and Jefferson (-89) Parishes. Figure NO-5 shows permitting activity in these three parishes in the MSA. The permitting data suggest these three parishes are heading back to normal using this measure. Orleans Parish has steadily climbed back to pre-storm levels, and St. Tammany permits have been at the pre-storm level since the beginning of the year. Permitting activity in Jefferson Parish has been wildly erratic and will likely end the year with fewer permits in 2006 than in 2005.

**Fig. NO-4: New Orleans MSA Housing Permits**



**Fig. NO-5: Jefferson, St. Tammany & Orleans Parish Permits**



## Barriers to Housing Recovery

We have mentioned in the sections above about the slow progress of the Road Home program in getting rebuild money to homeowners. Once these owners get their money, they will face other serious obstacles. First, those who do decide to return will face significant **problems getting their homes repaired**. Construction labor is in short supply, there is a shortage of housing for construction workers, and materials prices have risen significantly.

Thirdly, **utility rates** will likely be disproportionately higher in the City of New Orleans than any other place in the state because Entergy New Orleans services only this area. That means all capital improvements must be paid by ratepayers in this service area unless the Louisiana Recovery Authority or some other organization provides grants to Entergy New Orleans. As an example, Entergy reports they will have to replace about 534 miles of low pressure gas lines and about 310 miles of high pressure gas lines that were corroded by salt water during the floods. The company reports it will cost \$626 million to repair the damage to its gas and electrical system. The LRA is proposing that \$200 million in federal support be used to ease this burden, but that still leaves quite a load to be borne by the rate payers. In the summer of 2006, the water company was processing 130 million gallons of water per day but was only able to bill out 45 million gallons because 85 million gallons were being lost in leaks. By November that leak rate was down to 40 million gallons per day, but again, repair cost to that system will have to be borne by a rate payer base that is much smaller today than pre-Katrina.

Finally, the **cost of insurance** has been a major issue for homeowners all along the coast. In the lowest areas it is not uncommon for the premium on homeowners insurance to be larger than the principle and interest payment on the loan. As an example, the Louisiana Department of Insurance estimates that a \$250,000 home in Belle Chase in St. Bernard Parish would have an insurance premium of \$7,688 per year. A \$145,000 home in the Orleans Parish area of Gentilly would pay \$4,300+ annually. The insurance industry is blaming much of this on (1) the scarce availability of re-insurance and (2) the desire of many carriers to spread their risks more.

## Home Prices

According to Wade Ragas of Real Property Associates, the housing market in this region is bifurcated. Of the 16,344 homes sold between October 2005 and December 2006, 85 percent were undamaged homes. The price of undamaged homes has increased 25 percent---much higher than the pre-Katrina price increases. He notes that all of that appreciation occurred before June 2006. In the last half of 2006 the price of these homes actually fell 14 percent. On the other hand, the price of damaged homes has fallen 65 percent since October 2005.<sup>6</sup>

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<sup>6</sup> [www.nola.com](http://www.nola.com), January 7, 2007.

## **Home Builders**

There have also been some interesting developments regarding homebuilders since our last report. Premium Designed Homes had indicated it would spend \$1 billion on two facilities in eastern New Orleans to construct 8,000-9,000 homes a year. It appears that investment is now dead. KB Homes had indicated it would build 20,000 homes in the area, but the slow housing market has caused the firm to back off on that projection. On a more positive note, Housing International---a California-based company---has announced it will open a steel framing plant in Reserve by mid-2007. The plant will be capable of producing enough framing for 6,000 to 8,000 homes a year.

## New Orleans MSA Hospital Market

**Table NO-9**  
**New Orleans MSA Hospital Market**  
**Hospitals Open**

Parish	pre-Katrina	10/5/2005	1/6/2006	4/6/2006	9/6/2006	12/6/2006
Orleans	23	2	7	7	10	12
Jefferson	14	11	13	13	13	13
St. Bernard	2	0	0	0	0	0
Plaquemines	0	0	0	0	0	0
St. Charles	2	2	2	2	2	2
St. John	2	2	2	2	2	2
St. Tammany	11	11	11	11	11	11
<b>Total</b>	<b>54</b>	<b>28</b>	<b>35</b>	<b>35</b>	<b>38</b>	<b>40</b>

*data source: LA Hospital Association*

In our earlier discussion of non-farm employment trends in this MSA we pointed out that the healthcare industry in this sector was particularly hard hit by Katrina and Rita. In Table NO-3 we showed that between December 2004 and December 2005, this sector lost 23,500 jobs, a decline of 38.2 percent.

### The Hospital Story

As Table NO-9 illustrates, part of the problem in the healthcare sector was the destruction of **hospitals**. Prior to the storms, there were 54 hospitals open in this MSA. By October 2005, this number had been cut almost in half to 28. Losses in Orleans Parish dominated these closures, with only two of the 23 open pre-storms remaining open. Both hospitals in St. Bernard Parish were closed, and three of Jefferson Parish's 14 hospitals were shuttered.

Table NO-9 also illustrates that the most serious hospital issues were---and remain---fairly isolated in this MSA in two parishes---Orleans and St. Bernard. To the west, all the hospitals in St. Charles and St. John the Baptist Parishes remained opened as did the hospitals out to the east in St. Tammany Parish. By January 2006, all but one hospital in Jefferson parish had reopened. By the end of 2006, 40 of the original 54 hospitals were open.

It is important to note that though 12 hospitals have reopened since being closed by the storms, it does not follow that the quantity of healthcare has increased commensurately. That is because though the hospitals have reopened they have not always been able to make all their beds available for patients. Table NO-10 documents for each hospital the licensed beds versus the available beds. **Of the 7,498 beds licensed, only 3,860 (51.5 percent) were available.**



**Table NO-10  
Licensed Versus Available Beds In New Orleans MSA**

<b>Hospital Name</b>	<b>Parish</b>	<b># Licensed Beds</b>	<b>Operational</b>	<b>Available Beds</b>
Chalmette Medical Center	St. Bernard	265	NO	0
Children's Hospital	Orleans	201	YES	143
Community Care Hospital	Orleans	38	YES	22
Doctors Hospital of Slidell	St. Tammany	10	YES	10
East Jefferson General Hospital	Jefferson	455	YES	439
East Side Hospital	Orleans	17	NO	0
Fairway Medical Center	St. Tammany	21	YES	21
Genesis Specialty Hospital	Orleans	38	NO	0
Greenbrier Hospital	St. Tammany	26	YES	16
Gulf States Long Term Acute Care of Covington	St. Tammany	58	YES	58
Gulf States LTAC of Washington/St. Tammany	St. Tammany	34	YES	34
HealthSouth Specialty Hospital of New Orleans	Orleans	28	NO	20
Healthwest Rehabilitation Hospital	Jefferson	29	YES	14
Ochsner Medical Center -Kenner LLC	Jefferson	203	YES	74
Kindred Hospital- New Orleans	Orleans	168	YES	46
Lakeview Regional Medical Center	St. Tammany	178	YES	178
LaPlace Rehabilitation Hospital	St. John the Baptist	22	YES	21
Lifecare Hospitals of New Orleans at Kenner Regional	Orleans	68	NO	0
LifeCare Hospitals of New Orleans, L.L.C.	Orleans	82	NO	0
Lindy Boggs Medical Center	Orleans	187	NO	0
Louisiana Heart Hospital LLC	St. Tammany	58	YES	58
Louisiana Specialty Hospital, L.L.C.	Jefferson	56	YES	56
Louisiana Specialty Hospital, L.L.C.	Jefferson	56	YES	56
Luling Rehabilitation Hospital, Inc.	St. Charles	16	YES	16
Ochsner Medical Center-Westbank LLC	Jefferson	207	YES	119
Medical Center of La. at New Orleans	Orleans	714	YES	39
Memorial Medical Center	Orleans	317	NO	0
Methodist Hospital	Orleans	350	NO	0
New Orleans Adolescent Hospital	Orleans	124	YES	34
Northshore Regional Medical Center	St. Tammany	165	YES	165
Ochsner Foundation Hospital	Jefferson	483	YES	494
Omega Hospital LLC	Jefferson	10	YES	10
Psychiatric Pavilion New Orleans	Orleans	24	YES	24
Regency Hospital of Covington	St. Tammany	38	YES	34

River Oaks Child and Adolescent Hospital	Jefferson	26	YES	26
River Oaks Hospital	Jefferson	100	YES	100
River Parishes Hospital	St. John the Baptist	106	YES	85
Select Specialty Hospital-Jefferson Parish	Jefferson	31	YES	31
Slidell Memorial Hospital and Medical Center	St. Tammany	182	YES	131
Southeast Louisiana Hospital	St. Tammany	446	YES	153
Southern Surgical Hospital	St. Tammany	37	YES	37
Specialty Hospital of New Orleans	Orleans	27	NO	0
St. Charles Parish Hospital	St. Charles	56	YES	49
St. Charles Specialty Hospital	Orleans	10	NO	0
St. John's Specialty Hospital	Orleans	26	YES	12
St. Tammany Parish Hospital	St. Tammany	223	YES	210
Touro Infirmary	Orleans	504	YES	325
Touro Rehabilitation Center	Orleans	63	YES	51
Tulane University Hospital and Clinic	Orleans	464	YES	97
West Jefferson Medical Center	Jefferson	451	YES	352

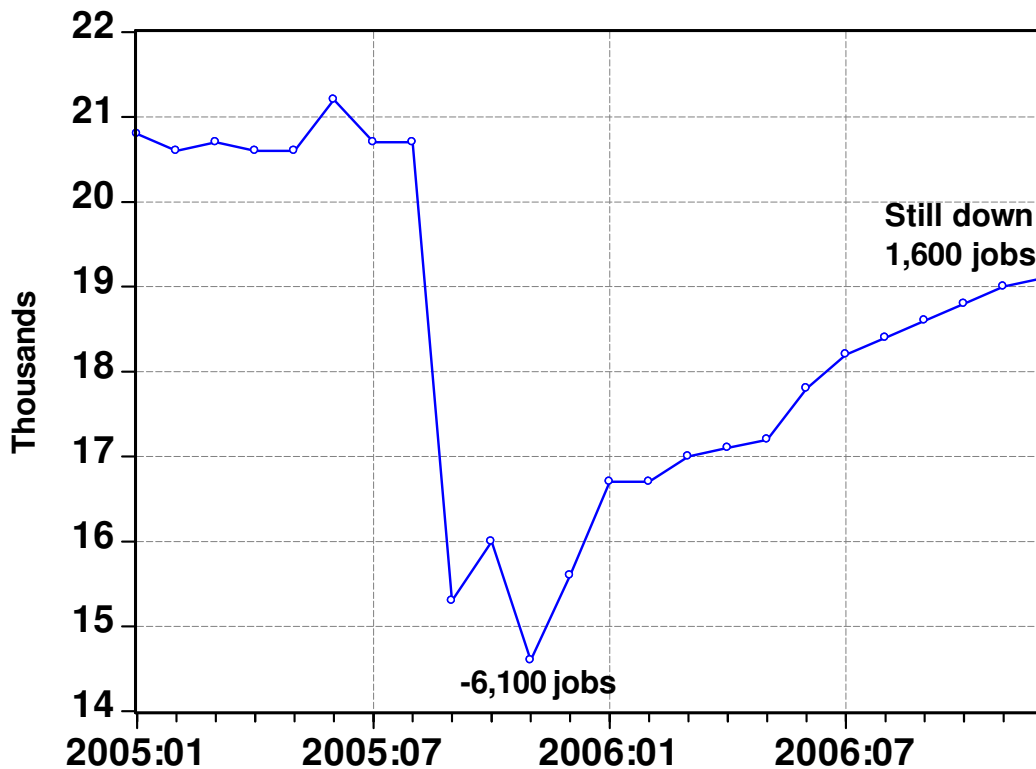
*source: Department of Health and Hospitals*

The primary reason for the difference between the number of licensed beds and the number actually available to use is **staffing**. The area simply cannot find enough doctors and nurses to fully staff all the beds. There has been an exodus of staff because (1) a spouse has been unable to find work in the area, (2) schools are not open, (3) there is no housing available, and/or (4) the stress level at the under-staffed facilities is just too high. LSU has reopened the 150-bed University Hospital but is only able to use 70 due to staffing problems. Recently, Jefferson General Hospital reported it needed 40 doctors and 100 more nurses to operate at capacity.<sup>7</sup>

Another factor is that **shortages of healthcare personnel are not confined to this region**. Even pre-storm there were doctor and nursing shortages all over the country. Since the storms hit, recruiters from other areas have been trying to cherry-pick healthcare professionals from the disrupted New Orleans market and many times have succeeded.

Despite these disclaimers, actual employment at hospitals in this MSA has been climbing steadily as seen in Figure NO-6. After dropping 6,100 slots in the immediate aftermath of the storms, hospital employment has climbed back to within 1,600 jobs of the pre-Katrina level.

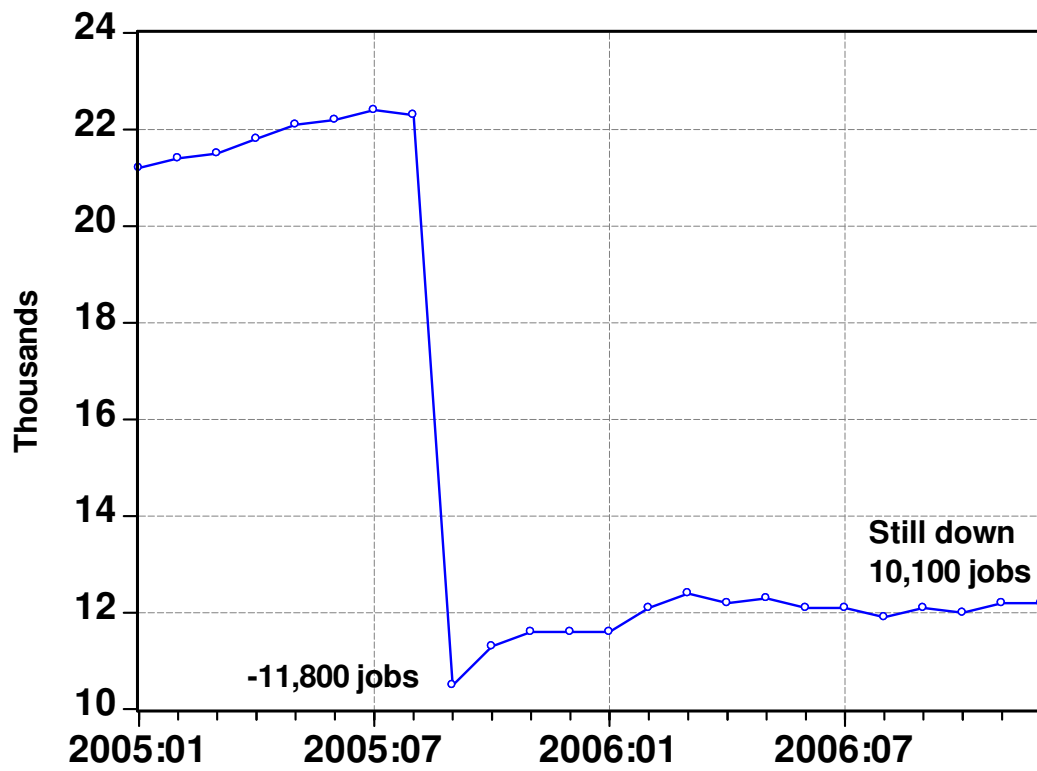
<sup>7</sup> City Business Newspaper, July 31, 2006.

**Fig. NO-6: New Orleans MSA Hospital Employment**

An important development for the area is the continuing progress by LSU to team up with the Veterans Administration and build a hospital to replace Big Charity. The Louisiana Recovery Authority recently allocated \$300 million in federal community block grant money to the project, and those funds, plus \$300 million from the state capital outlay budget, and another \$200 million from FEMA for damage to its two hospitals has this project close to a “go.” Big Charity was a major teaching hospital and it has lost 130 faculty members since Katrina. Recruiting replacements is expected to be a daunting task.

### The Clinic Story

While the hospital sector has shown a steady increase in its employment levels as more and more hospitals have reopened, that has not been the case for the **ambulatory care sector**. This is the sector that contains the clinics, offices of physicians and the home health companies. After shedding 11,800 jobs after the storms, this sector still remains down by 10,100 slots, and employment in this sector has actually deteriorated since the end of the first quarter of 2006 (see Figure NO-7).

**Fig. NO-7: New Orleans MSA Ambulatory Care Employment**

**New Orleans MSA Casino Market**

**Table NO-11  
Casinos in the New Orleans MSA:  
History since Katrina & Rita**

	<b>Boomtown Belle Casino</b>	<b>Treasure Chest Casino</b>	<b>Harrah's New Orleans*</b>	<b>Bally's Belle of Orleans**</b>
Aug-05	open	open	open	open
Sep-05	closed	closed	closed	closed
Oct-05	open	open	closed	closed
Nov-05	open	open	closed	closed
Dec-05	open	open	closed	closed
Jan-06	open	open	closed	closed
Feb-06	open	open	closed	closed
Mar-06	open	open	open	closed
Apr-06	open	open	open	closed
May-06	open	open	open	closed
Jun-06	open	open	open	closed
Jul-06	open	open	open	closed
Aug-06	open	open	open	closed
Sep-06	open	open	open	closed
Oct-06	open	open	open	closed
Nov-06	open	open	open	closed
Dec-06	open	open	open	closed

**Figure NO-8  
New Orleans MSA Casino Recovery Track**

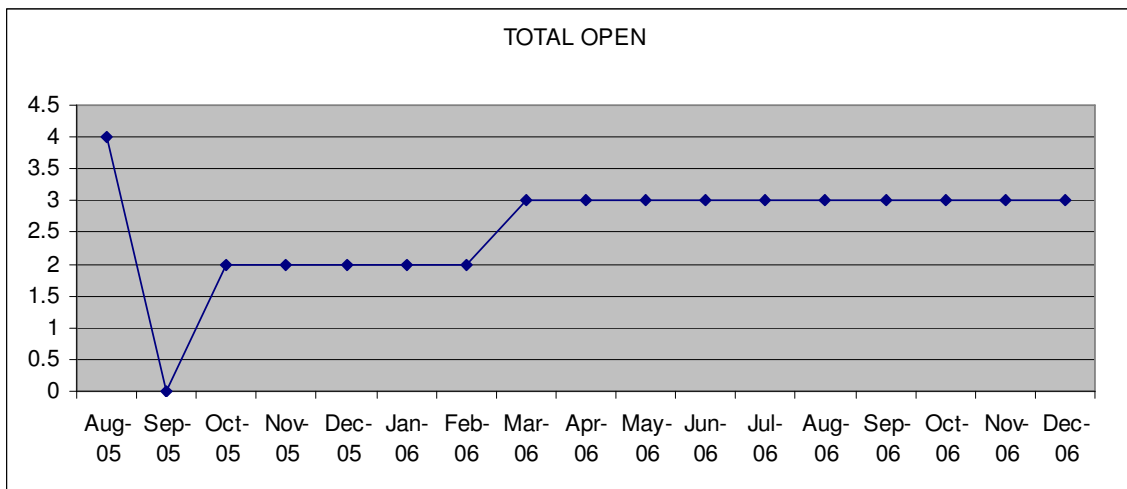


Table NO-11 and Figure NO-8 document what happened to the four casinos operating in the New Orleans MSA after the storms. Three of these casinos---Boomtown Belle Casino, Treasure Chest Casino, and Bally’s Belle of Orleans---are riverboat casinos. The fourth---Harrah’s---is the only land-based casino in the state and is located at the foot of Canal Street.

Initially all four of these casinos were closed. By October of 2005 two of the casinos---Treasure Chest and Boomtown---had reopened. These two boats are struggling with staffing issues related to available housing. There are now about 1,700 employees at these two boats, though staffing problems continue to nag the **Treasure Chest** to the extent that its is still not open 24 hours.

The owner of the **Boomtown Casino**---Pinnacle Entertainment---is planning a \$200 million renovation of that site. Changes include a new riverboat that will replace the present 3-story boat with a one-story boat (which enables the casino to hold far more slots) and a new 20-room luxury hotel modeled after Pinnacle's L'Auberge du Lac Casino in Lake Charles.

On February 17, 2006, **Harrahs' land-based casino** re-opened after sustaining \$10 million in damages, but with a much reduced workforce. The casino received permission from the Gaming Control Board to open with only 1,250 employees rather than the 2,400 required by its contract with the state. The casino is now open 24 hours a day, and its workforce is all the way up to 2,600. Harrah's new 450-room 26-floor luxury hotel officially opened on September 21, 2006.

The third riverboat---the **Belle**---was purchased by Columbia Sussex. It has been moved to Amelia in St. Mary Parish and will reopen under the name the Amelia Belle.

Despite the fact that (1) one casino has not reopened and (2) at least one of the casinos are working with reduced staff, the three casinos are experiencing a **remarkable year of revenues** as seen in Table NO-12. This table compares revenues by gambling venue in the December before the storms (2004) with revenues in December 2006. The presence of construction workers with a lot of money on their hands and little else to do, plus a Mississippi gambling market hammered by Katrina created huge jumps in revenues at Boomtown (+43.3 percent) and the land based casino (+29.9 percent). Industry officials are watching with fear and trembling the rebuilding effort of larger, more numerous, and more luxurious casinos on the Mississippi coast. They do not expect these New Orleans growth rates to persist. In fact, they are worried the new competition will force revenues below pre-Katrina levels.

**Table NO-12**  
**Casino Revenues in the New Orleans MSA**  
**December 2004 versus December 2006**

<b>Casino</b>	<b>December 2004</b>	<b>December 2006</b>	<b>% Change</b>
<b>Boomtown</b>	\$10,043,462	\$14,389,153	43.3%
<b>Treasure Chest</b>	\$9,340,777	\$9,628,335	3.1%
<b>Harrah's</b>	\$25,897,797	\$33,633,129	29.9%

Source: Louisiana Gaming Control Board

## New Orleans MSA Airport Market

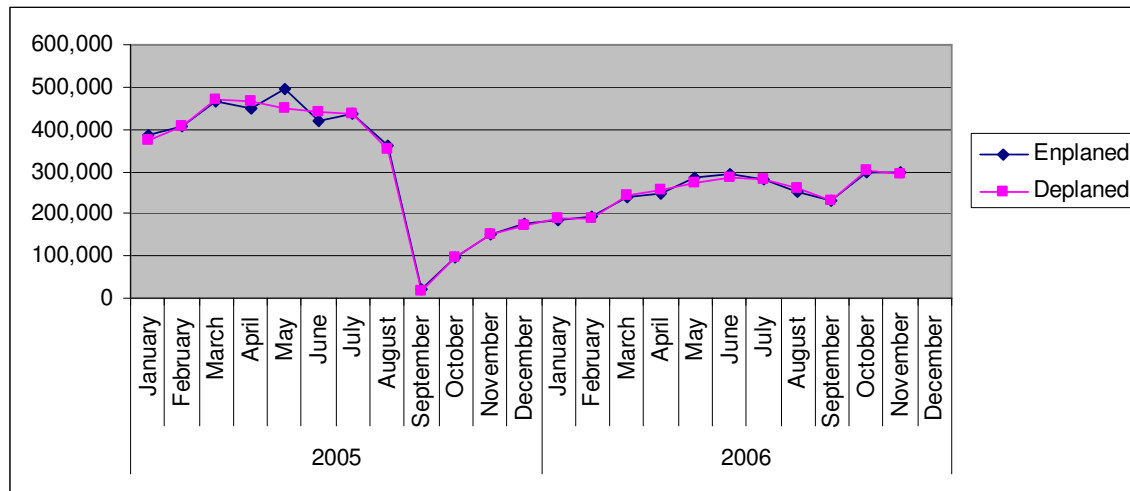
**Table NO-13**  
**The New Orleans MSA Airport:**  
**History since Katrina & Rita**

		Domestic		International		Domestic Charter		International Charter	
		Enplaned	Deplaned	Enplaned	Deplaned	Enplaned	Deplaned	Enplaned	Deplaned
2005	January	385,628	372,499	2,761	3,116	2,020	2,681	2,091	2,742
	February	408,648	406,997	3,215	3,069	701	394	753	1,060
	March	467,714	470,803	3,024	2,798	562	144	279	697
	April	446,885	467,726	2,440	2,557	603	72	167	1,155
	May	496,567	447,619	3,115	2,925	169	0	1,469	1,126
	June	420,433	438,607	3,080	2,833	114	110	1,720	2,259
	July	435,895	436,836	3,110	3,267	288	288	903	965
	August	359,231	352,789	1,848	1,879	0	0	216	399
	September	22,735	18,871	0	0	0	40	497	55
	October	96,797	97,538	0	0	0	0	0	0
	November	150,859	149,680	0	0	478	0	0	478
	December	177,351	173,707	0	0	0	0	0	0
2006	January	183,811	190,905	0	0	0	0	143	143
	February	191,287	190,797	0	0	167	0	2,373	2,547
	March	240,493	241,705	0	0	489	489	0	0
	April	247,995	253,927	0	0	60	60	0	0
	May	283,311	270,859	0	0	0	0	847	342
	June	292,220	286,102	0	0	39	39	917	1,222
	July	282,105	280,058	0	0	277	112	781	845
	August	253,589	261,861	0	0	326	186	50	382
	September	231,410	231,206	0	0	513	633	226	228
	October	296,398	302,237	0	0	314	314	205	205
	November	295,862	295,322	0	0	252	252	0	0
	December								

The Louis Armstrong Airport was badly damaged by Katrina, sustaining about \$30 million in damages. The impact on business at the airport is documented in Table NO-13 and Figure NO-9. The airport lost all of its international flights and its domestic enplanements fell from 435,895 in July to only 22,735 in September.

**International flights** have still not returned to the airport, though officials are working with TACA, Aero Mexico, and Air Canada to restore their flights in 2007. International carriers have found the New Orleans market to be somewhat problematic since the city's convention market features spurts---rather than a steady stream---of business.

**Figure NO-9**  
**New Orleans MSA Airport Recovery Track**



The news on the **domestic traveler** through the airport is more mixed. Note in Table NO-13 and Figure NO-9 that from the trough in September 2005 through June 2006 there was a steady improvement in domestic air travel, with about two-thirds of the pre-storm traffic being recovered. However, since June domestic enplanements have stabilized near the 300,000 mark. A hopeful sign for this market is the recent announcement by ExpressJet that it is coming to the airport and will offer direct flights between New Orleans and 24 small-to-medium size cities.



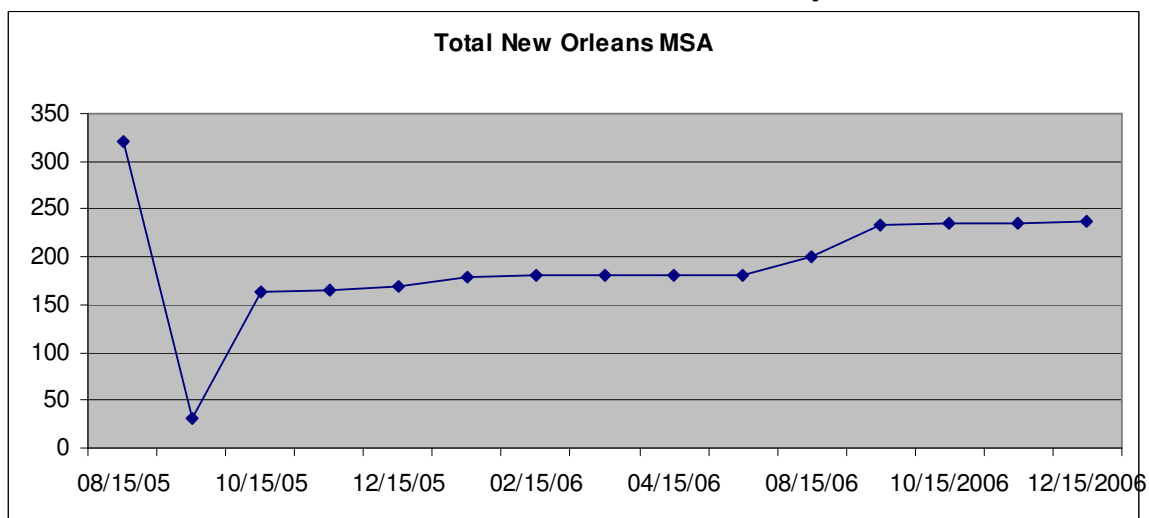
## New Orleans MSA Public Schools

**Table NO-14**  
**The New Orleans MSA Public Schools: Number Open**  
**History since Katrina & Rita**

	Jefferson	Orleans	Plaquemines	St. Bernard*	St. Charles	St. John	St. Tammany
08/15/05	85	126	10	15	19	12	54
09/15/05	0	0	0	0	19	12	0
10/15/05	82	0	0	0	19	12	50
11/15/05	83	0	1	1	19	12	50
12/15/05	83	0	4	1	19	12	50
01/15/06	83	10	4	1	19	12	50
02/15/06	83	11	4	1	19	12	50
03/13/06	83	12	4	1	19	12	50
04/15/06	83	12	4	1	19	12	50
05/15/06	83	12	4	1	19	12	50
08/15/06	83	21	10	2	19	12	53
09/15/06	84	53	10	2	19	12	54
10/15/06	84	54	10	2	19	12	54
11/15/06	84	55	10	2	19	12	54
12/15/06	84	56	10	2	19	12	54
<b>Percent Open</b>	99%	44%	100%	13%	100%	100%	100%

Source: Louisiana Department of Education

**Figure NO-10**  
**New Orleans MSA Public Schools Recovery Track**



## School Openings Story

Table NO-14 documents the change in public school openings by parish in the New Orleans MSA, and Figure NO-10 illustrates the pattern of openings in the MSA as a whole since Katrina hit. **Prior to the storms, there were 321 public schools open in the MSA. This declined to only 31 in September 2005, just after Katrina. As of December 2006, 237 (74 percent) have reopened.**

Note in Table NO-14, that all of the schools in the two parishes to the extreme west of New Orleans---St. John the Baptist and St. Charles---have remained open since the storms. Both St. Tammany and Jefferson Parishes had all but three or four of their schools back open by mid-fall after the storms and now all of the St. Tammany schools have reopened and only one school in Jefferson Parish has not reopened. After total closure just after the storms, four schools reopened in Plaquemines Parish for the spring 2006 session and now all ten are open.

Obviously from the data in Table NO-14, the most serious problems are in Orleans and St. Bernard Parishes, where the percentage school openings are only 44 percent and 13 percent respectively. Even these school opening data do not tell the complete story of the pace of recovery. For that fuller story, note the enrollment data in Table NO-15.

## School Enrollment Story

Figure NO-15  
Public School Enrollment Data By parish:  
New Orleans MSA

	Fall 2002	Fall 2003	Fall 2004	Fall 2005*	Fall 2006	% Chg.
						Fall '04 –Fall '06
<b>Jefferson</b>	51,669	51,675	51,666	29,109	43,617	-15.6%
<b>Orleans</b>	71,212	69,051	66,372	1	25,651	-61.4%
<b>Plaquemines</b>	5,475	5,823	5,952	1	4,374	-26.5%
<b>St. Bernard</b>	8,775	8,950	8,872	22	3,536	-60.1%
<b>St. Charles</b>	9,807	9,757	9,797	9,999	9,734	-0.6%
<b>St. John the Baptist</b>	6,384	6,431	6,559	7,611	6,783	+3.4%
<b>St. Tammany</b>	34,466	35,214	36,169	32,513	35,294	-2.4%

Source: Louisiana Department of Education

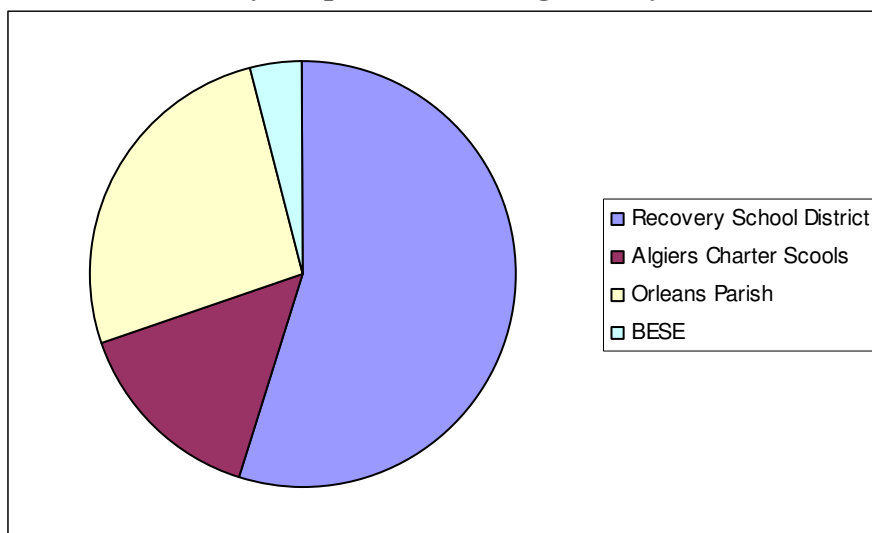
From an enrollment standpoint, St. Charles, St. John the Baptist, and St. Tammany Parish are essentially back to pre-storm levels. In three of the parishes, enrollment data are not as favorable as those for school openings. For example, even though all of its schools are open, Jefferson Parish enrollments are 15.6 percent below pre-Katrina. The situation is even worse for Orleans and Plaquemines Parishes. In Orleans, 44 percent of the schools are open but enrollment is still down 61.4 percent. In

Plaquemines, 100 percent of the schools are open but enrollment is still down 26.5 percent.

The St. Bernard Parish openings/enrollment is exactly the opposite. Though only 13 percent of its schools are open, enrollments are “only” down 60.1 percent---that is the “enrollment story” is not as bad as the “openings story” in this parish. St. Bernard had 8,872 students pre-Katrina. In order to better utilize all of their resources, St. Bernard Parish immediately combined all of their students into a "Unified School District" which included every pre-Katrina public, private and parochial school in St. Bernard parish in Pre-K through 12th grade. They reopened in November 2005 to 340 students and were at 650 by Christmas break. By the end of January 2006, they were up to 1,600 students. By April enrollment was at 2,300. They had 14 uninhabitable schools with 4 recommended for demolition. Another 2 schools have been recommended for demolition since that time.

However, at the start of this school year, they opened with 3,536 students using Chalmette High School for grades 7-12 and Andrew Jackson for grades Pre-K-6 (48 portables were added to Andrew Jackson to help accommodate additional students). St. Bernard was hard hit and these two school buildings represent the first two public buildings in the parish to be 100% renovated since the storm. They have a full staff and normal size classes. Another school building is almost finished so that a third building can be opened if necessary to accommodate growth. They are opening 2 more sites in August for a total of 5 sites to serve approximately 4,000 students.

**Chart NO-1**  
**Distribution of Orleans Parish Public Schools**  
**By Responsible Oversight Party**



In the case of **Orleans Parish**, of the schools now open, as we indicated in our last report only 14 remain under the control of the Orleans Parish School Board (see Chart NO-1). Twenty-nine are now being run by the Recovery School District, eight are Algiers charter schools, and two are under the Board of Elementary and Secondary

Education. Table NO-16 shows these different types of schools under each umbrella organization.

**Table NO-16  
Distribution of 53 Orleans Parish Public Schools**

<b>School Type</b>	<b>Amount</b>
BESE Charter	1
Orleans Parish School Board (OPSB)	5
OPSB Charter	9
OPSB Charter (ACSA)	2
Recovery School District (RSD)	18
RSD (ACSA)	2
RSD Charter (ACSA)	4
RSD Charter	1
RSD Charter (Choice Foundation)	1
RSD Charter (Friends of King)	1
RSD Charter (Institute of Academic Excellence)	1
RSD Charter (KIPP)	2
RSD Charter (Middle School Advocates)	1
RSD Charter (New Orleans Charter Foundation)	1
RSD Charter (University of New Orleans)	3
Type 2 Charter BESE	1

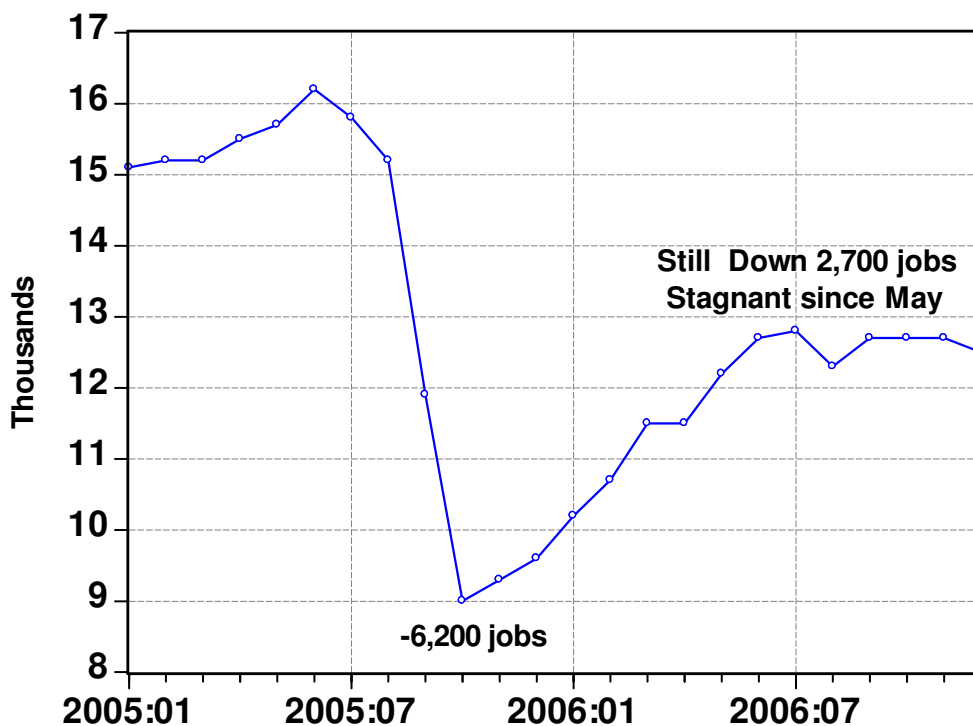
### New Orleans MSA Hotel Market

**Table NO-17**  
**The New Orleans MSA Hotels:**  
**Employment History since Katrina & Rita**

<b>2005</b>	<b>Jan</b>	15.1	<b>2006</b>	<b>Jan</b>	10.2
	<b>Feb</b>	15.2		<b>Feb</b>	10.7
	<b>Mar</b>	15.2		<b>Mar</b>	11.5
	<b>Apr</b>	15.5		<b>Apr</b>	11.5
	<b>May</b>	15.7		<b>May</b>	12.2
	<b>Jun</b>	16.2		<b>Jun</b>	12.7
	<b>Jul</b>	15.8		<b>Jul</b>	12.8
	<b>Aug</b>	15.2		<b>Aug</b>	12.3
	<b>Sep</b>	11.9		<b>Sep</b>	12.7
	<b>Oct</b>	9.0		<b>Oct</b>	12.7
	<b>Nov</b>	9.3		<b>Nov</b>	12.7
	<b>Dec</b>	9.6		<b>Dec</b>	12.5(p)

p = Preliminary. Data from <http://data.bls.gov>

**Fig. NO-11: New Orleans MSA Accommodations Employment**



New Orleans is a major tourist/convention city and consequently, had a large hotel/lodging base prior to Katrina. As seen in Table NO-17 and Figure NO-11 this sector was heavily impacted---and remains seriously impacted---by the storms. Many

hotels suffered from both flooding and wind damage. The sector lost 6,200 jobs (-40.8 percent) between August and October 2005. Through mid-year 2006 the lodging industry was just over halfway back to its pre-Katrina peak employment level. Note that since May 2006 there has not been much movement in this sector.

The data in Table NO-17 and Figure NO-11 are backed up by the room availability data shown in Table NO-18. In August 2005 before the storm there were 265 hotels with 38,338 rooms. This figure immediately plummeted to only 2,000 hotel rooms. As of the end of 2006, there are now 28,500 rooms available---about 75 percent of the pre-storm level.

**Table NO-18**  
**Trends in Hotel Rooms in New Orleans**

Month	Rooms Open
Aug-05*	38,000
Sep-05	2,000
Oct-05	8,500
Nov-05	12,000
Dec-05	18,000
Feb-06	27,000
Apr-06	27,799
May-06	27,961
Jun-06	27,961
Jul-06	27,921
Aug-06	27,921
Oct-06*	28,500
Nov-06	28,500
Dec-06	28,500

*source: NewOrleansOnline*

A troublesome concern for this industry is the City's **convention business**. In 2004, the area attracted 523,700 conventioners. In the storm-shortened year of 2005, approximately 372,000 conventioners came to the City. In 2006, that figure had dropped to only 197,000.

This convention business trend has had two direct effects on the industry. First, the planned \$314 million phase-IV expansion of the Convention Center has been put on hold. Secondly, developers who were considering building new hotels in the area have found lenders reluctant to provide loans where tourism levels have not come back. Developers are also facing the additional problem of much higher construction costs post-Katrina than pre-Katrina.

The one bright light in this sector has been **casino hotels**. In September 2006, Harrah's Casino opened its 26-story, 450 room hotel (note the impact on the room availability numbers between August and October 2006 in Table NO-18). In addition, Pinnacle Entertainment---owner of the Boomtown Casino---has announced plans to build a new 220-room, 4-star hotel at its site in Harvey.

At this writing, there are at least three large hotels that have not reopened in this market. The Hyatt on Poydras Street is scheduled to reopen in late 2007, and the hotel Monaco is scheduled to reopen as a Hilton in that same time frame. The 701-room Fairmont Hotel's future remains uncertain. What is really uncertain is the future of the many small hotels in New Orleans East, all of which were heavily damaged by flood waters and are located in an area where the population has largely vanished.

New Orleans MSA Restaurant Market

**Table NO-19**  
**The New Orleans MSA Restaurant Employment:**  
**History since Katrina & Rita**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	54.6	<b>2006</b>	<b>Jan</b>	35.8
	<b>Feb</b>	55.1		<b>Feb</b>	38.1
	<b>Mar</b>	56.3		<b>Mar</b>	37.9
	<b>Apr</b>	56.7		<b>Apr</b>	38.6
	<b>May</b>	57		<b>May</b>	39.8
	<b>Jun</b>	57.5		<b>Jun</b>	39.2
	<b>Jul</b>	56.3		<b>Jul</b>	39.2
	<b>Aug</b>	56.5		<b>Aug</b>	39.8
	<b>Sep</b>	28.2		<b>Sep</b>	39.3
	<b>Oct</b>	31.2		<b>Oct</b>	39.9
	<b>Nov</b>	32.6		<b>Nov</b>	40.2
	<b>Dec</b>	35.1		<b>Dec</b>	40.2p

p = Preliminary. Data from <http://data.bls.gov>

**Fig. NO-12: New Orleans MSA Eating Establishment Employment**

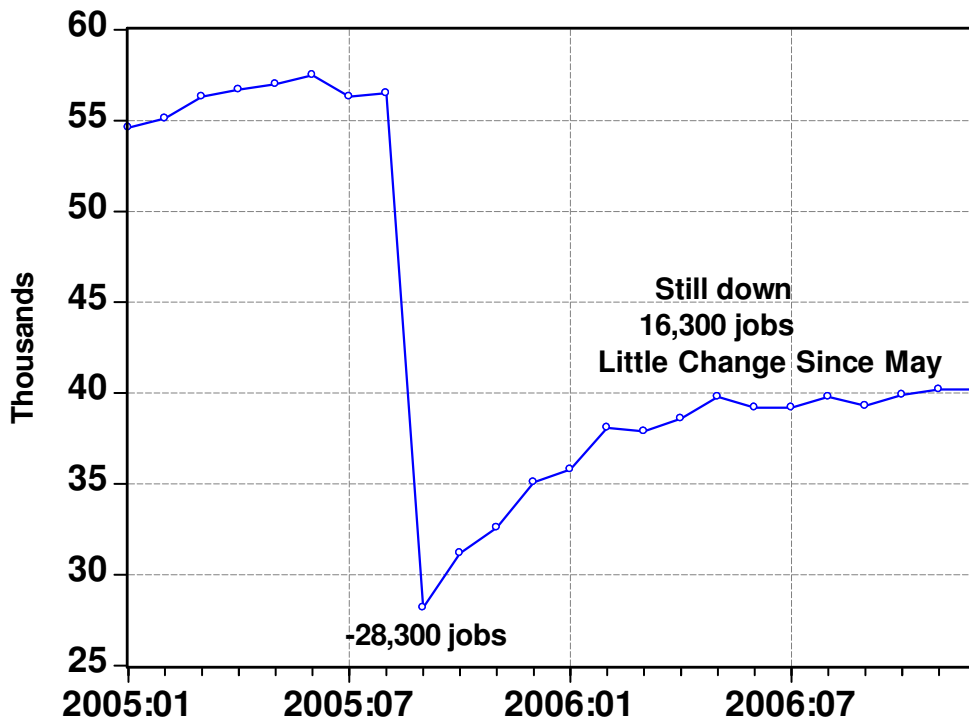




Table NO-19 and Figure NO-12 reveal another troublesome sector of the New Orleans economy---its restaurant sector. People in the New Orleans area have always placed a high priority on excellent food, and it is this priority that has been one of the major tourism/conventioneer draws of the region. As seen in these two illustrations, eating and drinking establishments were battered badly by Katrina and Rita. The restaurant industry lost 28,300 jobs (-50.1 percent) immediately after the storms.

Many restaurants were **flooded**, and all had a serious difficulty with **staffing** because employees had no place to live. Problems were compounded for restaurants in Orleans, Jefferson, and St. Bernard parishes when the Louisiana Department of Health and Hospitals decided early on that every food establishment in this area would have to be **re-inspected and re-certified** (because of concerns about water) before they could reopen. Finally, all suffered from a **dramatically reduced customer base**---not only because of fewer tourists and conventioneers but also because of a decimated local population base.

As seen in Figure NO-12, this sector enjoyed a steady recovery from its initial fall off the cliff, picking up 11,600 jobs between September 2005 and May 2006. However, employment has stabilized in the last half of 2006, showing almost no improvement. Employment remains about 16,300 jobs below pre-Katrina levels.

There are some disheartening reports coming out of the New Orleans central business district about the future of some famous restaurants in the area. For example, owners of Antoine's Restaurant, which has been open since 1840, have publicly indicated concern about their ability to weather the weak demand they have experienced since Katrina. Pre-storm, Antoine's served about 2,000 meals a day; now the restaurant is averaging only 156 meals a day on the five days a week it is open. We suspect that Antoine's is not the only eating and drinking establishment facing these financial challenges.

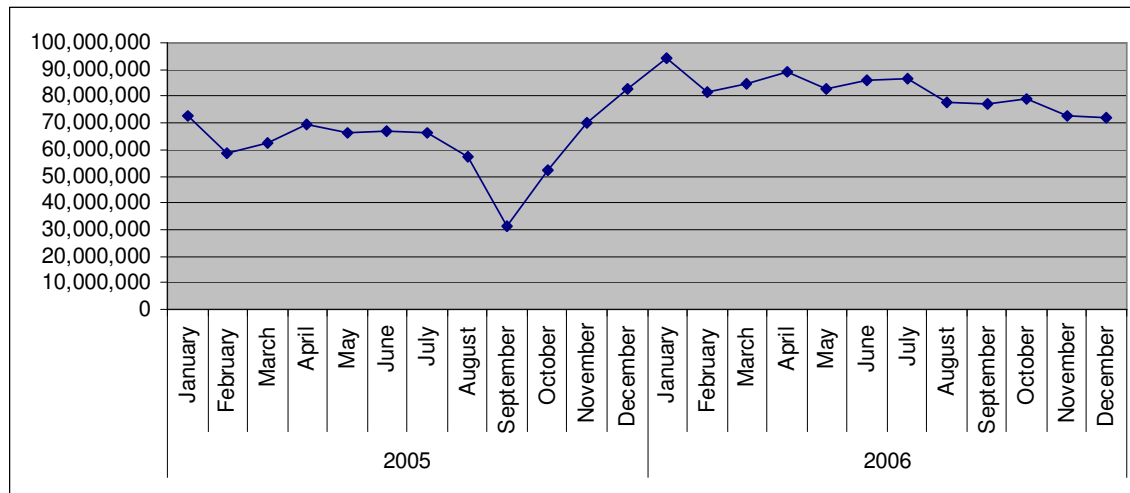
**New Orleans MSA Sales Tax Collections \***

**Table NO-20  
New Orleans MSA Sales Tax Collections \*  
History since Katrina & Rita**

<b>2005</b>	<b>January</b>	72,731,416
	<b>February</b>	58,616,186
	<b>March</b>	62,304,514
	<b>April</b>	69,498,414
	<b>May</b>	66,417,032
	<b>June</b>	66,671,879
	<b>July</b>	66,210,673
	<b>August</b>	57,083,379
	<b>September</b>	31,161,818
	<b>October</b>	52,209,094
	<b>November</b>	69,950,951
	<b>December</b>	82,844,741
<b>2006</b>	<b>January</b>	94,434,888
	<b>February</b>	81,645,274
	<b>March</b>	84,452,640
	<b>April</b>	89,277,820
	<b>May</b>	82,621,472
	<b>June</b>	86,080,237
	<b>July</b>	86,514,592
	<b>August</b>	77,935,846
	<b>September</b>	77,006,143
	<b>October</b>	78,774,010
	<b>November</b>	72,763,382
	<b>December</b>	71,819,419

\*Excluding St. Bernard Parish. December 2006 numbers do not include Plaquemines and St. Tammany collections.

**Figure NO-13**  
**Sales Tax Collections in New Orleans MSA\***



\*Excluding St. Bernard Parish. December 2006 numbers do not include Plaquemines and St. Tammany collections.

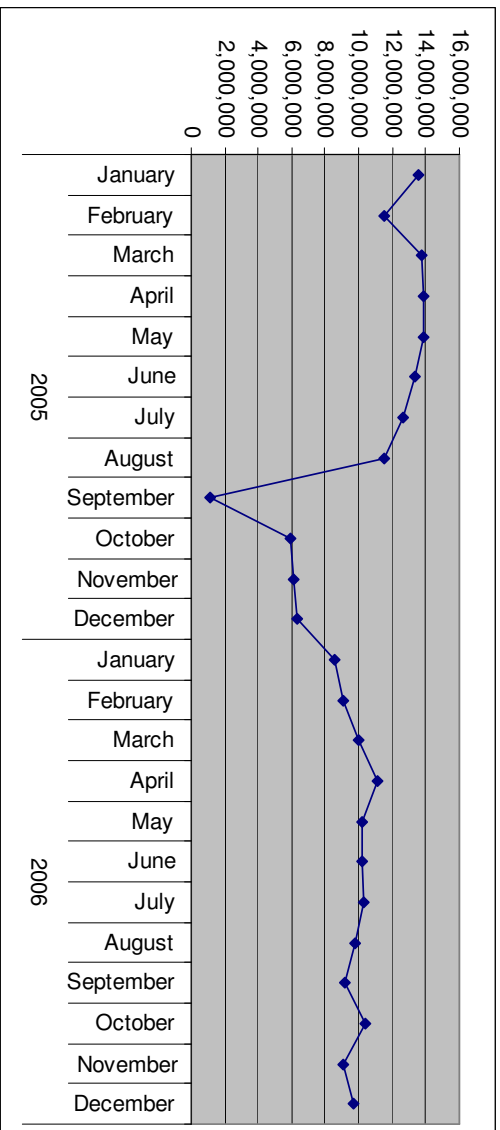
Table NO-20 and Figure NO-13 show the pattern in local government sales tax collections in all parishes in the New Orleans MSA except St. Bernard Parish. Sales tax collection data for St. Bernard Parish remain unavailable. Pre-storm data for this parish were destroyed by Katrina.

Note in Figure NO-20 that collections in this 6-parish area dropped dramatically immediately after the storm, falling from the \$66 million range down to \$31 million in September. Equally striking was the **sharp up-ick** immediately after the storm. Within three months, collections had not only recovered but had reached record levels. This is not surprising given that many people had to replace cars, furniture, appliances, etc., that were ruined by the storms.

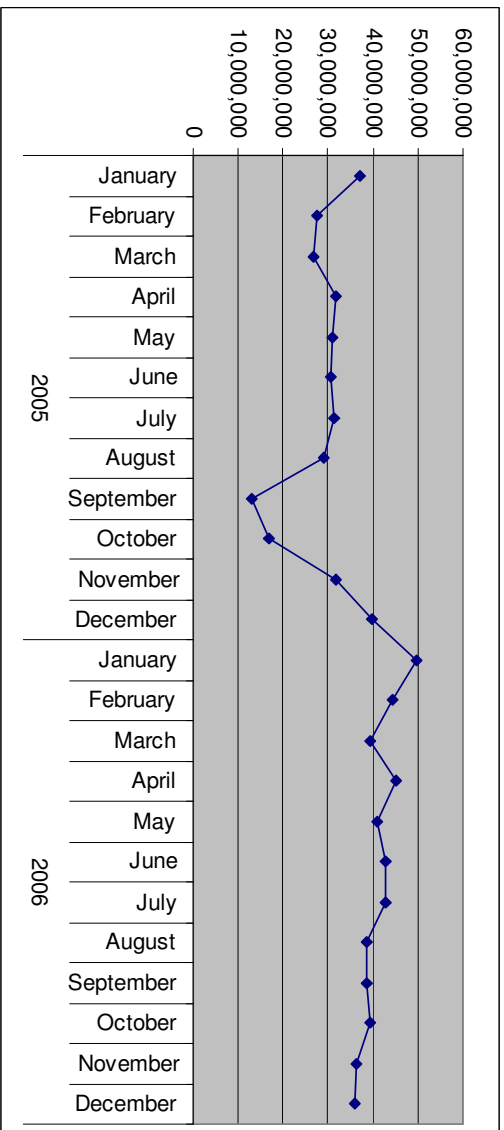
Since the first of 2006, collections have remained higher than normal. Collections in the first eight months of 2006 were a significant 31.7 percent higher than those same eight months in 2005 (pre-storms). It is apparent that the early spending surge is tapering off, as sales tax collections have been drifting downward since January 2006. Normally, we would expect collections to pick up at the end of the year due to Christmas shopping. That is not happening at this time, though readers are reminded that the December 2006 figure is incomplete.

For the most part, this same pattern of “sharp drop/rapid recovery/gentle decline” has been repeated in each of the six individual parishes as seen in Figure NO-14. The exception has been Orleans Parish, where collections remain below pre-storm levels. Too, though we do not have the actual data to support the statement, we are confident that St. Bernard collections remain well below pre-storm levels.

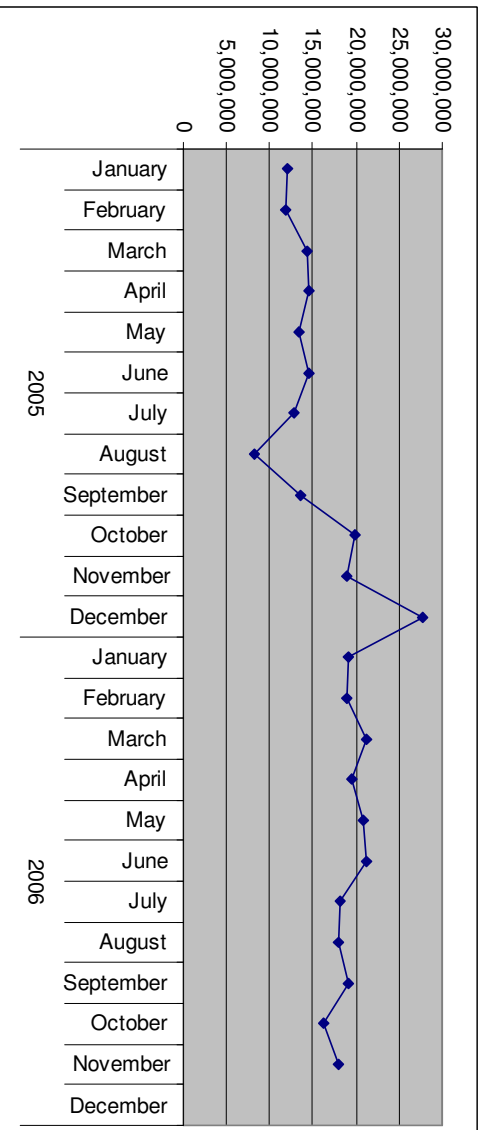
**Figure NO-14**  
**Sales Tax Collections by Parish**  
**Orleans Parish**

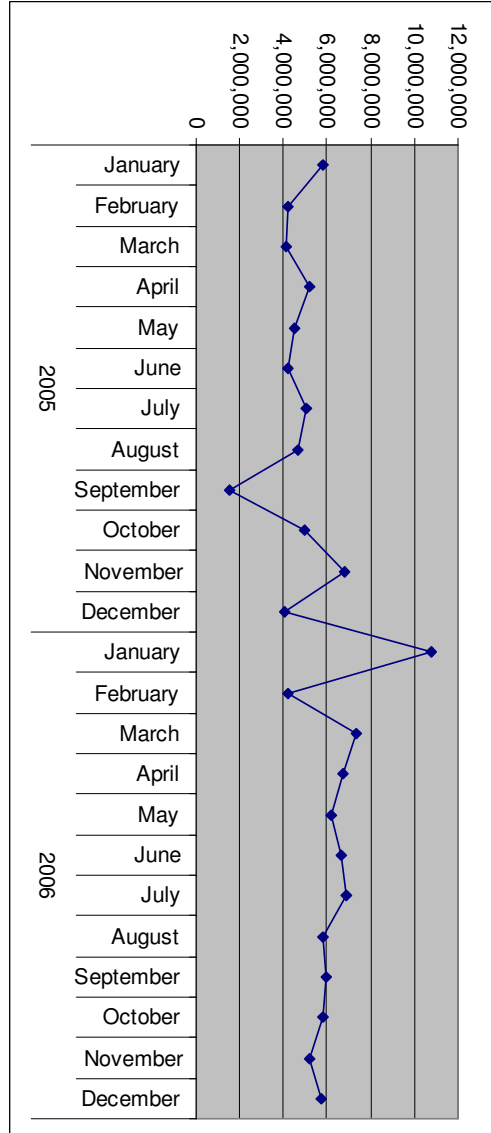
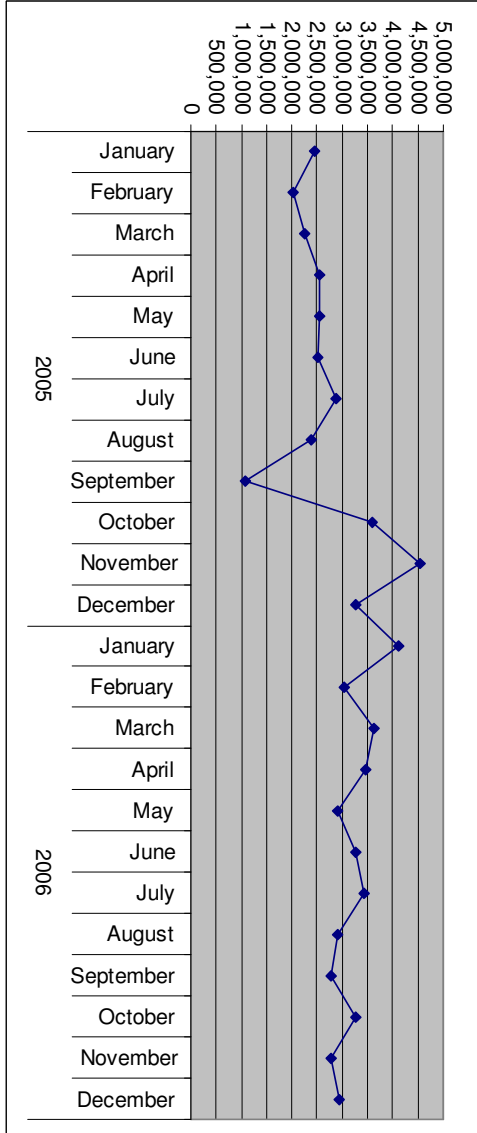
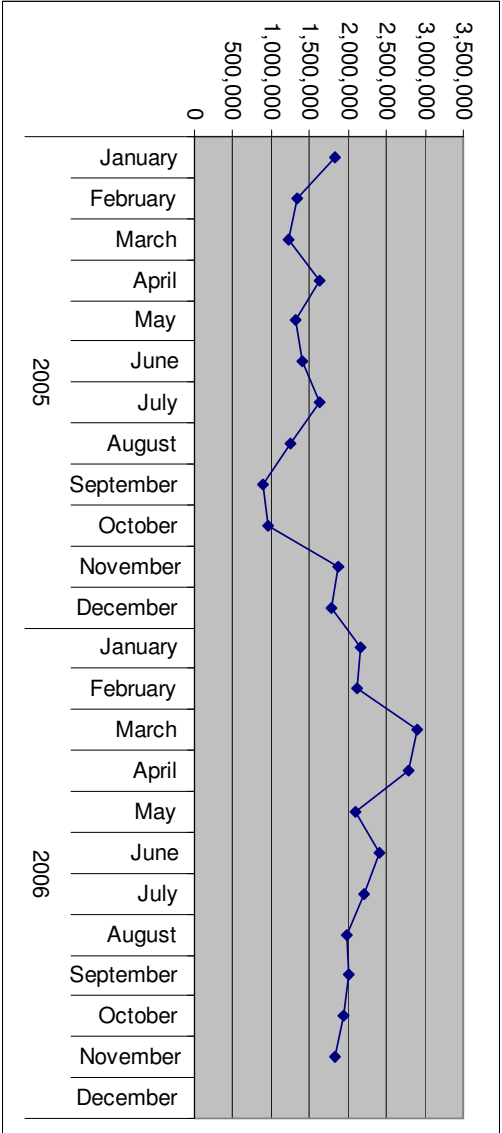


**Jefferson Parish**



**St. Tammany Parish**





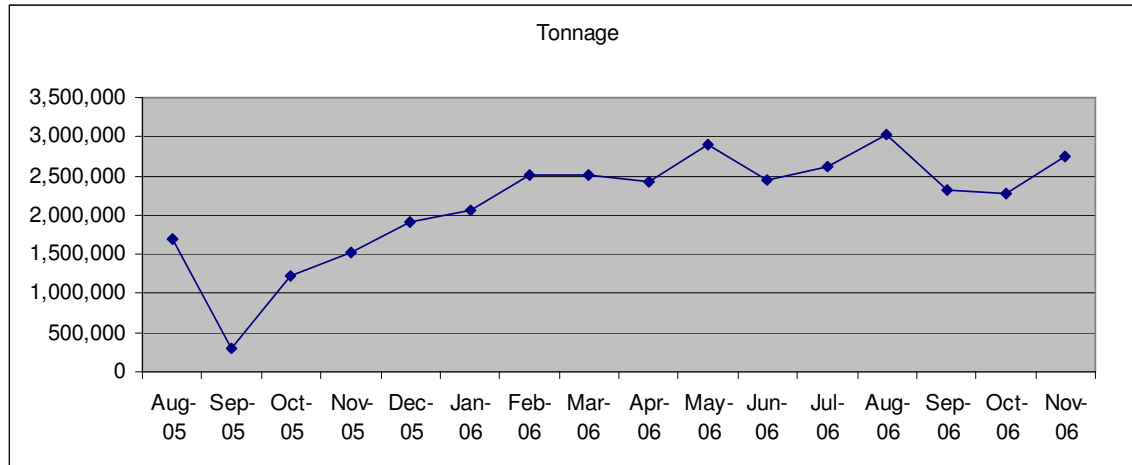
## The New Orleans Port Market

**Table NO-21**  
**Tonnage Data: Port of New Orleans**

Month	Tonnage
Aug-05	1,705,639
Sep-05	300,984
Oct-05	1,220,905
Nov-05	1,525,425
Dec-05	1,908,887
Jan-06	2,059,149
Feb-06	2,502,088
Mar-06	2,501,656
Apr-06	2,415,847
May-06	2,908,762
Jun-06	2,449,337
Jul-06	2,627,379
Aug-06	3,038,018
Sep-06	2,324,392
Oct-06	2,274,956
Nov-06	2,750,487

Source: Port of New Orleans

**Fig.NO-15: Tonnage - Port Of New Orleans**



The Port of New Orleans is a major player in the New Orleans MSA economy. It is one of Louisiana's deep water ports and is an entrance way to 15,000 miles of navigable waterways on the Mississippi River. Pre-storm, this was a major plywood port, the country's second largest handler of coffee, and its largest handler of rubber and steel. There are six major rail lines servicing the port.

Overall damage to the port was estimated at \$164 million. Thirty percent of the down-river part of the port was destroyed. Two cold storage units are located on the port. One was destroyed and one was damaged but has been repaired and is working.

Total tonnage of cargo passing through the port has basically returned to its pre-Katrina levels. General cargo is up 9.5 percent in the first eight months of 2006. However, the nature of that return is rather bifurcated. **Breakbulk cargo** is up 38 percent in the first eight months of 2006, largely due to an increase in steel imports, which rose from 1.27 million tons to 3.44 million tons. Steel imports are up for several reasons. First, President Bush removed the **import tariffs** he had levied on this product. Secondly, the port restructured its **fee structure** to encourage shipping lines to start using the port's terminal instead of unloading onto barges in mid-stream. Thirdly, **Steelscape**---a maker of cold-rolled metallic-coated steel coils for construction markets---opened at the Port of Shreveport-Bossier. In 2006, Steelscape was responsible for moving 15,000 tons of steel through the Port of New Orleans. As Steelscape enters new phases of development, that figure should rise to 100,000-150,000 tons in 2007 and eventually 500,000 tons annually.

On the other hand, **container cargo** was actually down one-third, mainly because of a loss of business with the Maersk Line. Maersk used the France Road Berth #1 on the Industrial Canal which experienced severe flood and wind damage. Maersk's deep-draft ships used the Mississippi River Gulf Outlet (MRGO) to get to that berth. MRGO has now silted up to 21 feet so the Industrial Canal is no longer accessible to deep-draft ships. Now that MRGO is closed to deep draft ships, the line must go elsewhere. In addition to Maersk, there are six other businesses along the Canal that account for roughly 1,000 jobs that will have to be relocated if MRGO is closed---a move that Port Director Gary Lagrange says will cost about \$382 million. Senator David Vitter has included these relocation costs in the Water Resources Development Act.

The good news is that Maersk returned two weekly stops at the Port in September at the Port's Napoleonville Container Terminal. The line and port officials are working to get the second ship coming back to the Port.

Another piece of good news for the Port is the return of the **cruise lines**. In October, the new **Erato Street Cruise Terminal**---a 90,000 square foot terminal and a 1,000-vehicle parking garage---opened. Norwegian Cruise Lines and Carnival Cruise Line returned to the port in October. December 2006 was the busiest month for cruise ship calls in the port's history. The port hosted 23 cruise ship calls by seven different cruise ships. The Queen Elizabeth 2 called on the Port for the first time on November 27<sup>th</sup>. Carnival will add another ship in August 2007. The port and the U.S. Maritime Administration signed an agreement in October to transfer portions of the Poland Avenue Wharf back to the port to convert it from a cargo port to a cruise terminal. When completed, this wharf, along with the Erato Cruise Terminal, will allow the port to berth three of the industry's largest cruise ships simultaneously.

After being out of operation in both September and October, the Port of St. Bernard is back to 100 percent functioning capacity, and tonnage moved in August was 36.6 percent higher than August 2005. Up river at the Port of South Louisiana, activity is running ahead of pre-Katrina levels.



### The Lake Charles MSA

The Lake Charles MSA is located in the far southwestern corner of Louisiana and is composed of two parishes---Calcasieu and Cameron. This MSA is dominated by three industries. One is the broadly defined petrochemical industry, one is the gaming industry, and the third is the aircraft repair industry. Of the MSAs in Louisiana, this is the only one directly hit by Rita (though the storm did cause New Orleans to re-flood). The eye of Rita passed just to the west of Lake Charles, which meant the region was on the side of the eye where the winds are the most vicious.

There were 47,384 homes damaged by Rita in this MSA---but only 2,284 incurred severe damage and 6,673 major damage. “Only” is a relative word in that last sentence. Normally one would be aghast at these figures, but against the backdrop of the housing destruction in New Orleans, they pale.

It is also important to note that with the exception of lower Cameron Parish (the most sparsely populated parish in the state) there was virtually no flood water damage in Lake Charles. That means regular homeowner’s insurance was applicable to the damage. As a result, **all the brakes on rebuilding that exist in New Orleans due to standing flood waters do not exist in Lake Charles.** In fact, as we will show below, this MSA is performing like most regions that suffer from a major natural disaster---the construction sector has led a rather quick rebound from the effects of the storm.

## Lake Charles MSA Market – Total Non-Farm Employment

**Table LC-1**  
**Lake Charles MSA Non-Farm Employment: 2005 through 2006**  
 (Thousands)

<b>2005</b>	<b>Jan</b>	88.1	<b>2006</b>	<b>Jan</b>	89.5
	<b>Feb</b>	88.6		<b>Feb</b>	90.6
	<b>Mar</b>	88.8		<b>Mar</b>	91.9
	<b>Apr</b>	90.3		<b>Apr</b>	91.7
	<b>May</b>	92.5		<b>May</b>	91.5
	<b>Jun</b>	92.1		<b>Jun</b>	91.2
	<b>Jul</b>	91.0		<b>Jul</b>	90.0
	<b>Aug</b>	91.7		<b>Aug</b>	91.1
	<b>Sep</b>	91.2		<b>Sep</b>	91.0
	<b>Oct</b>	85.1		<b>Oct</b>	91.2
	<b>Nov</b>	89.5		<b>Nov</b>	91.7
	<b>Dec</b>	92.6		<b>Dec</b>	92.1(p)

p = Preliminary. Data from <http://data.bls.gov>

**Fig. LC-1: Lake Charles MSA Monthly Non-Farm Employment**

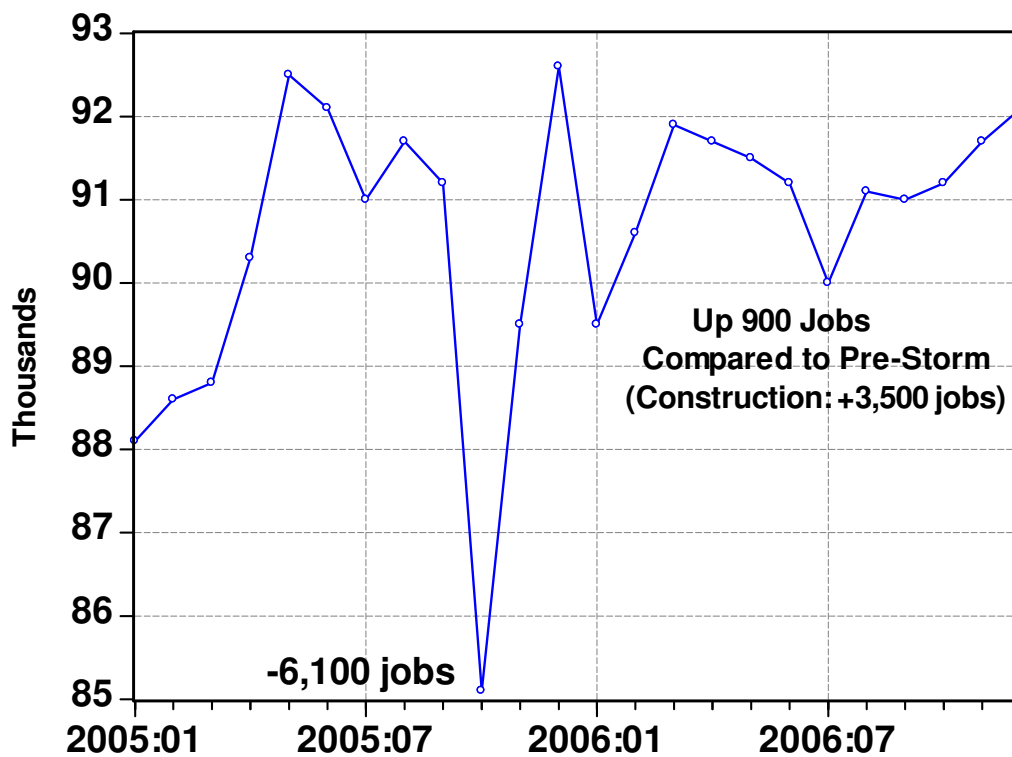


Figure LC-1 tracks monthly employment in the Lake Charles MSA from January 2005 to August 2006. Specific employment numbers are shown in Table LC-1. In our

earlier discussion of the New Orleans economy's non-farm employment, we indicated what normally is expected in the neighborhood of a natural disaster. Employment initially falls, then all the private insurance and federal rebuild money is pumped into the economy, and the construction sector leads the economy out of the slump. That is, you get a "V" pattern in employment just after the storm (not a "kindergarten L" as has occurred in New Orleans).

It is clear from observing Figure LC-1 that this normal "V" phenomenon transpired in Lake Charles. After a very significant decline of 6,100 jobs (6.7 percent) in October, the area regained all those jobs, plus some, within two months. While the Department of Labor does not isolate construction employment in this MSA, the broad employment category of "natural resources and construction" was up by 3,500 jobs in December 2006 as compared to October 2005---a huge 35 percent increase. Construction has led the way in the recovery, just as one might normally expect.

In Table LC-2 we show employment changes by broad category between December 2004 and December 2006. Comparing employment in the same month pre- and post-storm enables us to avoid distortions created by seasonality in the data. Because this is a much smaller MSA than New Orleans (92,100 non-farm employees versus 447,100 in New Orleans) the Bureau of Labor Statistics cannot release data on all sectors due to the agency's disclosure rules. Thus, the numbers in this table will not sum up due to sector omissions.

**Table LC-2**  
**Change in Non-Farm Employment in Lake Charles MSA**  
**December 2004 –December 2006**

Sector	Change in Employment	Percent Change
Total	2,600	2.9%
Nat. Res. & Mining & Construction	3,700	37.8%
Manufacturing	-1,600	-17.4%
Trade, Trans., Utilities	-300	-1.7%
Professional. & Bus. Services	300	4.4%
Hospitals	-100	-2.9%
Leisure & Hospitality	-200	-1.7%
Government	0	0%

Data from <http://data.bls.gov>. Numbers do not sum due to omission of categories by BLS.

The most striking number in Table LC-2 is in the first row. Despite weathering a level 4 hurricane, employment in the MSA is actually higher than the December before the storm. Scanning down the table, one can readily isolate the reason for this unusual

growth---the sector that contains the construction industry is up a remarkable 37.8 percent.

Offsetting the gains created by the construction sector are the losses experienced in Lake Charles' manufacturing sector. Over this two year period there were significant layoffs in the region's chemical industries as those firms grappled with soaring natural gas prices. One firm---Lyondell Chemicals---actually shuttered its plant in Lake Charles. Northrop Grumman began laying off workers at its site at Chennault Airpark as its JSTARS contract wound down, and the aircraft repair firm EADS reduced its workforce at Chennault from about 350 down to 160 before selling to Aeroframe Services.

We will discuss the leisure and hospitality sector in more detail below, but this sector actually gained jobs in the early part of 2005 when the huge L'Auberge du Lac Casino opened, then the sector lost jobs when the two Harrah's riverboat casinos were wiped out by Rita.

The other noteworthy figure in Table LC-2 is that employment in the government sector in Lake Charles has remained unchanged despite overall growth in the economy. It appears the government sector has been much more restrained in Lake Charles than in New Orleans where government shrank much less than the overall economy.

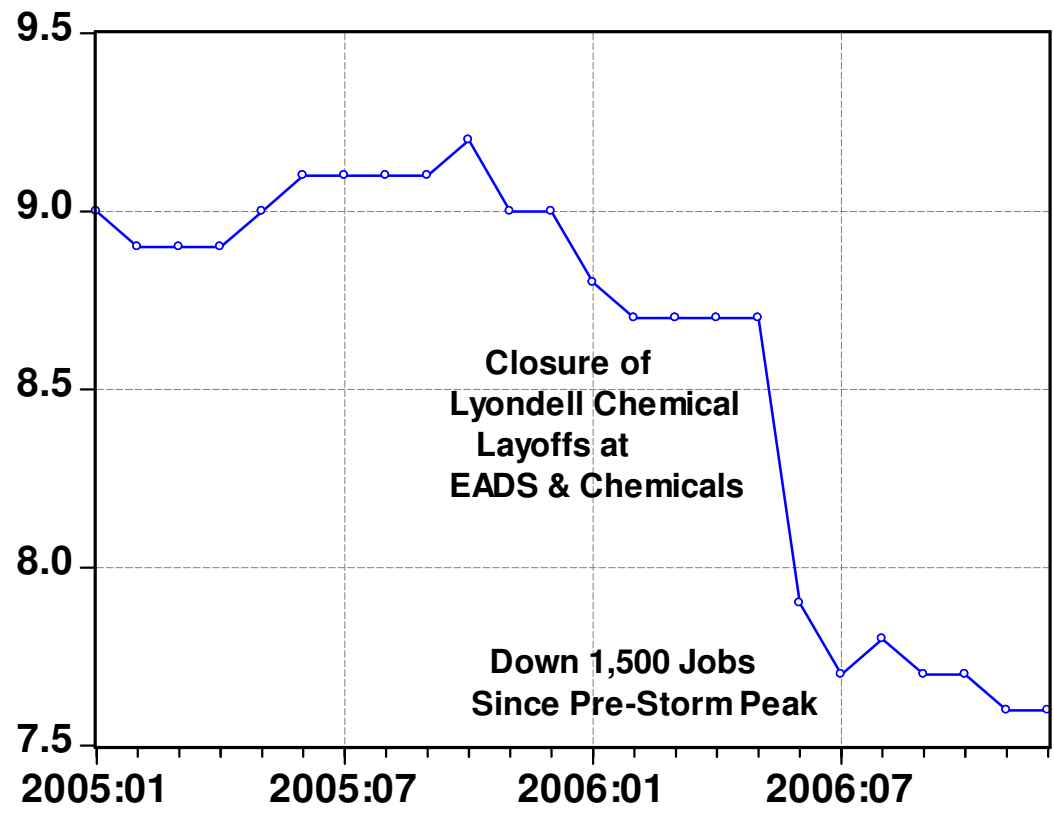
Lake Charles MSA Market –Manufacturing Employment

**Table LC-3**  
**Lake Charles MSA Manufacturing Employment:**  
**2005 through 2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	9.0	<b>2006</b>	<b>Jan</b>	8.8
	<b>Feb</b>	8.9		<b>Feb</b>	8.7
	<b>Mar</b>	8.9		<b>Mar</b>	8.7
	<b>Apr</b>	8.9		<b>Apr</b>	8.7
	<b>May</b>	9.0		<b>May</b>	8.7
	<b>Jun</b>	9.1		<b>Jun</b>	7.9
	<b>Jul</b>	9.1		<b>Jul</b>	7.7
	<b>Aug</b>	9.1		<b>Aug</b>	7.8
	<b>Sep</b>	9.1		<b>Sep</b>	7.7
	<b>Oct</b>	9.2		<b>Oct</b>	7.7
	<b>Nov</b>	9.0		<b>Nov</b>	7.6
	<b>Dec</b>	9.0		<b>Dec</b>	7.6(p)

p = Preliminary. Data from <http://data.bls.gov>

**Fig. LC-2: Lake Charles Manufacturing Employment**



The largest component of Lake Charles' manufacturing sector is its broadly defined petrochemical industry. Research conducted by Dr. Daryl Burkel and Dr. Michael Kurth of McNeese University indicate that Calcasieu Parish was the home to **25 different chemical plants and two refineries** in 2005, which employed 6,472 workers. It is the nature of the manufacturing industries in Lake Charles that they would seemingly be very vulnerable to a powerful storm like Rita. Chemical plants and refineries are very capital-intensive, and all their capital is outside and exposed to the elements. In fact, three large refineries in the area were damaged and shut down: (1) Citgo (324,000 bd); ConocoPhillips (239,400 bd), and (3) Calcasieu (30,000 bd). All three were back up by December 2005.

The 1,500-job loss in the manufacturing sector post-Rita is primarily due to a 1,200 job decline in the chemical industry---about a fourth of that attributable to Lyondell Chemical which shuttered its doors after 70 years in the Lake Charles area. Lyondell had employed 280 people when it closed. **Oddly, these layoffs were not really related to the storm.** High natural gas prices have been the bane of this industry for over half of a decade, and the cutbacks can be directly traced to reacting to higher fuel costs.

The aircraft industry, which operates in large hangers, seemed likely victims of high winds. Despite these vulnerabilities, these industries made it through the storm without losing much downtime. There was \$40 million in damage to hangers at Chennault, but the two firms operating there continued to do so despite the inconvenience. Part of the decline in manufacturing jobs was due to layoffs at EADS just before they sold their operation to Aeroframe Services. Aeroframe has a fairly aggressive hiring plan in place which should help reverse the trend shown in LC-2.

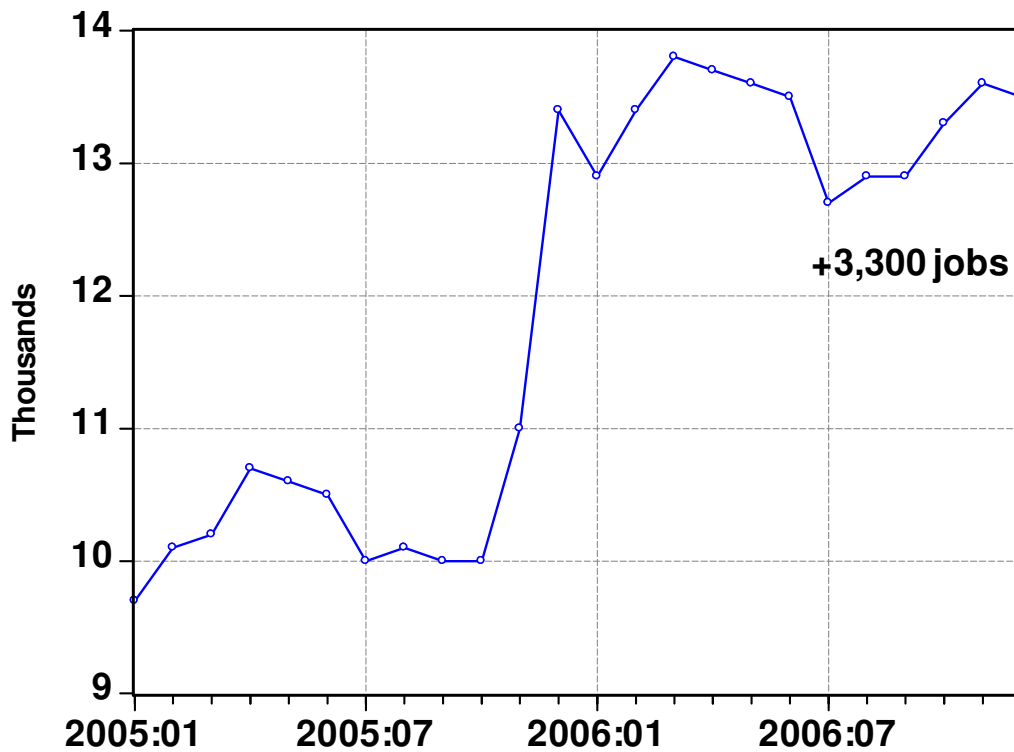
Lake Charles MSA Market –Construction Employment

**Table LC-4**  
**Lake Charles MSA Natural Resources**  
**& Construction Employment: 2005 through 2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	9.7	<b>2006</b>	<b>Jan</b>	12.9
	<b>Feb</b>	10.1		<b>Feb</b>	13.4
	<b>Mar</b>	10.2		<b>Mar</b>	13.8
	<b>Apr</b>	10.7		<b>Apr</b>	13.7
	<b>May</b>	10.6		<b>May</b>	13.6
	<b>Jun</b>	10.5		<b>Jun</b>	13.5
	<b>Jul</b>	10.0		<b>Jul</b>	12.7
	<b>Aug</b>	10.1		<b>Aug</b>	12.9
	<b>Sep</b>	10.0		<b>Sep</b>	12.9
	<b>Oct</b>	10.0		<b>Oct</b>	13.3
	<b>Nov</b>	11.0		<b>Nov</b>	13.6
	<b>Dec</b>	13.4		<b>Dec</b>	13.5p

p = Preliminary. Data from <http://data.bls.gov>

**Fig. LC-3: Lake Charles MSA Natural Resources & Construction Employment**



Even before the hurricane, the construction sector played an unusually dominant role in this MSA's economy. For example, construction employment's share of total employment in this MSA is about 11 percent. Statewide, the comparable number is a significantly lower six percent. Very large petrochemical sectors, like the one in this MSA and in Baton Rouge (where construction is 10 percent of employment), tend to draw along a very large construction sector to handle all the **maintenance and repair work** associated with huge physical capital complexes.

Construction employment shot upward right after the storms (see Figure LC-3 and in Table LC-4), just as one would expect in the neighborhood of a natural disaster. While there has been some month-to-month variation, employment has averaged just over 13,300 over the past 13 months, a rise of about 3,300 since the post-Rita trough.

As we pointed out in our last report there is every reason to believe the construction sector will be a major factor in Lake Charles' growth in the immediate future. Note the following activities on the horizon:

- All the damage caused by Rita is far from being repaired. There were 47,384 homes damaged to one degree or another by the storm. Lake Charles homeowners will receive a sizable chunk of the **Road Home** money when those checks are distributed. Significant amounts of **private insurance** monies will be spent on home and commercial establishments. The thrust in construction spending started in 2006 should continue well into 2008.
- Pinnacle Entertainment will be spending \$350 million to build the new **Sugarcane Bay Casino Resort**, which is scheduled to open in 2009.
- **L'Auberge de Lac** will spend another \$45 million next year to add a 250-room tower to its hotel complex, supporting 500 new permanent jobs.
- Officials at **Chennault Airpark** will spend \$40 million over the next two years to repair damage to hangars at the airfield. **Delta Downs** will spend about \$12 million to repair hurricane damage at that racino.
- The Lake Charles area remains a hot area for new **LNG import facilities**. We are aware of at least five greenfield or expansion LNG sites in this area that represent over \$2.6 billion in capital investment---a huge number for an MSA of this size.



## Lake Charles MSA Market – Housing Permits

**Table LC-5**  
**Lake Charles MSA Single Family Housing Permits**

<b>2005</b>	<b>Jan</b>	64
	<b>Feb</b>	58
	<b>Mar</b>	67
	<b>Apr</b>	91
	<b>May</b>	73
	<b>Jun</b>	52
	<b>Jul</b>	29
	<b>Aug</b>	33
	<b>Sep</b>	24
	<b>Oct</b>	10
	<b>Nov</b>	22
	<b>Dec</b>	25
<b>2006</b>	<b>Jan</b>	15
	<b>Feb</b>	23
	<b>Mar</b>	27
	<b>Apr</b>	24
	<b>May</b>	31
	<b>Jun</b>	20
	<b>Jul</b>	27
	<b>Aug</b>	67
	<b>Sep</b>	33
	<b>Oct</b>	53
	<b>Nov</b>	15
	<b>Dec</b>	18

To repeat one of our opening points about this MSA there were 47,384 homes damaged here by Rita---but only 2,284 incurred severe damage and 6,673 major damage. Another way of putting this is only 18.9 percent of the homes in Lake Charles was rendered uninhabitable versus 59.8 percent in the New Orleans MSA. For residents of this MSA it has been frustrating to hear people say, or see writers pen, the word “only” to describe the housing damage in Lake Charles. “Only” is a relative word. Normally one would be appalled at the housing damage figures in Lake Charles, but against the backdrop of the housing destruction numbers and percentages in New Orleans as seen in in Table LC-6, they do not seem all that bad.

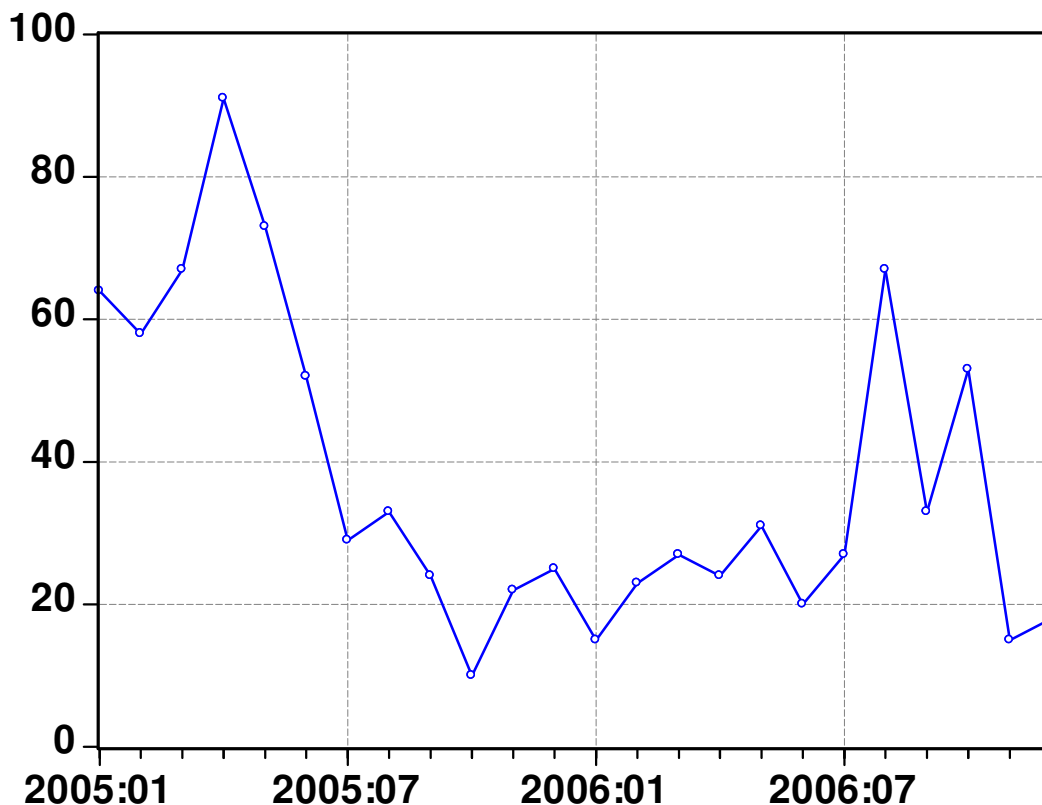
Trends in single-family building permits in the Lake Charles MSA are shown in Table LC-5 and Figure LC-4 track for all of 2005 through July 2006. Permits had dropped down into the mid-twenties range three months before the hurricane hit and have stayed there through July 2006. Then there were stronger numbers in August and October before dropping below the 20-level in the last two months of the year.

**Table LC-6**  
**Impacts of Katrina and Rita on Housing in Louisiana**

<b>Impact</b>	<b>Statewide</b>	<b>New Orleans MSA</b>	<b>Lake Charles MSA</b>
Minor Damage	210,512	122,446	38,427
Major Damage	98,086	79,068	6,673
Severe Damage	106,651	102,898	2,284
<b>Total</b>	<b>515,249</b>	<b>304,440</b>	<b>47,384</b>
<b>Percent with Major or Severe Damage</b>	<b>39.7%</b>	<b>59.8%</b>	<b>18.9%</b>

Source: FEMA, February 12, 2006.

**Fig. LC-4: Lake Charles MSA Single Family Permits**



We believe the rather anemic permit pattern in Figure LC-4 is likely a reflection of two factors. One is the **nature of the damage** done in Lake Charles. Here it was not standing flood waters. It was high winds and rain waters. The nature of the renovation was such that special permits---to say, elevate a home---were not required. Construction activity is focused more on repairing damaged homes instead of building whole new communities. A second factor may be that **sky-rocketing house insurance premiums** may be letting the air out of the new home construction business in this MSA.

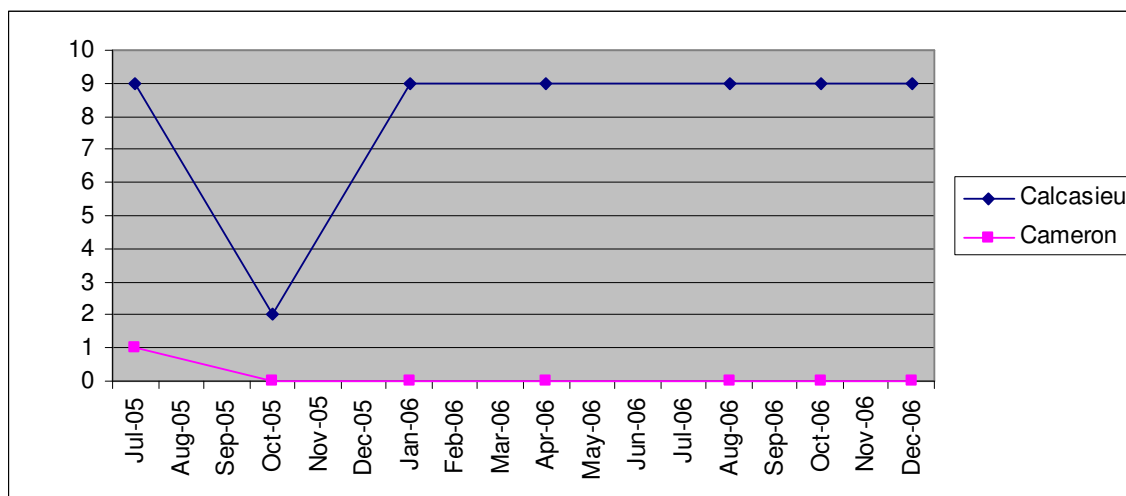
## Lake Charles MSA Hospital Market

**Table LC-7**  
**Lake Charles MSA Open Hospitals Figure LC-5**  
**Track of Lake Charles MSA Hospital Recovery**

Parish	July-05	October-05	January-06	April-06	August-06	October-06	December-06
Calcasieu	9	2	9	9	9	9	9
Cameron	1	0	0	0	0	0	0
<b>Total</b>	<b>10</b>	<b>2</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>

Source: LA Hospital Association

**Figure LC-5**  
**Track of Hospital Openings since Rita:**  
**Calcasieu and Cameron Parishes**



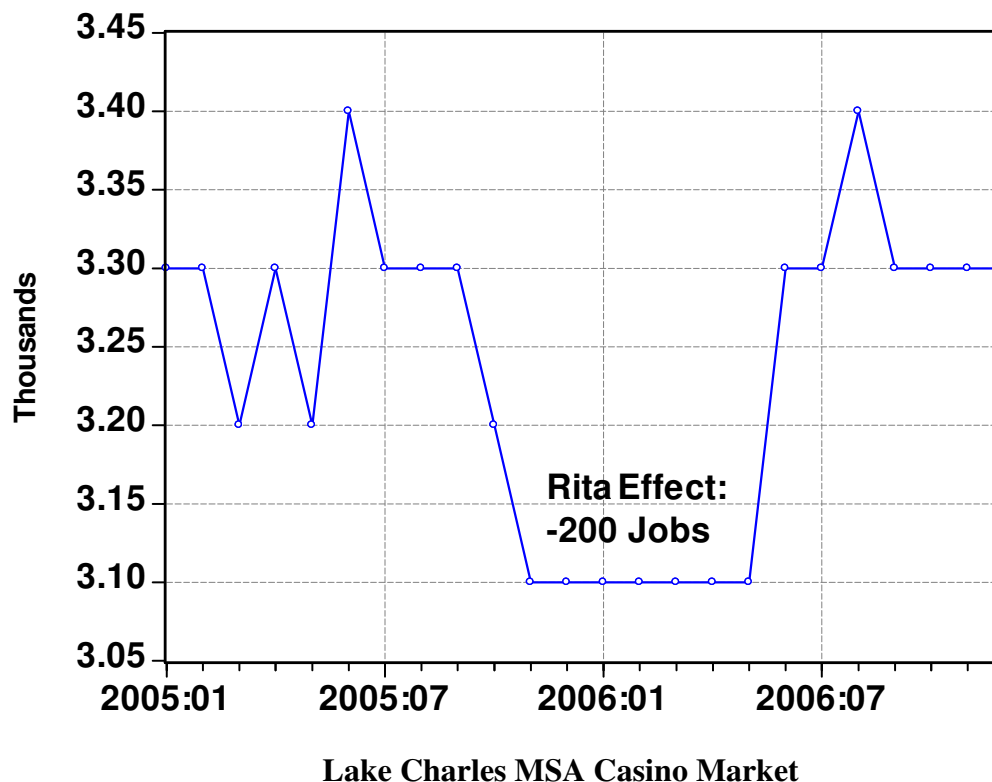
There have been no changes in the hospital sector in Lake Charles since our last two reports. As seen in Table LC-7 and Figure LC-5, there were 8 closures immediately after the storm, but by January all but one---South Cameron memorial had reopened. Note in Figure LC-6 that hospital employment dropped by only 200 jobs just after Rita, but by mid-2006 had fully returned to pre-Rita levels. Table LC-8 documents bed availability in each hospital and recent census counts.

**Table LC-8**  
**Lake Charles Hospitals Bed Availability**

Hospital Name	Parish	# Licensed Beds	Operational	Available Beds	Census	Date Updated
Christus St. Patrick Hospital of Lake Charles	CALCASIEU	392	YES	184	147	11/20/2006
Cornerstone Hospital of Southwest Louisiana	CALCASIEU	30	YES	30	25	11/27/2006
DeQuincy Memorial Hospital	CALCASIEU	19	YES	19	8	11/20/2006
Dubuis Hospital of Lake Charles	CALCASIEU	24	YES	24	17	11/27/2006
Extended Care of Southwest Louisiana	CALCASIEU	29	YES	25	21	11/27/2006
Lake Charles Memorial Hospital	CALCASIEU	362	YES	272	135	10/27/2006
W. O. Moss Regional Medical Center	CALCASIEU	74	YES	36	22	11/27/2006
West Calcasieu Cameron Hospital	CALCASIEU	120	YES	74	36	11/15/2006
Women & Children's Hospital @ Lake Charles	CALCASIEU	84	YES	84	39	8/4/2006
South Cameron Memorial Hospital	CAMERON	49	ONLY OFFSITE OPEN	24	14	11/27/2006

Source: Department of Health and Hospitals

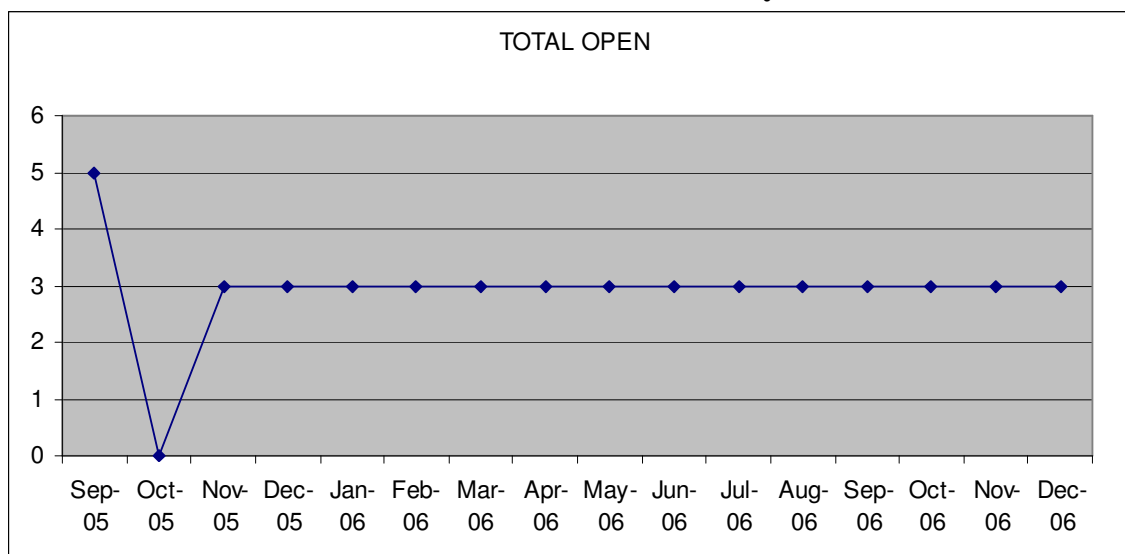
**Fig. LC-6: Lake Charles Hospital Employment**



**Table LC-9  
Casinos in the Lake Charles MSA:  
History since Rita**

<b>Casino</b>	<b>Sep-05</b>	<b>Oct-05</b>	<b>Nov-05</b>	<b>Dec-05</b>	<b>Mar-06</b>	<b>Aug-06</b>	<b>Dec-06</b>
Isle of Capri Casino & Hotel	open	closed	open	open	open	open	open
Grand Palais (Isle of Capri) & Crown Casino	open	closed	open	open	open	open	open
Harrah's Pride*	open	closed	closed	closed	closed	closed	closed
Harrah's Star*	open	closed	closed	closed	closed	closed	closed
L'Auberge du Lac	open	closed	open	open	open	open	open
<b>TOTAL OPEN</b>	<b>5</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

**Figure LC-7  
Lake Charles MSA Casino Recovery Track**



There is nothing new to report in the Lake Charles casino market since our last report. Note in Table LC-9 and Figure LC-7 that the number of casinos open in the Lake Charles MSA has not changed since one month after Rita made landfall. The storm caused minor damage to the two Isle of Capri-owned casinos and the L'Auberge du Lac and all three were reopened by November. The two Harrah's riverboats were badly damaged by the hurricane. Those two licenses were sold to Pinnacle Entertainment, which owns L'Auberge du Lac. One of the licenses will be used to construct a new \$350 million casino resort near L'Auberge du Lac called Sugarcane Bay Resort, which is scheduled to open in 2009. Sugarcane Bay will employ 1,500-1,600 workers. The other license will be moved out of the Lake Charles market to another location in Louisiana.

## Lake Charles MSA Airport Market

**Table LC-10**  
**The Lake Charles MSA Airport:**  
**History since Rita**

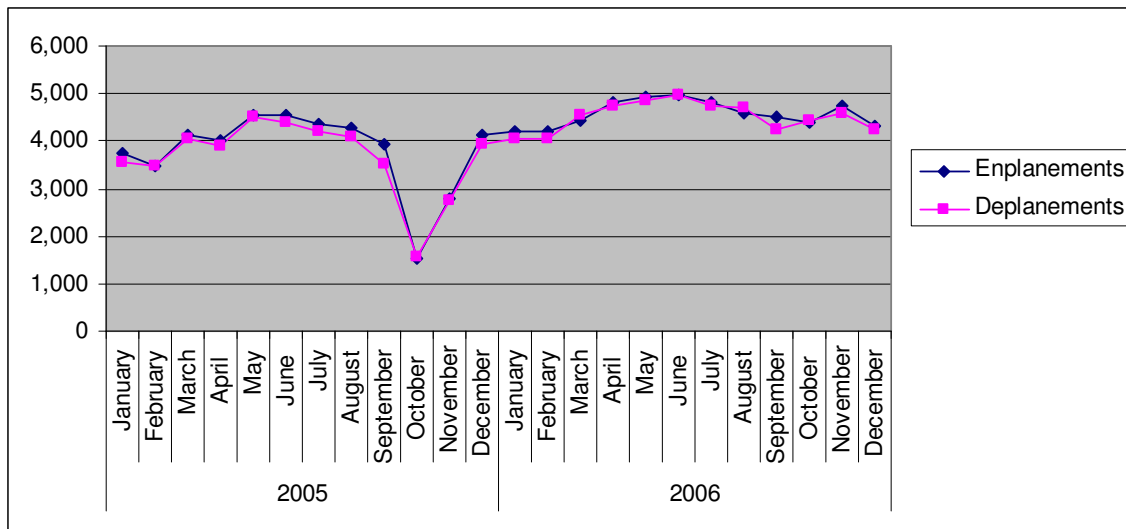
Year	Month	Enplanements	Deplanements
2005	January	3,737	3,572
	February	3,474	3,472
	March	4,138	4,058
	April	4,015	3,886
	May	4,547	4,491
	June	4,548	4,407
	July	4,369	4,188
	August	4,289	4,089
	September	3,940	3,503
	October	1,516	1,569
	November	2,795	2,770
	December	4,118	3,934
2006	January	4,210	4,046
	February	4,216	4,040
	March	4,433	4,530
	April	4,817	4,725
	May	4,923	4,860
	June	4,962	4,961
	July	4,822	4,727
	August	4,588	4,692
	September	4,507	4,242
	October	4,393	4,425
	November	4,745	4,595
	December	4,304	4,250

The Lake Charles Regional Airport is another of the many successful storm recovery stories in this MSA. Note in Table LC-10 and Figure LC-8, Rita's damage caused enplanements to drop by 2,773 or to almost one-third of pre-storm levels. A strong recovery occurred within two months, and as can be seen in Figure LC-8, activity at the airport now exceeds that of pre-Rita. Indeed, enplanements in the first eight months of 2006 totaled 36,971, an 11.6 percent improvement over the same eight months in 2005.

The airport is now operating a full commercial schedule. Due to severe damage caused by Hurricane Rita to the main passenger terminal, all commercial flights are arriving and departing from a temporary passenger terminal located near the original terminal. This space, while smaller than the original terminal, has allowed the airport to resume commercial air service. Lake Charles Regional Airport has selected Carter & Burgess, Inc. as the primary design consultant for a new terminal. The new terminal will

be approximately 65,000 square feet as compared to the present terminal of 44,000 square feet.

Figure LC-8  
Track of Lake Charles Airport Enplanements & Deplanements



Air service is provided by Continental Airlines, which provides service to their Houston hub. In addition to commercial air travel, the Lake Charles Regional Airport also serves general aviation and corporate travel needs. Vision Aviation, located at the airport, is a full service fixed-base operator. The airport is also home to three helicopter operators that service the oil and gas industries in Louisiana and the Gulf of Mexico. ERA Helicopters currently operates a 53,000 square foot facility for performance, maintenance, repair, and painting services and serves as the headquarters for their parent company's (Seacor, Inc.) helicopter operation. Lastly, the airport property also includes a 300-acre industrial park and provides land leases to many businesses and individuals.<sup>8</sup>

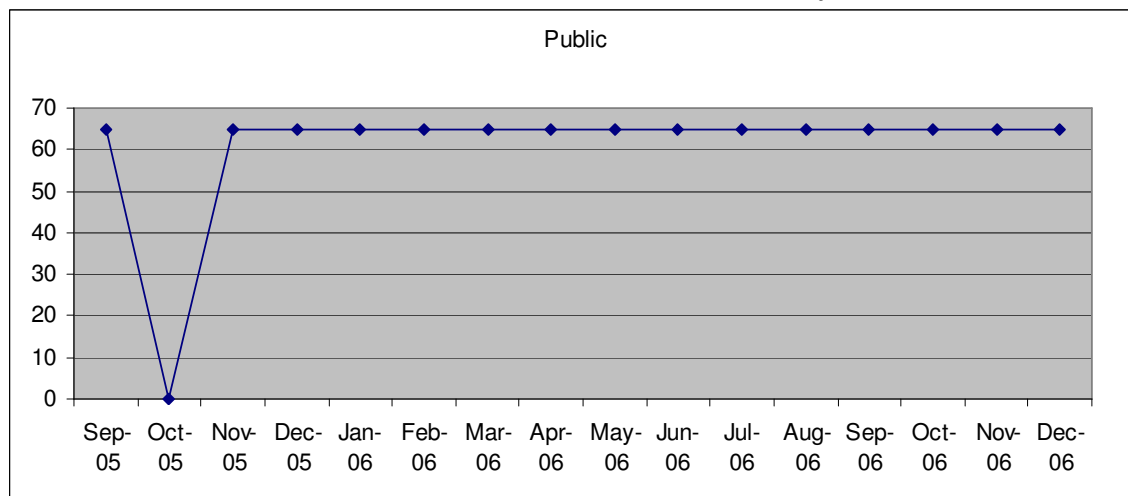
<sup>8</sup> [www.flylakecharles.com](http://www.flylakecharles.com)

## Lake Charles MSA Public Schools

**Table LC-11**  
**The Lake Charles MSA Public Schools:**  
**History since Rita**

Total Lake Charles						
	9/15/2005	10/15/2005	11/15/2005	1/15/2006	9/15/2006	12/15/2006
<b>Public</b>	65	0	65	65	65	65

**Figure LC-9**  
**Lake Charles MSA Public Schools Recovery Track**



Nothing has changed with regard to public schools in this MSA since the last report. By October 31, 2005, all public schools in both Calcasieu and Cameron Parishes were open. One major difference between Lake Charles and the New Orleans MSA is shown in Table LC-12. In this MSA, school openings and enrollment data are closely related. Enrollments in Calcasieu Parish schools are actually above pre-Rita levels, while in Cameron Parish enrollments are only down 290 students.

**TableLC-12**  
**Lake Charles Public School Enrollment Data:**  
**Calcasieu & Cameron Parishes**

	Fall 2002	Fall 2003	Fall 2004	Fall 2005*	Fall 2006
<b>Calcasieu</b>	32,312	32,585	32,792	143	32,819
<b>Cameron</b>	1,871	1,851	1,843	1	1,553

Source: Louisiana Department of Education



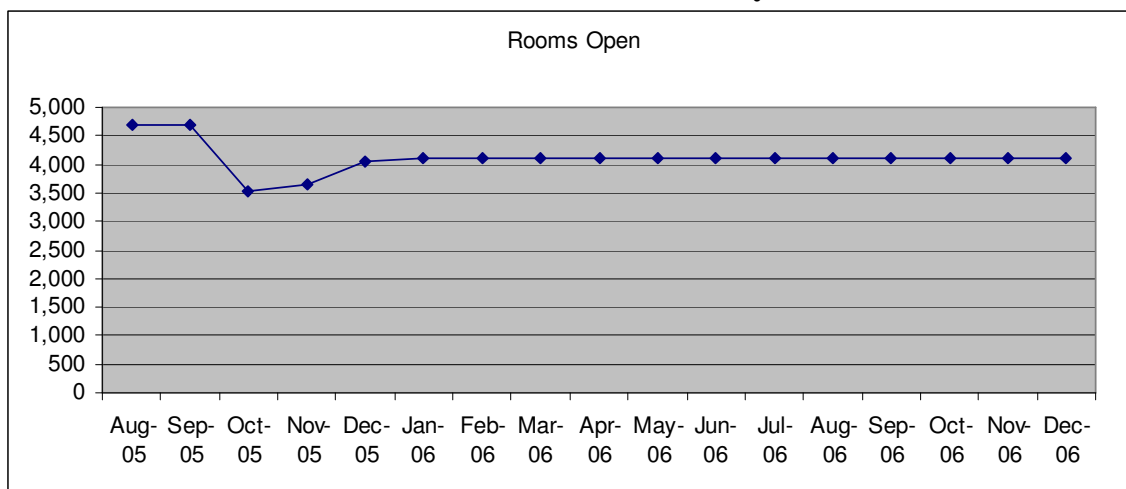
## Lake Charles MSA Hotel Market

**Table LC-13**  
**Lake Charles MSA Hotels:**  
**History since Rita**

Month	Rooms Open
Aug-05	4,685
Sep-05	4,685
Oct-05	3,532
Nov-05	3,643
Dec-05	4,045
Jan-06	4,100
Feb-06	4,100
Mar-06	4,100
Apr-06	4,100
May-06	4,100
Jun-06	4,100
Jul-06	4,100
Aug-06	4,100
Sep-06	4,100
Oct-06	4,100
Nov-06	4,100
Dec-06	4,100

Source: SWLA Convention Bureau

**Figure LC-10**  
**Lake Charles MSA Hotel Recovery Track**



As seen in Table LC-13 and Figure LC-10, the hotel industry took quite a hit just after Rita, losing 1,153 rooms (-24.6 percent). However, the region came back fairly quickly and is now at 87.5 percent of Per-Rita room levels. This number has really not changed since the beginning of 2006.

Three hotels remain problematic. Comfort Suites has reopened but is still having a lot of mechanical difficulties. The hotel lost its Choice Flag and is now called Sulpur Suites. Cash Magic will reopen in 2008 or 2009, but it is not clear at this time how many rooms it will have. Travelodge is not reopening.

On a more positive note, L'Auberge du Lac Casino just broke ground on additional tower that will create 250 new rooms. It is set to open the end of 2007. Pinnacle's new \$350 million Sugarcane Bay Resort will have a nice 400-room hotel associated with it. Records from the Louisiana Department of Economic Development indicate that a group known as the Lake Hotel Group are planning a new \$9 million Holiday Inn Hotel Suites in Lake Charles to open in Mid-2007.

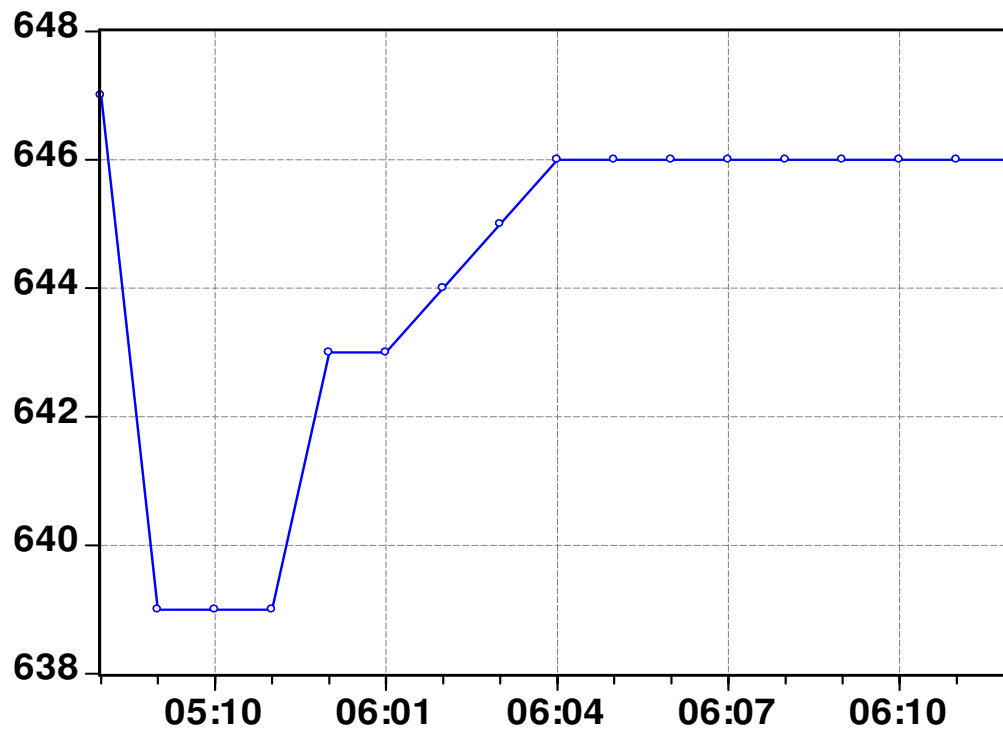
Hotels in this MSA continue experiencing serious staffing problems---especially in the housekeeping area.

## Lake Charles MSA Restaurant Market

**Table LC-14**  
**Number of Restaurants Open in Lake Charles**  
**Pre- and Post-Rita**

Date	# open
Aug-05	647
Sep-05	639
Oct-05	639
Nov-05	639
Dec-05	643
Jan-06	643
Feb-06	644
Mar-06	645
Apr-06	646
May-06	646
Jun-06	646
Jul-06	646
Aug-06	646
Sep-06	646
Oct-06	646
Nov-06	646
Dec-06	646

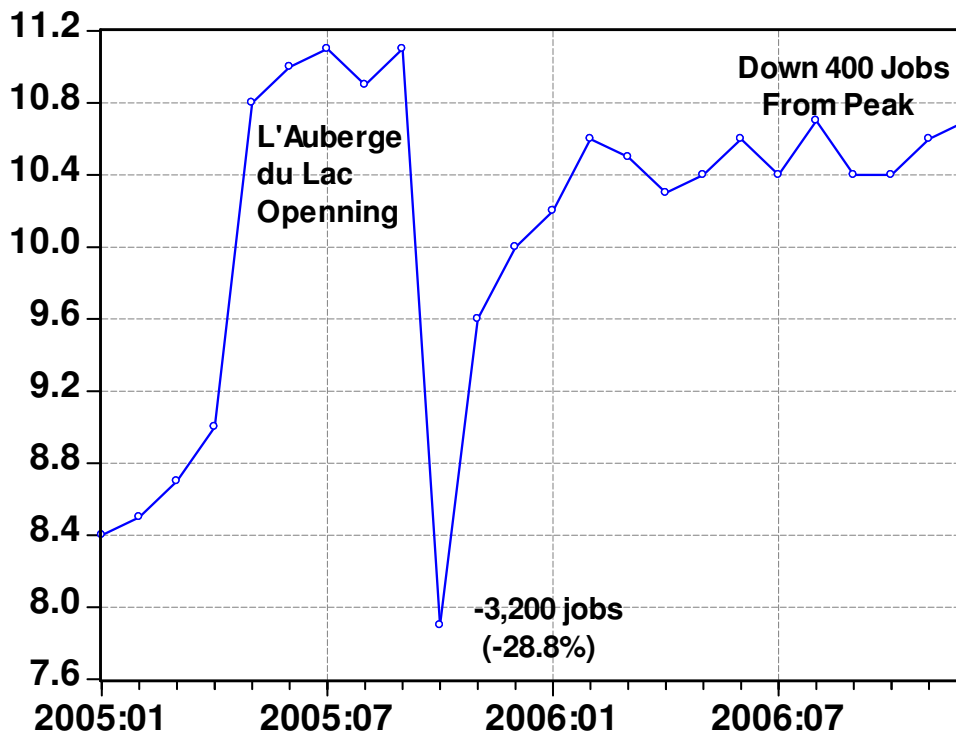
**Fig. LC-11: Lake Chales MSA Restaurants Open**



In the immediate aftermath of Rita, six restaurants were closed. However, by the end of the year only four remained closed, and at the present time, only the Harrah's Casino Restaurant remains closed.

This MSA is too small to allow the Bureau of Labor Statistics to publish restaurant employment statistics. However, the BLS does reveal employment in the hotel/restaurant industry combined. The pattern in this employment is shown in Figure LC-12.

**Fig. LC-12: Lake Charles Hotel & Restaurant Employment**



Prior to the storm, this sector enjoyed a marked boost in jobs associated with the opening of the huge L'Auberge du Lac Casino. When Rita hit 28.8 percent of the hotel/restaurant jobs disappeared (-3,200 jobs). The industry made a steady recovery through early 2006 where employment has stabilized at about 400 jobs below the pre-Rita peak.

## Lake Charles MSA Sales Tax Collections

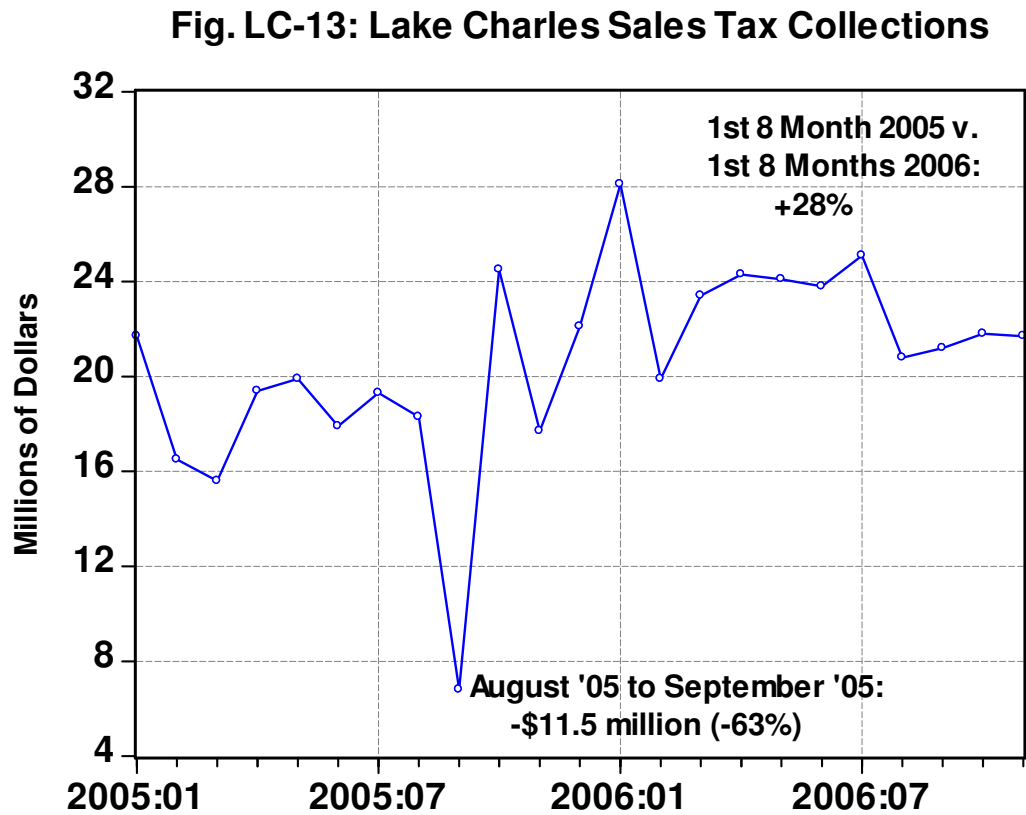
**Table LC-15**  
**Lake Charles MSA Sales Tax Collections:**  
**History since Rita**

<b>Calcasieu</b>			
<b>SALES TAX DISTRIBUTIONS</b>			
<b>Month</b>	<b>Total Jurisdiction</b>	<b>School Board</b>	<b>Total</b>
<b>Dec-04</b>	12,488,247	4,114,630	16,602,877
<b>Jan-05</b>	16,346,615	5,389,475	21,736,090
<b>Feb-05</b>	12,400,734	4,080,455	16,481,189
<b>Mar-05</b>	11,770,614	3,876,221	15,646,835
<b>Apr-05</b>	14,614,055	4,816,668	19,430,723
<b>May-05</b>	15,007,541	4,927,457	19,934,998
<b>Jun-05</b>	13,456,839	4,427,770	17,884,609
<b>Jul-05</b>	14,502,704	4,787,814	19,290,518
<b>Aug-05</b>	13,792,204	4,552,341	18,344,545
<b>Sep-05</b>	5,120,778	1,688,250	6,809,028
<b>Oct-05</b>	18,406,520	6,072,847	24,479,367
<b>Nov-05</b>	13,328,256	4,408,564	17,736,820
<b>Dec-05</b>	16,631,700	5,511,957	22,143,657
<b>Jan-06</b>	21,234,052	6,880,079	28,114,131
<b>Feb-06</b>	14,923,126	4,927,929	19,851,055
<b>Mar-06</b>	17,627,933	5,803,527	23,431,460
<b>Apr-06</b>	18,287,779	6,028,158	24,315,937
<b>May-06</b>	18,477,189	5,708,132	24,185,321
<b>Jun-06</b>	17,716,947	6,110,019	23,826,966
<b>Jul-06</b>	18,919,689	6,231,620	25,151,309
<b>Aug-06</b>	15,664,121	5,167,846	20,831,967
<b>Sep-06</b>	15,908,008	5,247,915	21,155,923
<b>Oct-06</b>	16,644,441	5,121,663	21,766,104
<b>Nov-06</b>	16,718,326	4,971,696	21,690,022

Sales tax collections in the Lake Charles MSA are tracked in Table LC-15 and Figure LC-13 below. The first month after Rita hit must have frightened the dickens out of city officials. Between August 2005 and September 2005 sales tax collections plummeted \$11.5 million or 62.9 percent.

As it turns out, their fears were unjustified. Collections have responded just like one might expect when a great deal of money has to be spent on home and business repairs and the replacement of vehicles damaged by the storm. In the very next month sales tax collections rebounded to a new record level of \$25.5 million, and clearly---from observing the pattern in Figure LC-13---sales taxes have now jumped up to a new tier. In

fact, by comparing the eight months pre-Rita with the same eight months in 2006 one finds sales tax collections are up a significant 28 percent.



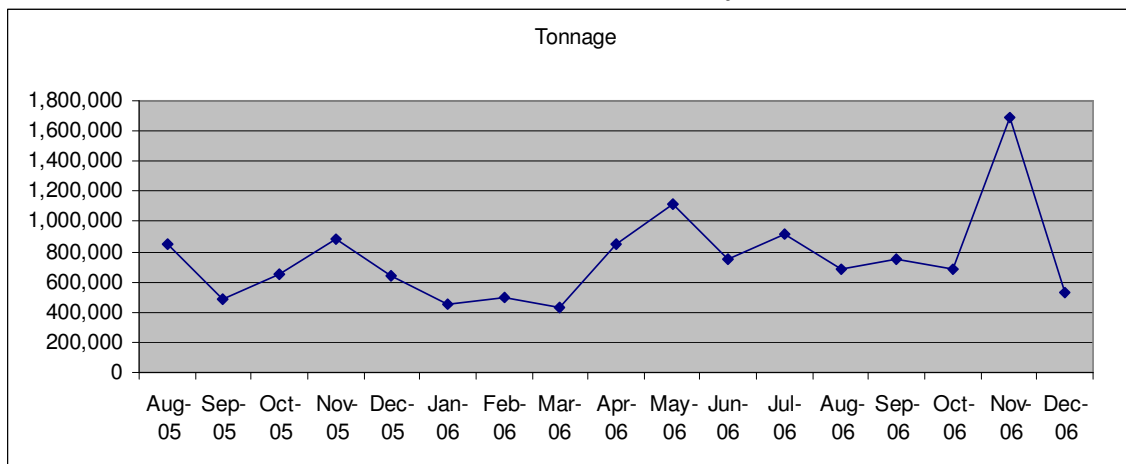
## Lake Charles MSA Port

**Table LC-16**  
**Port of Lake Charles:**  
**History since Rita**

Month	Tonnage
Aug-05	848,914
Sep-05	485,554
Oct-05	646,132
Nov-05	881,301
Dec-05	637,924
Jan-06	447,782
Feb-06	493,899
Mar-06	433,942
Apr-06	850,408
May-06	1,120,800
Jun-06	754,810
Jul-06	912,657
Aug-06	682,437
Sep-06	753,437
Oct-06	679,241
Nov-06	1,691,094
Dec-06	533,253

Source: Port of Lake Charles

**Figure LC-14**  
**Port of Lake Charles Recovery Track**



The Port of Lake Charles escaped any flooding by Rita. However, it did experience about \$40 million in wind damage and initially had no power. Within a few days power was restored and the port was open to receive shallow water vessels. Almost all repairs are now complete and the port is expecting to spend over \$100 million on capital improvement projects over the next five years. The port has finished construction

of a 100,000 square foot Shed 16 and should complete Shed 17 (also 100,000 square feet) in February 2007.

Data in Table LC-16 and Figure LC-14 track the recovery pace at the port since Rita. The tonnage data are a little erratic. There was a little weakness in the late summer and early fall months of 2006 due to a decline in throughput at the port's leased facilities, especially at Trunkline LNG and Alcoa. The demand for natural gas in Europe had increased, and ships were being diverted from the U.S. to Europe, which led to the fall in tonnage at the leased facilities.

The large spike in November followed by the sharp decline in December was due to a ship-timing issue only. Some ships came into the dry bulk terminal in late November instead of early December. In general, the pattern in Figure LC-14 is one of general improvement since Rita.



### **The Biloxi-Gulfport MSA**

The Biloxi-Gulfport MSA is comprised of three counties. Hancock and Harrison Counties are located on the coast, and Stone County is located just north and inland of them.

Biloxi-Gulfport is located just to the east of where the eye of Katrina passed, which is the area of a hurricane that often generates the highest wind gusts. Consequently, almost 60 percent of the homes in Mississippi that were destroyed were in this MSA. Most of those homes were in the two coastal counties where water surges from the Gulf claimed many houses and businesses. A water surge estimated to be between 28-32 feet tall advanced on the Mississippi coast at about 6am the morning of the storm, and by about noon it had retreated back into the Gulf, using its powerful forces to take homes and businesses along with it. Further inland, and away from this surge, Stone County's housing loss numbers were more modest.

On a relative scale, this MSA was hammered almost as badly as New Orleans by Katrina. A major and important difference is that in this MSA the water surge came and left, whereas in New Orleans the waters stayed in place, for weeks in some places.

Another important difference is that governmental officials have moved much more quickly in this state than in Louisiana. Officials in Mississippi designed, received federal approval for and implemented their federal housing assistance program, and have written far more assistance checks to homeowners. The greater speed in Mississippi was partly due to the fact that Louisiana lost months going back to Congress to argue for a larger (and more equitable) pot of Road Home monies than were originally appropriated. In addition, many would argue that the differing administrative styles of the two governors led to faster action in Mississippi.

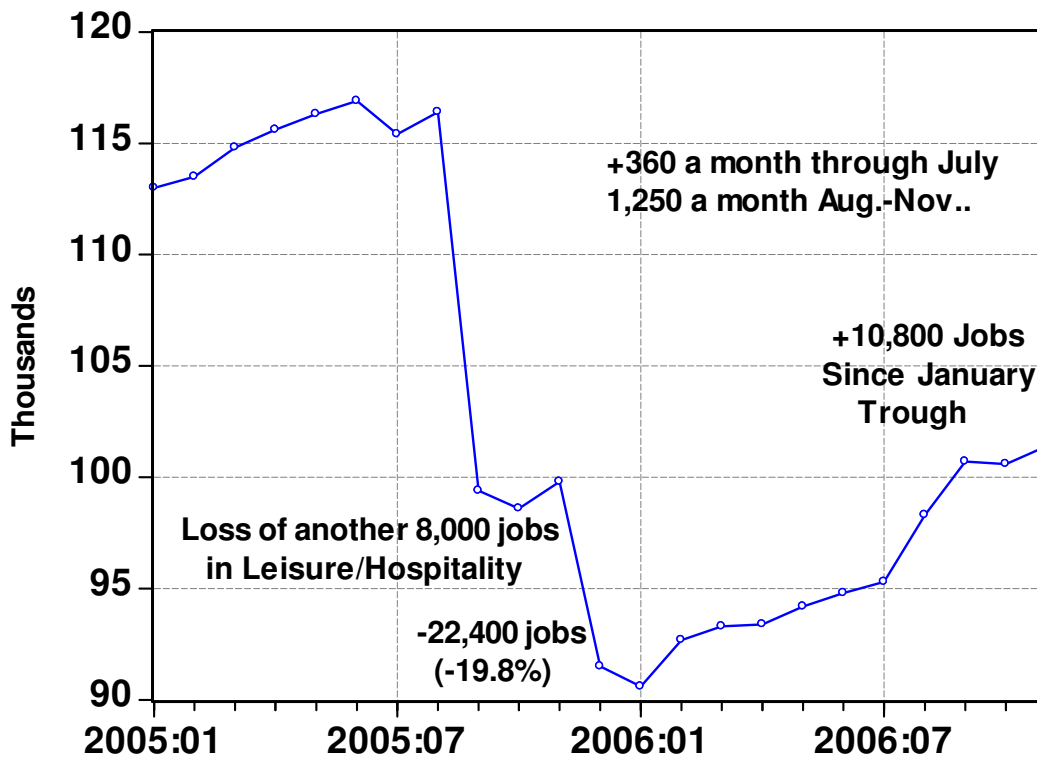
## Biloxi-Gulfport MSA Market – Total Non-Farm Employment

**Table BG-1**  
**Biloxi-Gulfport MSA Non-Farm Employment: 2005 through 2006**  
 (Thousands)

<b>2005</b>	<b>Jan</b>	113.0	<b>2006</b>	<b>Jan</b>	90.6
	<b>Feb</b>	113.5		<b>Feb</b>	92.7
	<b>Mar</b>	114.8		<b>Mar</b>	93.3
	<b>Apr</b>	115.6		<b>Apr</b>	93.4
	<b>May</b>	116.3		<b>May</b>	94.2
	<b>Jun</b>	116.9		<b>Jun</b>	94.8
	<b>Jul</b>	115.4		<b>Jul</b>	95.3
	<b>Aug</b>	116.4		<b>Aug</b>	98.3
	<b>Sep</b>	99.4		<b>Sep</b>	100.7
	<b>Oct</b>	98.6		<b>Oct</b>	100.6
	<b>Nov</b>	99.8		<b>Nov</b>	101.4
	<b>Dec</b>	91.5		<b>Dec</b>	102.0(p)

Data from <http://data.bls.gov>. p=preliminary

**Fig. BG-1: Biloxi-Gulfport MSA Non-Farm Employment**



A good visual reminder of just how devastating Katrina was to the Biloxi-Gulfport MSA can be seen in Figure BG-1. This MSA experienced job losses in two stages. First, there was a 14,400-job decline between August and November, followed by

a further 8,000-job drop over the next two months. According to detailed data from the Bureau of Labor Statistics, this second round of layoffs was heavily concentrated in the leisure and hospitality sector. We believe casinos and hotels kept employees on the payroll initially (which meant they showed up on BLS records as “employed”) but by December, this had become too onerous a financial burden for these firms to carry. **The total job loss was 22,400 positions** or a 19.8 percent decline. Of the four hurricane-damaged MSAs on which we focus our tracing efforts, Biloxi-Gulfport was the second worst hit behind New Orleans.

Note in FigureBG-1 that initially the recovery effort in this MSA was modest to say the least. After bottoming out in January 2006, employment rose for the next seven months at the paltry rate of only 360 jobs per month. **However, in the last half of 2006, that rate improved by almost a factor of four to 1,250 jobs per month.** This renewed spurt of activity was caused by the construction of and reopening of several casinos, which we will discuss in detail in the “casino” section below.

**Table BG-2**  
**Change in Non-Farm Employment in Biloxi-Gulfport MSA**  
**December 2004 – December 2006**

Sector	Change in Employment	Percent Change
Total	-12,500	-10.9%
Nat. Res. & Mining & Construction	1,000	18.9%
Manufacturing	-200	-3.3%
Trade, Trans., Utilities	-3,700	-17.4%
Leisure & Hospitality	-7,400	-26.0%
Government	-400	-1.6%

Table BG-2 illustrates the change in employment by broad industrial sector over the December 2004 to December 2006 period. Comparing same-month to same-month in this way avoids distortions caused by seasonality in the data. Sixteen months after Katrina hit non-farm employment in the Biloxi-Gulfport MSA is still 12,500 jobs below December of 2004---a decline of 10.9 percent. This was, and is, a casino-rich area. Most of these casinos were located right on the beach and took the brunt of Katrina’s fury. As a result, the leisure and hospitality sector absorbed the biggest blow to its workforce. Even with the reopening of nearly all the casinos, this sector still remains down 7,400 jobs or 26 percent.

We mentioned earlier in this report that what normally happens in the neighborhood of a natural disaster is a large jump in construction jobs as private insurance and federal rebuild monies flow into the area. Biloxi-Gulfport is no exception to this phenomenon. As was the case in our discussion of the Lake Charles MSA, it is the construction sector that is leading this MSA back from the brink. As seen in Table BG-2 the “natural resources and construction” sector is up by 1,000 jobs or 18.9 percent. The

“natural resources” part of this sector is quite small, so the jobs gains are most certainly concentrated in the construction sector, not a surprising discovery given the volume repair work underway in the region.

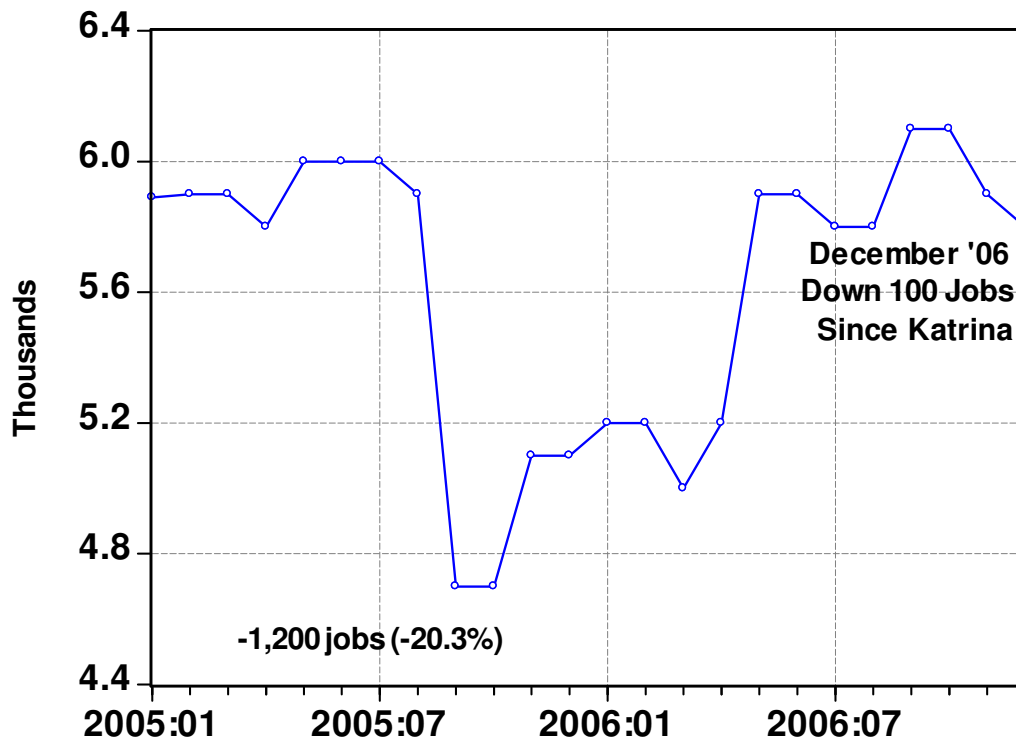
## Biloxi-Gulfport MSA Market –Manufacturing Employment

**Table BG-3**  
**Biloxi-Gulfport MSA Manufacturing Employment: 2005 through 2006**  
 (Thousands)

<b>2005</b>	<b>Jan</b>	5.9	<b>2006</b>	<b>Jan</b>	5.2
	<b>Feb</b>	5.9		<b>Feb</b>	5.2
	<b>Mar</b>	5.9		<b>Mar</b>	5.0
	<b>Apr</b>	5.8		<b>Apr</b>	5.2
	<b>May</b>	6.0		<b>May</b>	5.9
	<b>Jun</b>	6.0		<b>Jun</b>	5.9
	<b>Jul</b>	6.0		<b>Jul</b>	5.8
	<b>Aug</b>	5.9		<b>Aug</b>	5.8
	<b>Sep</b>	4.7		<b>Sep</b>	6.1
	<b>Oct</b>	4.7		<b>Oct</b>	6.1
	<b>Nov</b>	5.1		<b>Nov</b>	5.9
	<b>Dec</b>	5.1		<b>Dec</b>	5.8(p)

Data from <http://data.bls.gov>. p=preliminary

**Fig. BG-2: Biloxi-Gulfport Manufacturing Employment**



The message regarding manufacturing in this MSA is a bit mixed. First, note from reading the vertical axis in Figure BG-2 that manufacturing was not a major player in this MSA even before the storms. In August 2005, there were only 5,900 people

employed in manufacturing in Biloxi-Gulfport---only 5.1 percent of total non-farm employment.

Secondly, note in Table BG-3 and Figure BG-2 that virtually all of those jobs were fully recovered as we entered the second half of 2006. In December 2006, manufacturing employment was only 100 jobs lower than the month before Katrina. **Northrop Grumman's** workforce of 200 is fully back in Gulfport and hopefully may get a boost as a result of NG's new \$2.49 billion contract with the Navy to build two additional amphibious assault ships. Too, the area received some good news when Edison Chouest Shipyards announced they were seriously considering opening a new shipyard along the Industrial Seaway in Gulfport. To be called **GulfShip**, this would involve an \$18 million capital investment with a startup workforce of 200 and ultimately as much as 600 new jobs for the area.

Edison Chouest's new shipyard may be vital to maintaining this new employment level, as the area just learned that another significant manufacturer was leaving. **Oreck Corporation** is moving its 450-person vacuum cleaner manufacturing facility from Long Beach to Cookeville, Tennessee. These jobs will be phased out between February and October of 2007. Oreck officials indicated labor and housing availability and insurance issues as being key factors in their decision to leave the area.

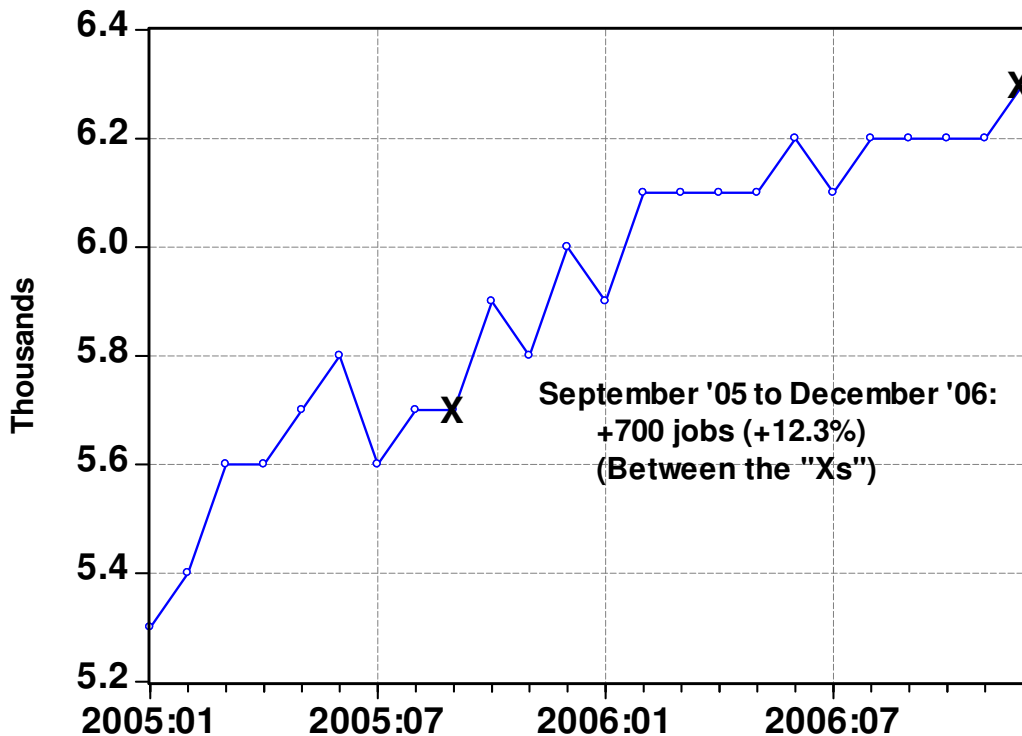
**Biloxi-Gulfport MSA Market –Construction Employment**

**Table BG-4**  
**Biloxi-Gulfport MSA Natural Resources**  
**& Construction Employment: 2005 through 2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	5.3	<b>2006</b>	<b>Jan</b>	5.9
	<b>Feb</b>	5.4		<b>Feb</b>	6.1
	<b>Mar</b>	5.6		<b>Mar</b>	6.1
	<b>Apr</b>	5.6		<b>Apr</b>	6.1
	<b>May</b>	5.7		<b>May</b>	6.1
	<b>Jun</b>	5.8		<b>Jun</b>	6.2
	<b>Jul</b>	5.6		<b>Jul</b>	6.1
	<b>Aug</b>	5.7		<b>Aug</b>	6.2
	<b>Sep</b>	5.7		<b>Sep</b>	6.2
	<b>Oct</b>	5.9		<b>Oct</b>	6.2
	<b>Nov</b>	5.8		<b>Nov</b>	6.2
	<b>Dec</b>	6.0		<b>Dec</b>	6.3(p)

Data from <http://data.bls.gov>. p=preliminary

**Fig. BG-3: Biloxi-Gulfport Natural Resources & Construction Employment**



There are several points of clarification about the data in Table BG-4 and Figure BG-3. First, in both cases we use the title “Natural Resources and Construction” rather than just “Construction.” That is because the Department of Labor does not separate the two categories in its releases for confidentiality reasons. However, the natural resources component in Biloxi-Gulfport is quite small, so these numbers are dominated by the construction sector, and construction activity is the primary reason for the movements in Figure BG-3.

Secondly, employment in this sector did not miss a beat after Katrina. Employment went sideways (not down) in September 2005, and has generally been on an upward trend ever since.

Thirdly, while the line in Figure BG-3 appears to be shooting up, readers should pay careful attention to the vertical axis. Because of the nature of the industries in this MSA, **construction does not play a huge role in the area’s economy**. Even in normal times, construction employment was typically less than five percent of non-farm employment in this MSA.

Fourthly, **reconstruction of multi-million dollar casinos** played a dominant role in this employment run up. The reconstruction of the Beau Rivage Casino alone was a half billion dollar project.

Fifth, two other injections of construction monies will help support this higher employment level going forward. First, there is the reconstruction of the large number of **damaged homes** along the coast as the federal assistance dollars finally reach homeowners (more on this below in the housing section). Secondly, there are two **military construction projects** on the horizon: (1) a \$10.2 million project at the Stennis Space Center and (2) a \$13.4 million bachelors’ enlisted quarters at the Gulfport Battalion Center. Congressional extension of the **Go Zone legislation** to December 21, 2010 will also provide extra incentives for capital investment in this region.

Finally, a matter of no small concern which could greatly hinder future construction in the area is the **insurance crisis**. Premiums for businesses in the “Wind Pool”---which provides wind and hail damage protection in the six coastal counties have risen by a remarkable 268 percent! One bank president in the area stated that prior to Katrina there were 16 condo projects in the planning stages in Biloxi. The only projects underway are the ones begun prior to Katrina. There are 10 to 12 waiting on the sidelines hoping that these rates will be cutback.<sup>9</sup>

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<sup>9</sup> Mississippi Business Journal, January 22-28, 2007, p. 26.



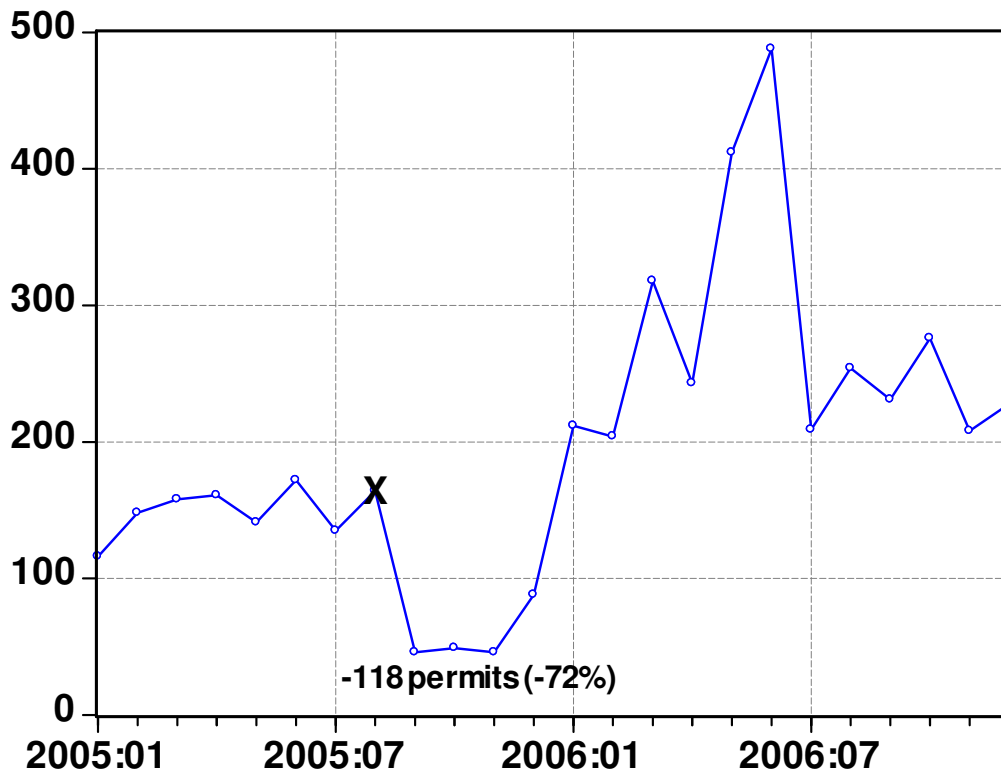
## Biloxi-Gulfport MSA Market –Housing Permits

**Table BG-5**  
**Biloxi-Gulfport MSA Single Family Housing Permits**

<b>2005</b>	<b>Jan</b>	116
	<b>Feb</b>	148
	<b>Mar</b>	158
	<b>Apr</b>	161
	<b>May</b>	141
	<b>Jun</b>	172
	<b>Jul</b>	135
	<b>Aug</b>	164
	<b>Sep</b>	46
	<b>Oct</b>	49
	<b>Nov</b>	46
	<b>Dec</b>	88
<b>2006</b>	<b>Jan</b>	212
	<b>Feb</b>	204
	<b>Mar</b>	318
	<b>Apr</b>	243
	<b>May</b>	412
	<b>Jun</b>	488
	<b>Jul</b>	209
	<b>Aug</b>	254
	<b>Sep</b>	231
	<b>Oct</b>	276
	<b>Nov</b>	208
	<b>Dec</b>	228

Source: SOCDS

Even a casual glance at Figure BG-4 will convince the readers that the housing market is very hot in the Biloxi-Gulfport MSA. After declining by 72 percent in the first three months after the storm, housing permit activity has jumped dramatically---especially in May and June. Even leaving out these rather spectacular months, it is obvious that permitting activity has risen to a new, higher tier in this MSA. The two “spike” months were due to unusual permitting levels in Hancock County. However, the majority of the permitting activity was in Harrison County, which averaged 178 permits a month in the last half of 2006 as compared to only 47 a month in Hancock County.

**Fig. BG-4: Biloxi-Gulfport Housing Permits**

One reason for the high level of permitting activity is the **sheer number of homes that were destroyed or incurred major damage** by Katrina (see Table BG-6). Over 60,000 homes in this MSA fell into categories that deemed them un-inhabitable.

**Table BG-6**  
**Impacts of Katrina on Housing in Mississippi**  
**And the Biloxi-Gulfport MSA**

<b>Impact</b>	<b>Statewide</b>	<b>Biloxi-Gulfport MSA</b>
Destroyed	68,729	41,090
Major Damage	65,237	19,510
Minor Damage	100,318	36,305
Affected	7,430	1,355
Inaccessible	0	0
<b>Total</b>	<b>241,714</b>	<b>98,260</b>

Source: Red Cross

Mississippi is further down the trail than Louisiana in terms of getting federal assistance checks to homeowners to begin the rebuild process. As of January 2006, Louisiana had written 258 checks for a total of \$14.4 million in Road Home monies. **By contrast, Mississippi had written 11,827 checks totaling \$665 million.**

On May 24<sup>th</sup>, the Biloxi City Council approved base flood elevation levels. Property owners in the flood plain must elevate at least 15 feet above sea level, and in some cases (water front locations subject to tidal surges) the new elevation can be as high as 18 feet.

Though still in the planning stages, there is another effort afoot that would significantly boost building permits and the number of homes in the area. **The Reviving the Renaissance** group is working on plans for a 4,200-unit development near Woolmarket that would be a mix of houses and apartments in the \$120,000 price range along with some retail development. It is estimated the complex would take about three years to build. Also, Congress has appropriated \$313.9 million to build 1,067 homes at **Keesler Air Force Base**, the largest single appropriation of its kind in Air Force history.

**Homeowner's insurance** remains a mind numbing issue all along the Mississippi coast and is a real threat to the housing recovery in this MSA. There is a consortium of property insurers called the "Wind Pool" that provides wind and hail insurance to homes and businesses in the six coastal counties. **Wind Pool rates have risen 90 percent for homeowners and 268 percent for businesses since Katrina.** In the lowest areas it is not uncommon for the premium on homeowner's insurance to be larger than the principle and interest payment on the loan. The insurance industry is blaming much of this on (1) the scarce availability of re-insurance and (2) the desire of many carriers to spread their risks more.

## Biloxi-Gulfport MSA Hospital Market

**Table BG-7**  
**Biloxi-Gulfport MSA Hospitals**

<b>Biloxi-Gulfport</b>	<b>7/15/2005</b>	<b>9/15/2005</b>	<b>11/15/2005</b>	<b>3/15/06</b>	<b>12/15/06</b>
<b>Total Open</b>	7	7	7	7	7

**Table BG-8**  
**Status of Individual Hospitals: Biloxi-Gulfport MSA**

<b>Hospitals</b>	<b>Katrina</b>	<b>15-Sep</b>
Biloxi Regional Medical Center	Power, water, phone loss	Power and water were restored; however water pressure was insufficient for system integrity and water sanitation was in question. Municipal sewage waste water disposal system failed and impacted the hospital's waste disposal. General medical and emergency services resumed, but surgical services were suspended due to water issues. Security was provided by National Guard, but was not sufficient to handle security issues. The building was structurally sound and temporary repairs (boarding windows and placement of a temporary roof) had been made pending permanent repairs. (DMAT facility continued on-site)
Gulf Coast Medical Center	Power, water, phone loss	Emergency services only with a DMAT facility on-site
Garden Park Medical Center	Power, water, phone loss	Power and water were restored; however water pressure and sanitation were insufficient for surgical services to be resumed. General medical and emergency services resumed, but surgical services were suspended due to water pressure and sanitation issues
Memorial Hospital at Gulfport	Power, water, phone loss	Medical and emergency services were restored and acute care services were available. Medical equipment was operational. Water sanitation issues limited the scope of surgical services available
Hancock Medical Center	Power, water, phone loss; DMAT Unit on-site for provision of healthcare services by day 2 and continues to be on-site and functional seeing patients	DMAT Unit on-site for provision of healthcare services by day 2 and continues to be on-site and functional seeing patients. Total facility renovation will be necessary before resumption of full services.
Stone County Hospital		
Select Specialty Hospital-Gulf Coast		

There is little new to report on this sector of the Biloxi-Gulfport economy since our last issue. **By November 15<sup>th</sup>, all seven hospitals in this MSA were operating at full service** (see Table BG-7). Table BG-8 documents the struggles each encountered just after the storm.

There was one piece of new information on the hospital front in this MSA. Biloxi Regional Medical Center held a ribbon cutting ceremony Thursday, November 30, 2006 for Biloxi Regional Medical Center's East Building located in the Vieux Marche Mall. This support services building was destroyed by Hurricane Katrina and displaced many of the hospital's employees for 14 months. The state-of-the art building will be used for Education, Human Resources, Employee Health, and the Business Office. The building was complete in 18 ½ weeks by using 17 vendors and subcontractors from four states and consists of 8,200 blocks, 36,000 bricks and 15 tons of steel.

## Biloxi-Gulfport MSA Casino Market

**Table BG-9**  
**Casinos in the Biloxi-Gulfport MSA:**  
**History since Katrina**

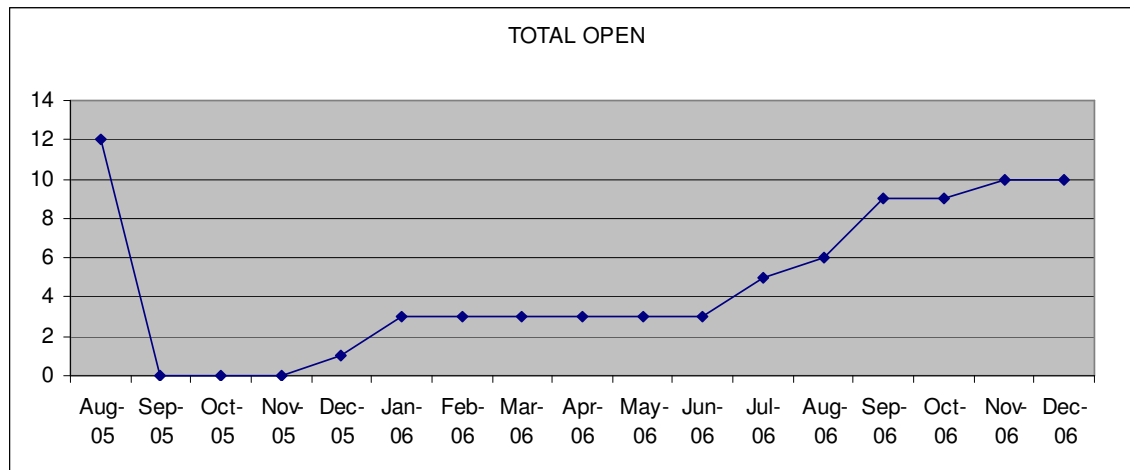
Casino	11/15/05	12/15/05	1/15/06	7/15/06	8/15/06	9/15/06	12/15/06
Hard Rock Café	closed	closed	closed	closed	closed	closed	closed
Imperial Palace	closed	open	open	open	open	open	open
Isle of Capri – Biloxi	closed	closed	open	open	open	open	open
Palace Casino Resort	closed	closed	open	open	open	open	open
Beau Rivage Casino	closed	closed	closed	closed	open	open	open
Boomtown – Biloxi, Inc.	closed	closed	closed	open	open	open	open
Hollywood Casino Bay St. Louis (formerly Casino Magic-Bay St. Louis)	closed	closed	closed	closed	closed	open	open
Casino Magic – Biloxi	closed	closed	closed	closed	closed	closed	closed
Copa Casino	closed	closed	closed	closed	closed	closed	closed
Grand Casino – Biloxi	closed	closed	closed	closed	closed	open	open
Island View Casino Resort (formerly Grand Casino-Gulfport)	closed	closed	closed	closed	closed	open	open
Grand Casino – Gulfport	closed	closed	closed	closed	closed	closed	closed
Silver Slipper Casino	closed	closed	closed	closed	closed	closed	open
Treasure Bay - Biloxi	closed	closed	closed	open	open	open	open
<b>TOTAL OPEN</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>5</b>	<b>6</b>	<b>9</b>	<b>10</b>

The casino industry is perhaps the most important cog in the Biloxi-Gulfport economy. Before Katrina there were 11 casinos operating in the Biloxi-Gulfport MSA, and Hard Rock Casino was set to open along with the Silver Slipper. All of these remained closed until late December when the Imperial Palace reopened, followed by the Isle of Capri and the Palace Casino Resort. In August, re-openings started to accelerate, so that by the end of 2006, **ten of the casinos in this MSA were back in operation.**

Hard Rock Café plans to open summer 2007. Casino Magic Biloxi is not reopening. Its site was sold to a neighboring competitor. Copa's owners abandoned the destroyed Copa boat, bought the Grand Casino Gulfport site, and now operate the Grand site as the Island View Casino.

The passage HB45 significantly encouraged the casino rebuild effort on the Mississippi coast. This bill allows “shore-based” gambling rather than river boat gambling. HB45 allows the casinos to rebuild 800 feet from the mean high water tide. There is no restriction on the size of the casino to be rebuilt. The result is that those casinos that were badly damaged are being **rebuilt bigger and better**.

**Figure BG-5**  
**Biloxi-Gulfport MSA Casino Recovery Track**



The following are groups that, encouraged by the benefits of HB45, have indicated they are examining new casino sites in this MSA:

- **Bacaran Bay Casino Resort** – a \$500 million project, owned and operated by Torguson Gaming Group, with anticipated completion date in the fall of 2008 with 638-room all suite hotel; 432 one and two bedroom condominiums; Arnold Palmer signature 18-hole championship golf course; 40-lane bowling alley; and six movie theaters.
- The **Broadwater** (former President Casinos) a \$1 billion project has been proposed that eventually would consist of two casinos, 3,375 condo units, 1,900 hotel rooms, 180-acre 18-hole golf course, 585,000 square feet of retail entertainment space, 125,000 square feet of gaming floor, 104,000 square feet of convention space, and a marina. Work is currently underway to clear the site.
- **Golden Nugget** –Landrys, the operator of the Golden Nugget brand, has purchased land in the Point Cadet area of Biloxi for this resort.
- **Isle of Capri** – The Isle recently announced plans to develop a \$250 million to \$300 million development in western Harrison County near Interstate 10 with a minimum of 500 rooms.
- **Trump Properties** – A joint venture between Trump and Diamondhead Casino Corporation would cover a minimum of 40 acres on the north shore of the Bay of St. Louis near Diamondhead. Diamondhead Casino Corp. owns over 400 acres of land near Diamondhead. The Diamondhead tract fronts Interstate 10 for approximately two miles and the Bay of St. Louis.

- **West D'Iberville Development** – a \$250 million project to be located on the west side of I-110 just south of Rodriguez Street. It will include 1,500-2,000 slots, 50-60 table games, meeting space, and a hotel.
- **Bayview Ventures LLC** is proposing a new resort development on the Biloxi Back Bay area east of Boomtown Casino on 7.9 acres of land. The plans call for 65,000 square feet of gaming space, 1,400 slot machines, 45 table games and seven poker tables. The casino, hotel development and amenities will be located on the south side of Bayview Avenue in the initial phase of development.

These proposed openings are pending proper approvals from the Mississippi Gaming Commission.



## Biloxi-Gulfport MSA Airport Market

**Table BG-10**  
**Biloxi-Gulfport MSA Airport: 2005 through 2006**  
**History since Katrina**

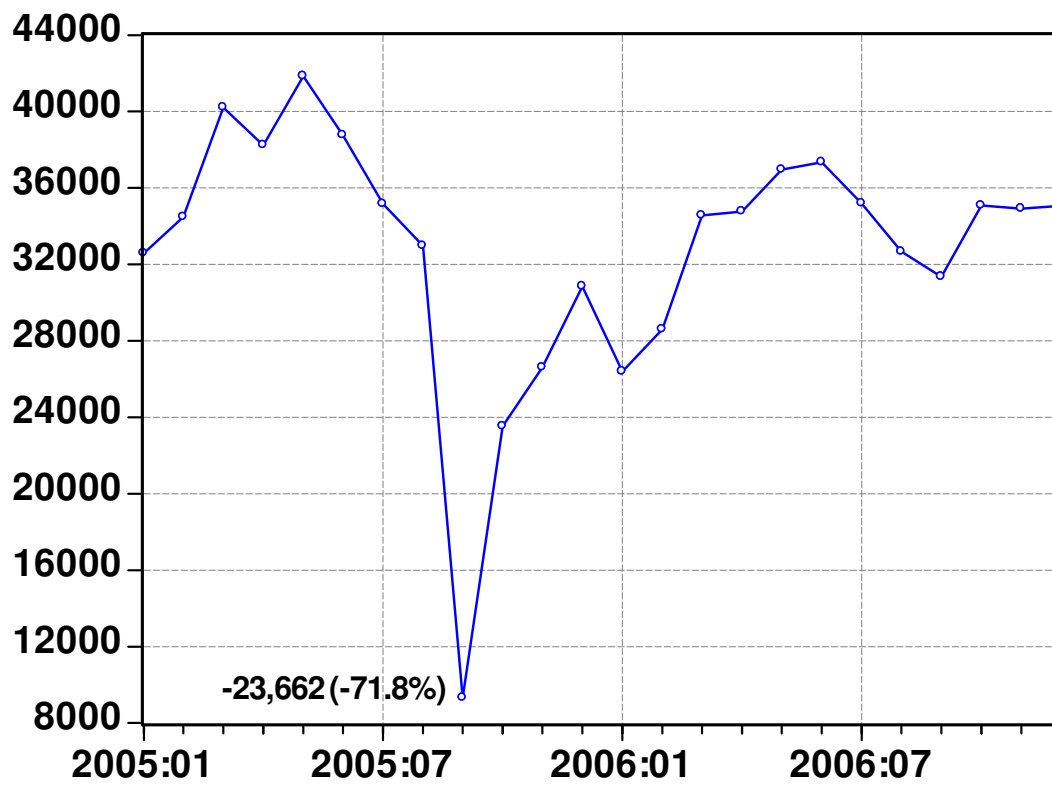
Year	Month	Enplanements	Deplanements
2005	January	32,593	33,059
	February	34,481	35,030
	March	40,213	40,429
	April	38,240	38,842
	May	41,857	41,363
	June	38,760	41,103
	July	35,161	36,533
	August	32,976	31,337
	September	9,314	9,837
	October	23,534	23,099
	November	26,603	26,518
	December	30,853	29,020
2006	January	26,399	27,022
	February	28,593	28,117
	March	34,562	34,164
	April	34,770	31,508
	May	36,960	34,315
	June	37,348	38,535
	July	35,191	35,703
	August	32,662	32,013
	September	31,353	30,411
	October	35,086	35,381
	November	34,920	29,096
	December	35,061	33,675

*source: Gulfport-Biloxi International Airport*

As seen in Table BG-10 and Figure BG-6 the Gulfport-Biloxi Regional Airport is basically back to its pre-Katrina activity levels. After declining by nearly 72 percent in the month after Katrina hit, enplanements in December were essentially equivalent to the winter months in 2005 before the storm

A major expansion project is underway at the airport. Using \$13 million in federal funding and \$37.5 million from a revenue bond issue, the airport is adding two new gates, an expanded lobby and ticket area, improved roads to and from the terminal, a larger baggage claim area, and space for two new airlines. The expansion will expand the airport terminal from 92,000 square feet to 165,000 square feet.

In addition to this expansion, the airport is adding a new \$33 million cargo facility, a new \$22 million aviation ramp area, \$2.5 million in expanded parking spaces, and a noise compatibility program that will expend \$60 million over eight years.

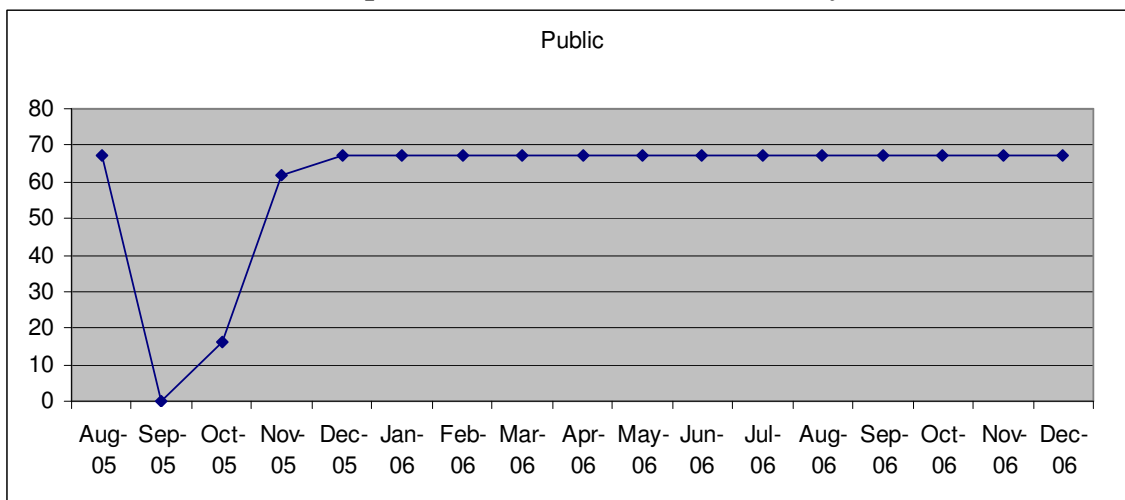
**Fig. BG-6: Enplanements Biloxi-Gulfport Airport**

**Biloxi-Gulfport MSA Public Schools**

**Table BG-11  
Biloxi-Gulfport MSA Public Schools:  
History since Katrina**

Total Gulfport-Biloxi						
	8/1/2005	9/1/2005	10/1/2005	11/1/2005	1/1/2006	12/1/2006
<b>Public</b>	67	0	16	62	67	67

**Figure BG-7  
Biloxi-Gulfport MSA Public Schools Recovery Track**



As we reported in our last report (and as seen in Table BG-11 and Figure BG-7) all of the public schools in this MSA are open. The four schools in Stone County were all open by October, and all the schools in Harrison and Hancock Counties were back in service by December first.

While the data in these two illustrations look very good, they do hide non-trivial problems facing schools in this area. One issue is that though all the schools are open, not all the students are back as can be seen in Table BG-12. **Enrollment in Harrison County public schools is down 16.6 percent and in Hancock County the drop is 16.2 percent.** Only the schools in Stone County managed to maintain (and even increase) their enrollments.

**Table BG-12**  
**School Enrollments by County;**  
**Biloxi-Gulfport MSA**

<b>Harrison County</b>	<b>School Year</b>		
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Harrison County School District	13,049	13,170	12,217
Biloxi Public School District	6,228	6,305	5,244
Gulfport School District	6,243	6,291	4,326
Long Beach School District	3,323	3,272	2,742
Pass Christian Public School District	1,954	1,980	1,343
<b>Total</b>	<b>30,797</b>	<b>31,018</b>	<b>25,872</b>
<b>Hancock County</b>	<b>School Year</b>		
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Hancock County School District	4,391	4,324	4,180
Bay St. Louis Waveland School District	2,253	2,383	1,441
<b>Total</b>	<b>6,644</b>	<b>6,707</b>	<b>5,621</b>
<b>Stone County</b>	<b>School Year</b>		
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>
Stone County School District	2,638	2,639	2,748
<b>Total</b>	<b>2,638</b>	<b>2,639</b>	<b>2,748</b>

## **Biloxi-Gulfport MSA Restaurant Market**

**The Bureau of Labor Statistics has terminated reporting detailed restaurant employment in this MSA.**

In our first report, the Department of Labor was still releasing restaurant employment data and we were able to show that like New Orleans, the Biloxi-Gulfport MSA is a fairly restaurant-intensive area given the MSA's size. This industry has especially grown since the mid-90s, when the casino industry opened on the coast. Many of these restaurants were located inside of casinos, and when those casinos were destroyed, the restaurant industry was impacted as well. In addition, area restaurants located outside of casinos still relied on the casino crowd for a significant part of their business.

When employment data were still being published we were able to show that employment in this sector had dropped by 4,100 jobs or about 40 percent just after Katrina. Only eight hundred of those jobs were back by December, and progress has been somewhat slowed by the decision of most casinos to build bigger units inshore. However, now that most of the casinos have reopened, employment in this sector should have recovered noticeably.

We suspect staffing remains a very serious issue for this sector.

## Biloxi-Gulfport MSA Hotel Market

**Table BG-13**  
**Biloxi-Gulfport MSA Hotels:**  
**History since Katrina**

<b>Hotel Rooms Inventory - MSA</b>	<b>Pre- Katrina</b>	<b>12/28/05</b>	<b>04/21/06</b>	<b>08/17/06</b>	<b>12/18/06</b>	<b>%</b>
Gulfport-Biloxi MSA	14,880	4,049	4,247	7,698	8,239	55.4%

<b>Hotel Rooms Inventory - County</b>	<b>Pre- Katrina</b>	<b>12/28/05</b>	<b>04/21/06</b>	<b>08/17/06</b>	<b>12/18/06</b>	<b>%</b>
Hancock County	1,225	187	182	633	633	51.7%
Harrison County	13,561	3,768	3,971	6,971	7,512	55.4%
Stone County	94	94	94	94	94	100.0%

Source: Mississippi Hotel & Lodging Association

The main draw of the Biloxi-Gulfport MSA is its tourism sector, built around its extensive casino industry and nice beaches. That means its economy is very hotel-intensive given its overall size. Note in Table BG-13 that there were nearly 15,000 hotel rooms in the MSA pre-Katrina. By the end of 2005, only 4,049 were opened. That number has now more than doubled to 8,239 as more casinos have opened along with their hotels. **Still, hotel room inventory remains at only 55.4 percent of its pre-Katrina level.**

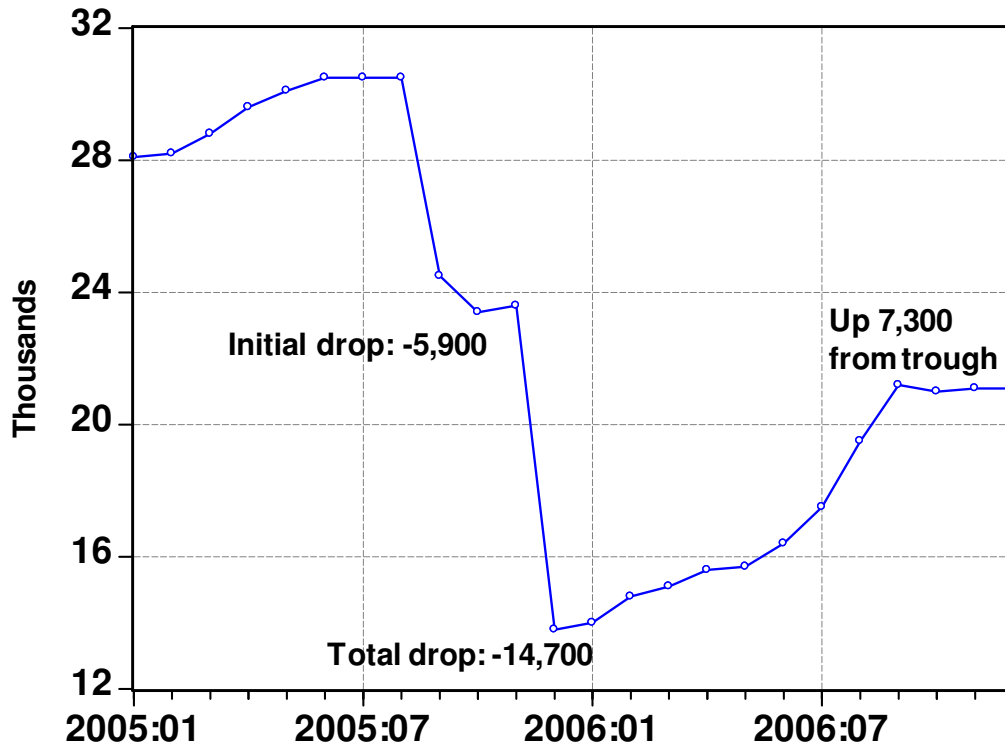
The bottom part of Table BG-13 shows how these room openings were geographically distributed across the three counties in this MSA. All of the hotel rooms in the non-coastal county of Stone were available even after the storm, but only 14.9 percent of those in Hancock County were. Over 90 percent of the hotel rooms in the MSA are located in the very casino-intensive Harrison County, and three-quarters of those were shuttered by Katrina. **Sixteen months after the storm a little less than half of the hotel room in Harrison and Hancock Counties are still not open.**

The Bureau of Labor Statistics---as was the case with the restaurant industry---no longer publishes specific hotel employment numbers for this MSA. However, the BLS does publish data on employment in the broader “leisure & hospitality” industry. Historically in Biloxi-Gulfport, about 87 percent of this sector’s employment was divided between hotels and restaurants, with slightly more people employed in hotels than in the restaurant sector. In other words, we can track the leisure & hospitality employment and get a pretty good idea of what is happening to hotel and restaurant employment.

Figure BG-8 tracks employment in leisure/hospitality both pre- and post-Katrina. Employment initially declined from 30,500 in August to 23,400 in October. Then another round of layoffs occurred when many of the casinos and restaurants which had been carrying employees on the payroll (even though they were not working) finally had to bite the bullet and lay folks off---even if temporarily. This led to a total decline of 14,700 jobs from the August peak.

For a while recovery was slow. Employment rose by only 380 per month in the first five months of 2006. Then employment increased by a much faster 1,375 per month over the June-September as more and more casinos opened. Note that employment has been unchanged in the last three months. It may be that the specter of limited labor availability, caused by the housing shortage, may be raising its ugly head in this important sector.

**Fig. BG-8: Biloxi-Gulfport Leisure & Hospitality Employment**



## Biloxi-Gulfport MSA Port Market

**Table BG-14**  
**Port of Gulfport:**  
**History since Katrina**

<b>Tonnage</b>		
<b>Month</b>	<b>Imports</b>	<b>Exports</b>
Aug-05	141,020	87,580
Sep-05	8,129	412
Oct-05	31,705	16,772
Nov-05	69,273	32,204
Dec-05	60,538	37,469
Jan-06	70,630	44,753
Feb-06	68,862	46,718
Mar-06	74,198	60,778
Apr-06	69,904	50,650
May-06	79,856	63,031
Jun-06	78,835	65,145
Jul-06	69,666	61,886
Aug-06	83,104	71,654
Sep-06	70,817	55,853
Oct-06	79,688	60,946
Nov-06	71,748	61,676
Dec-06	72,025	49,854

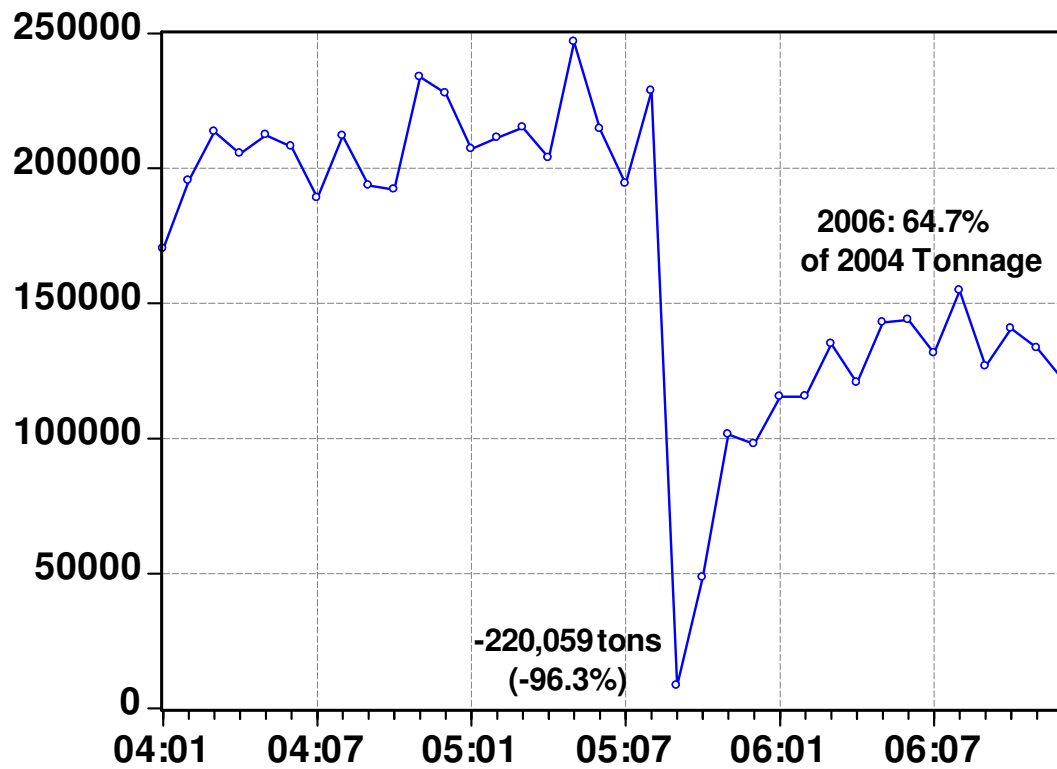
*Source: Port of Gulfport*

Despite extensive damage caused by Hurricane Katrina, the Port of Gulfport handled 2 million tons of cargo in 2005. The Port began lumber operations five months after Hurricane Katrina hit the Mississippi Gulf coast. On February 9, 2006 the M/V Tolosa docked at the port making use of the Ro-Ro ramp for the first time since its inauguration in August, 2005. The M/V Tolosa is an addition to the Crowley vessels servicing the port and other ports in Central America and the Caribbean.

Figure BG-9 perhaps does the best job of depicting exactly how devastating Katrina was to this port and the extent to which it has been able to climb back from the abyss. Immediately after Katrina, total tonnage flowing through the port dropped from 228,600 tons in August 2005, to only 8,541 tons in September---a whopping 96.3 percent decline. Tonnage moving through the port improved steadily through about mid-2006 where it has pretty much stabilized at about 64.7 percent of its pre-storm volume.

The Mississippi State Port Authority has recently completed the construction of Shed 16, a 105,000 square foot warehouse located on the port's West Pier. The facility has rail access, 805 feet of docking space, and the capacity to store 14 million pounds of paper and other commodities.



**Fig. BG-9: Total Tonnage Gulfport Port**

## Biloxi-Gulfport MSA Sales Tax Collections

**Table BG-15**  
**Biloxi-Gulfport MSA Sales Tax Collections**  
**History since Katrina**

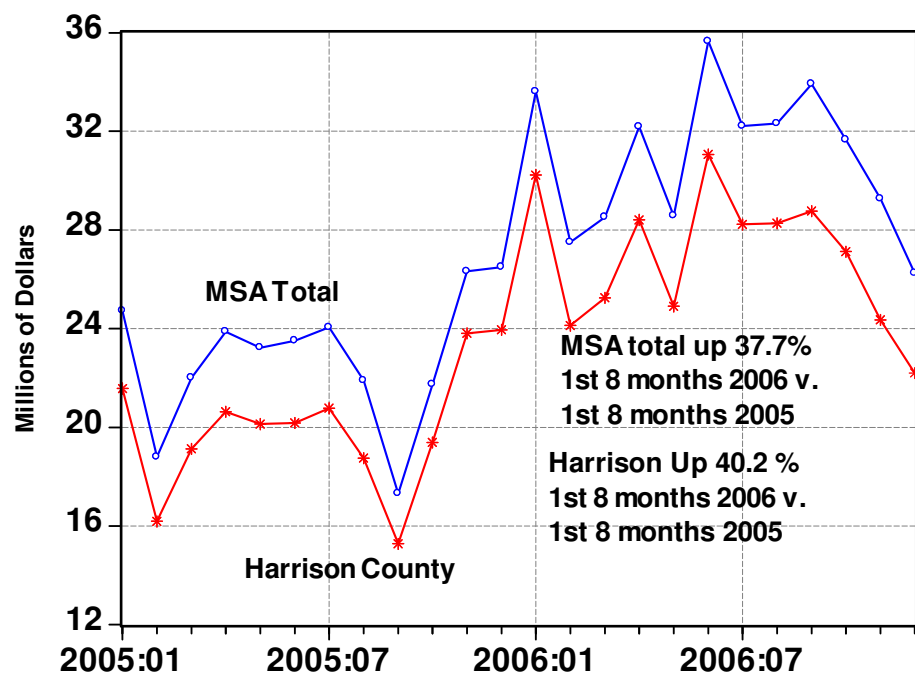
<b>2004</b>	<b>December</b>	20,497,075
<b>2005</b>	<b>January</b>	24,724,706
	<b>February</b>	18,800,029
	<b>March</b>	22,008,152
	<b>April</b>	23,878,175
	<b>May</b>	23,228,852
	<b>June</b>	23,516,748
	<b>July</b>	24,049,818
	<b>August</b>	21,901,228
	<b>September</b>	17,313,234
	<b>October</b>	21,741,921
	<b>November</b>	26,320,284
	<b>December</b>	26,498,382
<b>2006</b>	<b>January</b>	33,616,972
	<b>February</b>	27,506,269
	<b>March</b>	28,518,048
	<b>April</b>	32,186,768
	<b>May</b>	28,577,757
	<b>June</b>	35,650,732
	<b>July</b>	32,206,065
	<b>August</b>	32,322,180
	<b>September</b>	33,923,265
	<b>October</b>	31,660,309
	<b>November</b>	29,271,049
	<b>December</b>	26,247,800

Source: Mississippi Sales Tax Commission

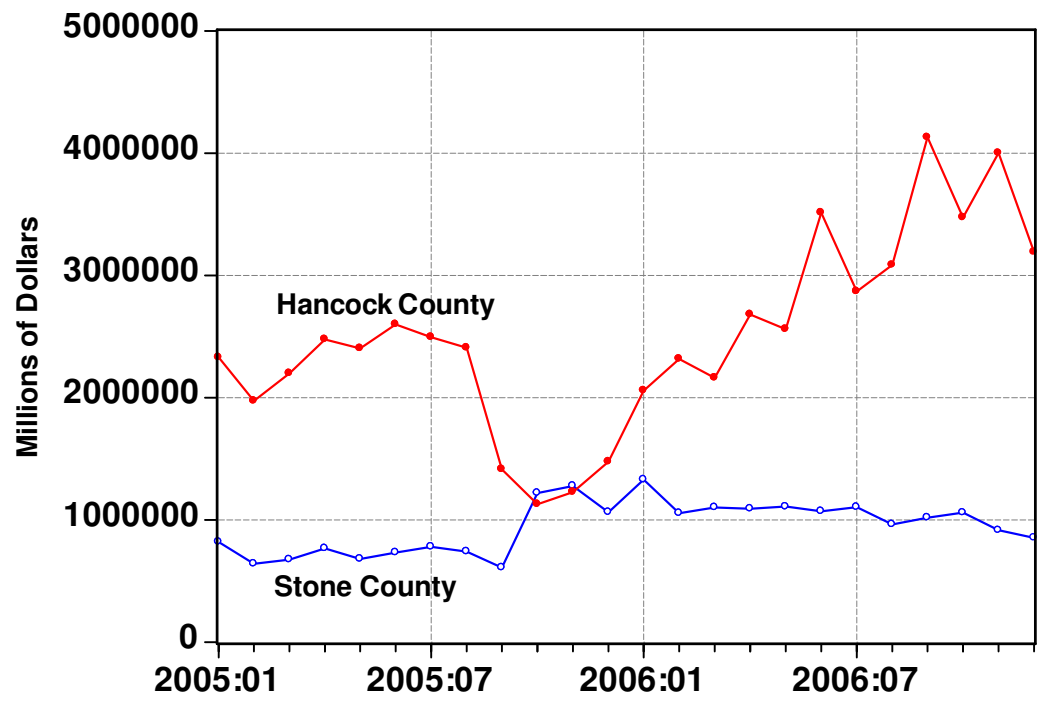
In our review of sales tax collections in the New Orleans MSA we described a “sharp drop/rapid recovery/gentle decline” pattern in collections. As seen in Table BG-15 and Figure BG-10 that pretty much describes local sales tax collections in this MSA as well. There are a couple of peculiarities in this MSA, however. First, note in Figure BG-10 that the drop-off in collections in the latter part of 2006 has been rather sharp. Indeed, December 2006 collections were actually lower than December 2005. The primary culprit behind this decline is also shown in that figure. The great majority of sales tax collections in this MSA come from Harrison County, and that is where collections have fallen so much in the last quarter of 2006. Normally, it is in this quarter that one expects the largest sales tax collections.

The second peculiarity is shown in Figure BG-11. Collections in Stone County have demonstrated the same “sharp drop/rapid recovery/gentle decline” pattern as in other areas. However, that has not been the case in Hancock County, where sales tax collections have continued to rise sharply since Katrina.

**Fig. BG-10: Sales Tax Collections  
Biloxi-Gulfport MSA & Harrison County**



**Fig. BG-11: Hancock & Stone County  
Sales Tax Collections**



### **The Pascagoula MSA**

The Pascagoula MSA is comprised of Jackson and George Counties and is the smallest of the four MSAs covered in this report. Even post-storm New Orleans is nearly eight times larger than Pascagoula, Biloxi-Gulfport is about 60 percent larger, and Lake Charles is nearly 69 percent larger.

As we pointed out in our last report, Pascagoula has one thing in common with the Lake Charles MSA. Both MSAs have enjoyed a rapid recovery from the storms---from an employment perspective, at least---and it is the region's construction sector that is driving the recovery momentum.

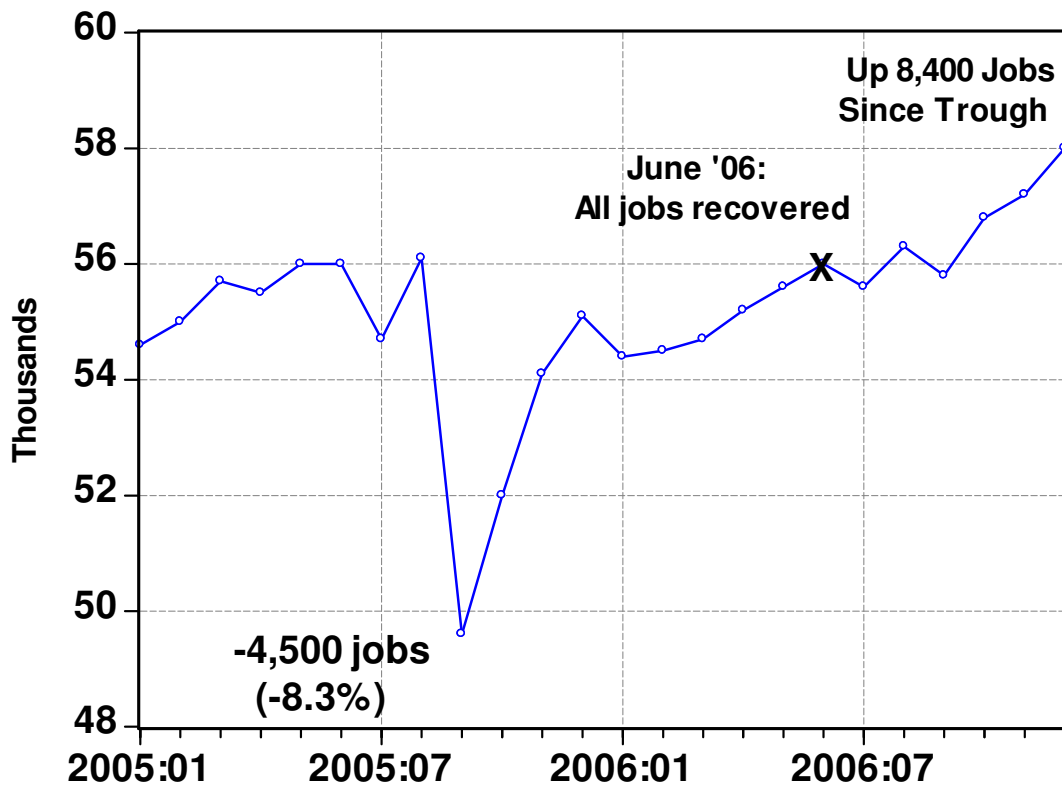
**Pascagoula MSA Market – Total Non-Farm Employment**

**Table PAS-1**  
**Pascagoula MSA Non-Farm Employment: 2005- 2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	54.6	<b>2006</b>	<b>Jan</b>	54.4
	<b>Feb</b>	55.0		<b>Feb</b>	54.5
	<b>Mar</b>	55.7		<b>Mar</b>	54.7
	<b>Apr</b>	55.5		<b>Apr</b>	55.2
	<b>May</b>	56.0		<b>May</b>	55.6
	<b>Jun</b>	56.0		<b>Jun</b>	56.0
	<b>Jul</b>	54.7		<b>Jul</b>	55.6
	<b>Aug</b>	56.1		<b>Aug</b>	56.3
	<b>Sep</b>	49.6		<b>Sep</b>	55.8
	<b>Oct</b>	52.0		<b>Oct</b>	56.8
	<b>Nov</b>	54.1		<b>Nov</b>	57.2
	<b>Dec</b>	55.1		<b>Dec</b>	58.0(p)

Data from <http://data.bls.gov>. p=preliminary

**Fig. PAS-1: Pascagoula MSA Non-Farm Employment**



Like its counterpart in Louisiana (Lake Charles), the Pascagoula MSA’s employment has made a surprisingly quick recovery from the effects of Katrina. Data in

Table PAS-1 that are tracked in Figure PAS-1 show that non-farm employment declined by 4,500 jobs or 8.3 percent in the month after the storm. By the end of 2005 all but 1,000 of those jobs had been recovered---creating the “V” shown in Figure PAS-1. **By June of 2006, all of the jobs lost due to Katrina had been recovered**, and by December 2006, the MSA was up 8,400 jobs since the trough in September 2005.

Table PAS-2 illustrates the changes in employment across various sectors in the Pascagoula economy between December 2004 and December 2006. Comparing same-month pre-storm to same-month post-storm enables us to avoid distortions caused by seasonality in the data.

**Table PAS-2**  
**Change in Non-Farm Employment in Pascagoula MSA**  
**December 2004 –December 2006**

Sector	Change in Employment	Percent Change
Total	2,700	4.9%
Nat. Res. & Mining & Construction	800	38.1%
Manufacturing	-800	-4.8%
Trade, Trans., Utilities	300	3.5%
Government	100	0.9%

Data from <http://data.bls.gov>. p=preliminary. Numbers do not sum because sectors were omitted due to BLS confidentiality rules

It is apparent from the data in Table PAS-2 that Pascagoula shares something in common with Lake Charles and with most economies that have been hit by a natural disaster. The job recovery is being largely driven by **construction employment** as insurance monies and federal rebuilding assistance funds are pumped into the region. Construction employment is up by 800 jobs or 38.1 percent.

Pascagoula’s trade/transportation/utilities sector and its government sector have made modest gains since the end of 2004. Only the MSA’s manufacturing sector remains below pre-storm level, and even there the difference is only 800 jobs or a decline of 4.8 percent. The reason for this decline is discussed below.

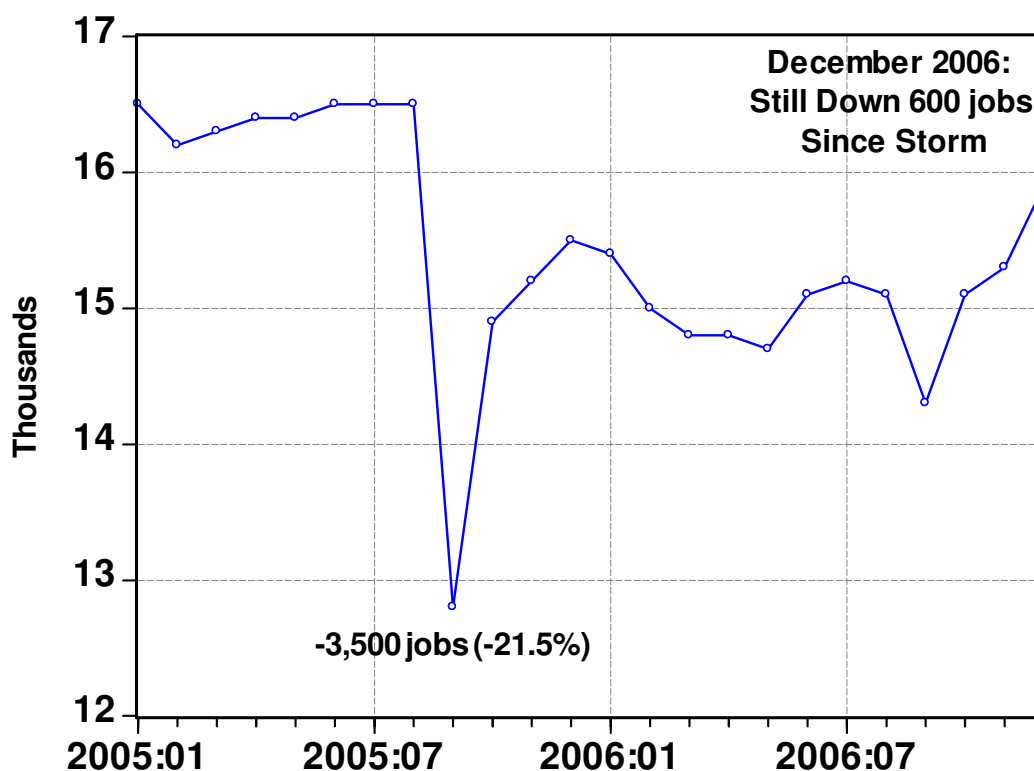
## Pascagoula MSA Market –Manufacturing Employment

**Table PAS-3**  
**Pascagoula MSA Manufacturing Employment: 2005- 2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	16.5	<b>2006</b>	<b>Jan</b>	15.4
	<b>Feb</b>	16.2		<b>Feb</b>	15.0
	<b>Mar</b>	16.3		<b>Mar</b>	14.8
	<b>Apr</b>	16.4		<b>Apr</b>	14.8
	<b>May</b>	16.4		<b>May</b>	14.7
	<b>Jun</b>	16.5		<b>Jun</b>	15.1
	<b>Jul</b>	16.5		<b>Jul</b>	15.2
	<b>Aug</b>	16.5		<b>Aug</b>	15.1
	<b>Sep</b>	12.8		<b>Sep</b>	14.3
	<b>Oct</b>	14.9		<b>Oct</b>	15.1
	<b>Nov</b>	15.2		<b>Nov</b>	15.3
	<b>Dec</b>	15.5		<b>Dec</b>	15.9(p)

Data from <http://data.bls.gov>. p=preliminary

**Fig. PAS-2: Pascagoula Manufacturing Employment**



Manufacturing plays an unusually dominant role in this MSA's economy, where it comprises nearly 30 percent of the area's total employment. As a reference point, manufacturing is only 15.8 percent of Mississippi non-farm employment, and in Louisiana the comparable number is only 7.8 percent. The further oddity about

manufacturing in this MSA is that it is highly concentrated in one firm---**Northrop Grumman's Ingalls Shipyard**. Of the 16,500 manufacturing employees in Pascagoula prior to Katrina, 13,000 were employed at Ingalls. Another large manufacturing employer in the area is the **Chevron Refinery**.

The pattern in manufacturing employment in the Pascagoula MSA is illustrated in Figure PAS-2 and is detailed in Table PAS-3. Manufacturing employment declined by 3,500 jobs or 21.5 percent immediately after the storm. The Chevron Refinery---though largely protected by storm protection levies---still suffered some flooding. The firm built a large tent city to house reconstruction workers after Katrina.

We mentioned in our last two reports that the Ingalls facility was badly damaged by the winds and water surge associated with Katrina. The firm estimates that it incurred about \$1 billion in damages. The salt water ruined virtually all vehicles, man lifts, and machinery on the site. Much of the shop work that required the use of machinery for cutting and bending steel had to be moved to the Avondale location in New Orleans, a site where the machinery escaped water damage.

The shipyard lost about eight million man hours of work across its three shipyards in Pascagoula, Gulfport, and New Orleans as a result of the storm and is adjusting the delivery schedules of their ships commensurately. The Navy's LPD-19 is under construction at the Ingalls yard.

The yard has managed to get its employment back to about 12,500, a decline of over 500 from pre-Katrina levels and a drop that largely explains the 600-job deficit that still exists in this sector as of August. The firm is very much in the hiring mode, but employee housing remains a very persistent problem. Workers are still living in temporary quarters at the shipyard or nearby.

Earlier in 2006 really good news for the region came when the Navy announced that NG had received a **\$2.49 billion contract** to build two more amphibious assault ships. Then there was another announcement in November that the Navy had awarded **another \$1.45 billion contract** to the firm for the development and construction of another LPD ship called the Arlington. These two contracts should secure NG's position in the Pascagoula economy for sometime to come.

More good news for the area came in late 2006 when **Chevron Refinery** announced it would be expanding its production capability by 750,000 gallons per day or 13 percent. The plant already has an upgrade of its fluid catalytic cracking unit underway which should be completed by the end of 2007.



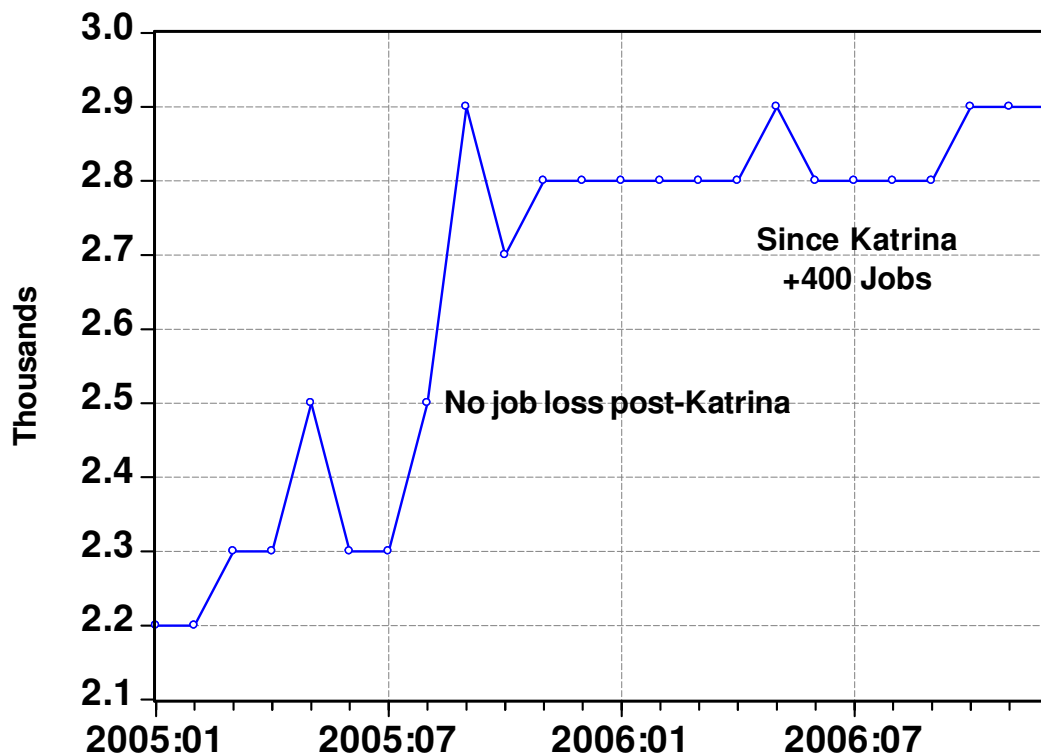
**Pascagoula MSA Market –Construction Employment**

**Table PAS-4**  
**Pascagoula MSA Construction Employment: 2005-2006**  
**(Thousands)**

<b>2005</b>	<b>Jan</b>	2.2	<b>2006</b>	<b>Jan</b>	2.8
	<b>Feb</b>	2.2		<b>Feb</b>	2.8
	<b>Mar</b>	2.3		<b>Mar</b>	2.8
	<b>Apr</b>	2.3		<b>Apr</b>	2.8
	<b>May</b>	2.5		<b>May</b>	2.9
	<b>Jun</b>	2.3		<b>Jun</b>	2.8
	<b>Jul</b>	2.3		<b>Jul</b>	2.8
	<b>Aug</b>	2.5		<b>Aug</b>	2.8
	<b>Sep</b>	2.9		<b>Sep</b>	2.8
	<b>Oct</b>	2.7		<b>Oct</b>	2.9
	<b>Nov</b>	2.8		<b>Nov</b>	2.9
	<b>Dec</b>	2.8		<b>Dec</b>	2.9(p)

Data from <http://data.bls.gov>. p=preliminary

**Fig. PAS-3: Pascagoula Natural Resources & Construction Employment**



In evaluating the construction sector in Pascagoula it is important to pay careful attention to the scale of the vertical axis in Figure PAS-3. Construction employment makes up less than five percent of the Pascagoula economy, a relatively small figure

given the MSA's important manufacturing base. Normally one would expect a very large construction sector in an economy so dominated by manufacturing. However, the nature of Pascagoula's manufacturing sector is that shipyards do not have the level of capital infrastructure of, say, a chemical plant which requires constant maintenance and repairs. The Chevron Refinery helps boost construction employment in this MSA, but the refinery is not the dominant player.

Unlike, the case in the other three MSAs we have examined, construction employment in Pascagoula actually rose by 600 jobs over August-September of 2005. As seen in Table PAS-4 and in Figure PAS-3, **construction employment has stabilized at a new level of 2,900 jobs.**

**Three events may push this employment to higher levels over the near term.** First, insurance settlements and Road Home monies will be flowing into the MSA. Secondly, the expansion at the Chevron Refinery will create additional positions. Finally, Chevron is continuing the permitting process for the proposed **Bayou Casotte LNG** import terminal, a project that would ultimately be a very large construction boost to the area.

## Pascagoula MSA Market –Housing Permits

**Table PAS-5**  
**Pascagoula MSA Single Family Housing Permits**

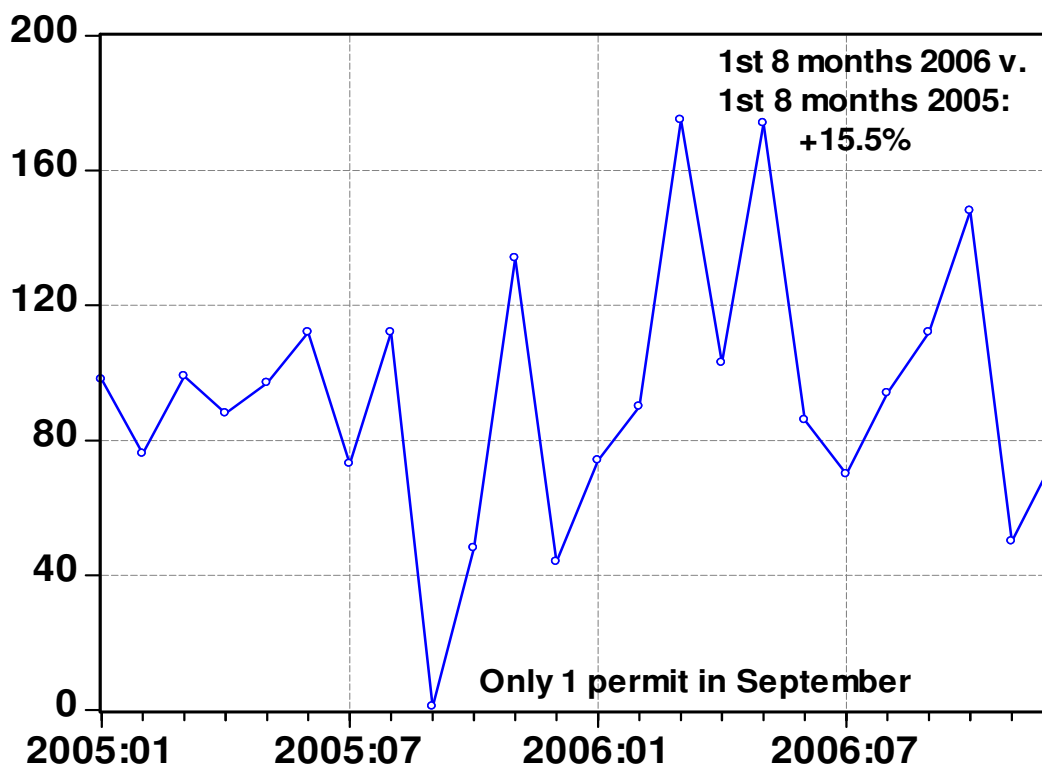
<b>2005</b>	<b>Jan</b>	98
	<b>Feb</b>	76
	<b>Mar</b>	99
	<b>Apr</b>	88
	<b>May</b>	97
	<b>Jun</b>	112
	<b>Jul</b>	73
	<b>Aug</b>	112
	<b>Sep</b>	1
	<b>Oct</b>	48
	<b>Nov</b>	134
	<b>Dec</b>	44
<b>2006</b>	<b>Jan</b>	74
	<b>Feb</b>	90
	<b>Mar</b>	175
	<b>Apr</b>	103
	<b>May</b>	174
	<b>Jun</b>	86
	<b>Jul</b>	76
	<b>Aug</b>	94
	<b>Sep</b>	112
	<b>Oct</b>	148
	<b>Nov</b>	50
	<b>Dec</b>	74

Housing permit activity in this MSA has been **both higher and far more volatile** post-Katrina than pre-Katrina. This can be seen in Table PAS-5 and Figure PAS-4. Only one permit was issued in the MSA in the month following the storm. **Permitting in the first eight months of 2006 was up 15.5 percent compared to those same pre-storm months in 2005.** Note the volatility of this series in Figure PAS-4. Since the storm, there have been four months when permitting exceeded 120 and five months when the permitting rate fell below 80. Virtually all the permitting activity shown in Table PAS-5 was in the coastal county of Jackson. There were only five permits issued in George County over the entire 2005-06 period.

As residents starting receiving their federal assistance monies, permitting activity will likely pick up. One factor that may have slowed things down a bit in the months just after the storm was that it was late spring before residents of this area learned of the new **base flood elevation levels** required for their homes. The City of Pascagoula website

([www.cityofpascagoula.com](http://www.cityofpascagoula.com)) has a map indicating the new Advisory Base Flood Elevations (ABFEs) for different locations in the MSA.

**Fig. PAS-4: Pascagoula Housing Permits**



We repeat in this issue the data on housing damage in this MSA (see Table PAS-6), so readers can get a renewed sense of just how harmful this storm was to the area's housing stock. According to the Red Cross, **23,390 houses in this MSA were totally destroyed and another 16,950 were so badly damaged that they were rendered uninhabitable.** Nearly 50,000 homes were negatively impacted by the storm. Rebuilding that kind of destruction should considerably boost permit activity in the future.

**Table PAS-6  
Impacts of Katrina on Housing in Mississippi  
And the Pascagoula MSA**

<b>Impact</b>	<b>Statewide</b>	<b>Pascagoula MSA</b>
Destroyed	68,729	23,390
Major Damage	65,237	16,950
Minor Damage	100,318	9,300
Affected	7,430	0
Inaccessible	0	0
<b>Total</b>	<b>241,714</b>	<b>49,640</b>

Source: Red Cross

### Pascagoula MSA Hospital Market

**Table PAS-7**  
**Pascagoula MSA Hospitals**

	7/15/2005	9/15/2005	11/15/2005	1/15/2006	1/15/2006
<b>Total Open Pascagoula</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

**Table PAS-8**  
**Time Data on Each of Pascagoula's Hospitals**

	<b>Katrina</b>	<b>15-Sep</b>	<b>15-Nov</b>	<b>15-Jan</b>	<b>15-Sept</b>
Singing River System	Power, water, phone loss	Power and water were restored and hospital was providing general medical/surgical and emergency services. The building was structurally sound and roof damage was temporarily sealed pending permanent repairs. Employees were hampered from reaching the hospital by fuel shortages. National Guard troops were on-site providing security	full services	full services	full services
Ocean Springs	Power, water, phone loss	Power and water were restored and hospital was providing general medical and emergency services. Surgical services were suspended pending confirmation of water sanitation. The building was structurally sound, but had roof and siding damage.	full services	full services	full services
George County Hospital			full services	full services	full services

There has been no change in the hospital data in this MSA since our last report. All three of the hospitals in this MSA were operating by September 5th, though initially they were just seeing patients in the emergency room. Power was a problem initially, as was concern about water quality. The latter prevented surgical activity until the sanitary condition of the water could be assured. As noted in Table PAS-8, the National Guard was used to secure the hospitals in the immediate aftermath of Katrina.

Ocean Springs Hospital's Emergency Department has begun renovations to add nine beds to create a 27-bed state-of-the-art emergency care center. The walk-in emergency entrance has been moved from its former location to one at the Patient Registration entrance. The completion of the expansion project will take approximately 12 months, and the Emergency Department will then expand into the location of its former parking lot, on the southeast side of the hospital.

Besides adding nine additional rooms, the Emergency Department expansion will also increase the size of the emergency registration and lobby area and enlarge the nurses' station. After the expansion is complete, a renovation to the existing rooms will take place. New flooring and wall coverings, as well as enhanced lighting will refresh the look of the treatment rooms.

### Pascagoula MSA Market - Casinos

There are no casinos in the Pascagoula MSA

### Pascagoula MSA Market - Airports

There is no international or regional airport in this MSA.

### Pascagoula MSA Market – Hotels

**Table PAS-9**  
**Pascagoula Hotel Room Availability**

Hotel Rooms Inventory - MSA	Pre-Katrina	12/28/05	04/21/06	08/17/06	12/18/06	%
Pascagoula MSA	2,654	1,817	2,310	2,421	2,470	93.1%

Hotel Rooms Inventory - County	Pre-Katrina	12/28/05	04/21/06	08/17/06	12/18/06	%
George County	82	82	82	82	82	100.0%
Jackson County	2,572	1,735	2,228	2,339	2,388	92.8%

Source: Mississippi Hotel & Lodging Association

The hotel sector in the Pascagoula MSA is well on its way to full recovery from the effects of Katrina (Table PAS-9). This hotel market is less than one fifth the size of the nearby Biloxi-Gulfport MSA where there were 14,880 rooms pre-Katrina (see Table BG-13). Data in Table PAS-9 show that this MSA's hotel industry provided 2,654 rooms pre-Katrina. **As of December, 93.1 percent of those rooms are back on the market.**

All hotel rooms in the non-coastal George County remained in operation post-Katrina, though there were only 82 rooms there pre-storm. Table PAS-10 shows how room availability varied across cities within Jackson County. Since our last report all the new openings have occurred in Gauthier.

**Table PAS-10**  
**Hotel Room Availability Status In Jackson County Cities**

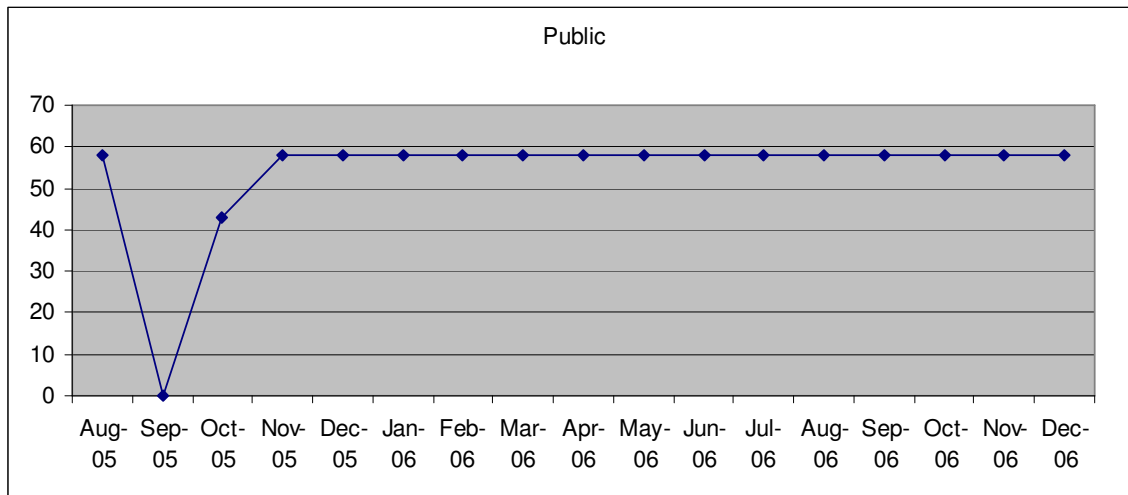
Hotel Rooms Inventory - County	Pre-Katrina	12/18/06	Percent
Gautier	250	219	87.6%
Moss Point	629	617	98.1%
Oceans Springs	1,062	1,053	99.2%
Pascagoula	631	499	81.7%

**Pascagoula MSA Public Schools**

**Table PAS-11**  
**Pascagoula MSA Public Schools:**  
**History since Katrina**

	8/1/2005	9/1/2005	10/1/2005	11/1/2005	12/1/2005	1/1/2006	12/1/2006
<b>Public</b>	58	0	43	58	58	58	58

**Figure PAS-5**  
**Pascagoula MSA Public Schools Recovery Track**



There is no new information to report on school openings in this MSA's since our last report. All the public schools in George County were reopened on September 14<sup>th</sup> and all the Jackson County public schools reopened on October 3<sup>rd</sup>.

We do have new information on public school enrollments, and they tell a slightly different story from the openings data. Though all schools in the region are open, enrollments are down 2,045 or almost 10 percent compared to the 2004-05 school year. All of the enrollment decline is concentrated in Jackson County schools.

**Table PAS-11**  
**Pascagoula MSA Public School Enrollments**

	School Year		
	2003-04	2004-05	2005-06
Pascagoula MSA	20,817	20,971	18,926
<b>Total</b>	<b>20,817</b>	<b>20,971</b>	<b>18,926</b>



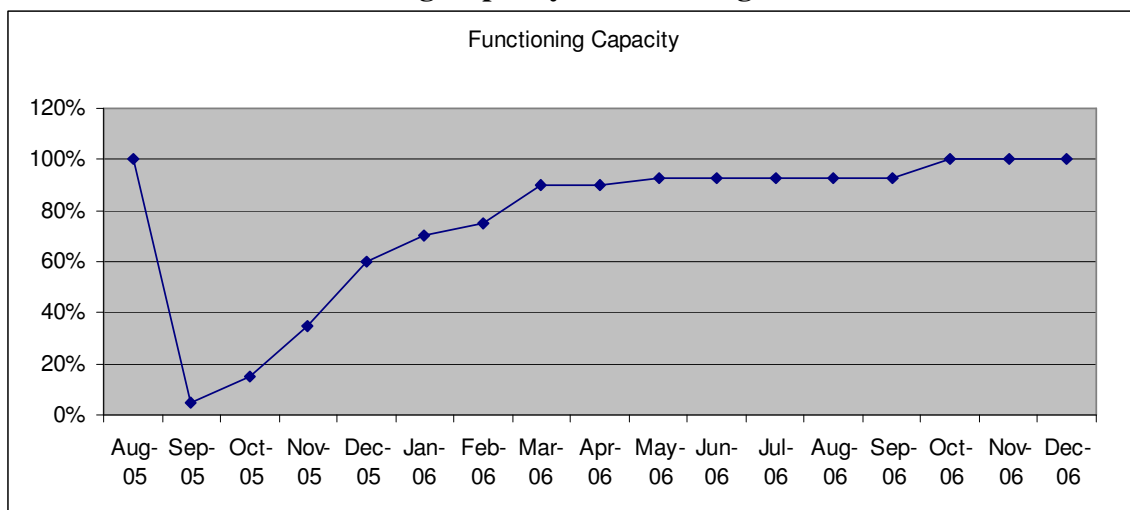
**Pascagoula MSA Port Market**

**Table PAS-12  
Port of Pascagoula:  
History since Katrina**

Month	Functioning Capacity
Aug-05	100%
Sep-05	5%
Oct-05	15%
Nov-05	35%
Dec-05	60%
Jan-06	70%
Feb-06	75%
Mar-06	90%
Apr-06	90%
May-06	93%
Jun-06	93%
Jul-06	93%
Aug-06	93%
Sep-06	93%
Oct-06	100%
Nov-06	100%
Dec-06	100%

Source: Port of Pascagoula

**Figure PAS-6  
Functioning Capacity at the Pascagoula Port**



Hurricane Katrina’s 135 mph winds and 14-16 foot tidal surge created approximately \$15 million in damages at the Jackson County Port Authority. Siding and doors were ripped from some of the transit sheds and freezer facilities and roofs were heavily damaged. Water, sewer and power distribution systems were ravished. Security

gates, fences, cameras and guardhouses were destroyed and a section of rail in the Pascagoula River Harbor was impaired. Even the port authority administrative offices in downtown Pascagoula received over two feet of water throughout the building. Functioning capacity dropped by 95 percent (Table PAS-12). **As of the last quarter of 2006, the port is back to 100 percent of its functioning capacity and cargo volumes are exceeding pre-Katrina levels.**

All repairs to facilities in both harbors are complete. In addition to repairs at that freezer, a 26,000 foot expansion was completed in October, which doubled its capacity. There will soon be a new port tenant in the Bayou Casotte Harbor. Pending approval from FERC, Gulf LNG Energy, LLC is on schedule to start construction on their LNG terminal in the next few months. Gulf LNG Energy is acquiring all relevant licenses and permits as required by the Federal Energy Regulatory Commission (FERC). This process is on schedule for completion early in 2007 with the start of construction beginning the first quarter of 2007. The on stream target date is the third quarter of 2010.

## Pascagoula MSA Sales Tax Collections

**Table PAS-13**  
**Pascagoula MSA Sales Tax Collections:**  
**History since Katrina**

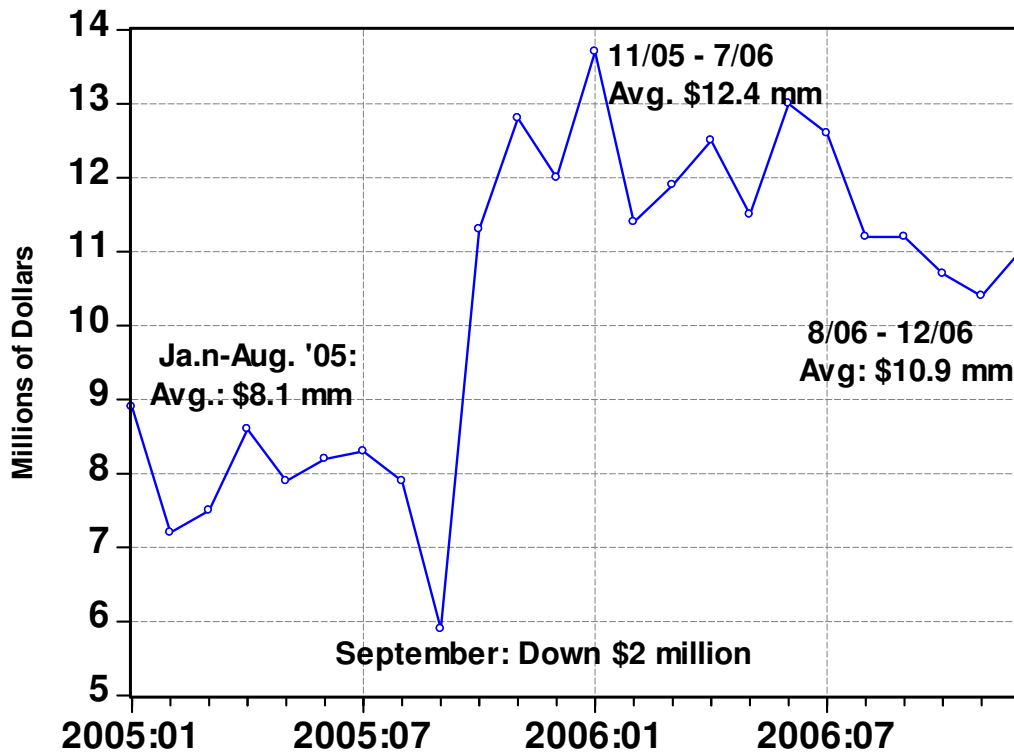
<b>2004</b>	<b>December</b>	7,384,667
<b>2005</b>	<b>January</b>	8,918,163
	<b>February</b>	7,170,596
	<b>March</b>	7,500,543
	<b>April</b>	8,617,811
	<b>May</b>	7,908,311
	<b>June</b>	8,152,784
	<b>July</b>	8,308,423
	<b>August</b>	7,904,582
	<b>September</b>	5,902,515
	<b>October</b>	11,304,945
	<b>November</b>	12,764,386
	<b>December</b>	12,017,522
<b>2006</b>	<b>January</b>	13,696,684
	<b>February</b>	11,378,103
	<b>March</b>	11,886,228
	<b>April</b>	12,489,861
	<b>May</b>	11,463,110
	<b>June</b>	12,954,508
	<b>July</b>	12,588,976
	<b>August</b>	11,159,358
	<b>September</b>	11,237,815
	<b>October</b>	10,698,448
	<b>November</b>	10,365,534
	<b>December</b>	10,956,112

Source: Mississippi State Tax Commission

Table PAS-13 and Figure PAS-7 illustrate the unusual pattern in sales tax collections by the local governments in this MSA. Prior to the storm, sales tax collections averaged \$8.1 million a month. Katrina caused a one-month drop of \$2 million off this trend. Then the region experienced a very hearty jump in collections, so that over the November 2005 – July 2006 period collections averaged \$12.4 million a month---a **remarkable 53.1 percent increase**.

Since July, sales tax collections in this MSA have slowed, just as they have in other areas hit by the storm. However, collections have remained well above the early 2005 levels, averaging \$10.9 million a month---still **34.6 percent higher than the pre-storm months**.

**Fig.PAS-7: Pascagoula MSA Sales Tax Collections**



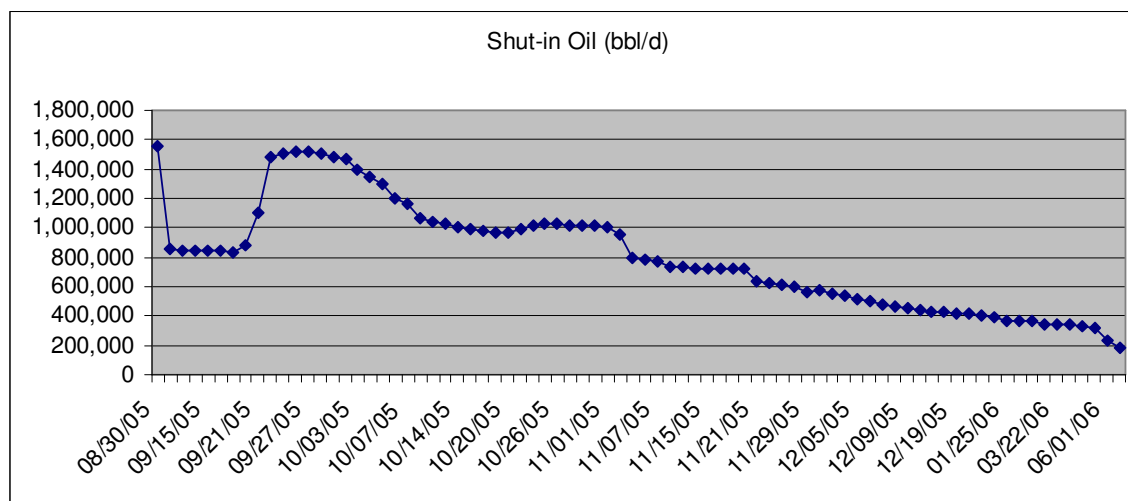
### Special Section: Oil and Gas Production in the Gulf of Mexico

Hurricanes Katrina and Rita cut a swath right through the heart of the Gulf of Mexico (GOM) offshore oil and natural gas production activity. Katrina swept over about 1,300 offshore platforms and Rita covered about 1,600. We repeat here some facts about the offshore oil and gas industry from our last report:

- Within this area are 819 manned platforms and another 4,000+ unmanned platforms.
- This is the location of LOOP---the Louisiana Offshore Oil Port---the nation's only superport. This port is where very large crude carriers offload their cargoes of crude oil to be placed in underwater pipelines connected to receiving terminals onshore. From there, the crude is typically pushed farther through pipelines to refineries.
- Approximately 1.5 million barrels per day (mmbd) of crude are produced in the GOM. This represents about 29 percent of total U.S. production.
- Approximately 10 (billion cubic feet per day (bcfd) of natural gas is produced in this region, or about 19 percent of total U.S. natural gas production.

The hurricanes damaged offshore producing platforms, underwater pipelines, and onshore receiving units such as refineries and natural gas processing plants. Because of this damage, a substantial amount of offshore production was **shut in**---that is stopped from producing---(1) in anticipation of the advance of the storm and (2) as a result of damage to these different facilities.

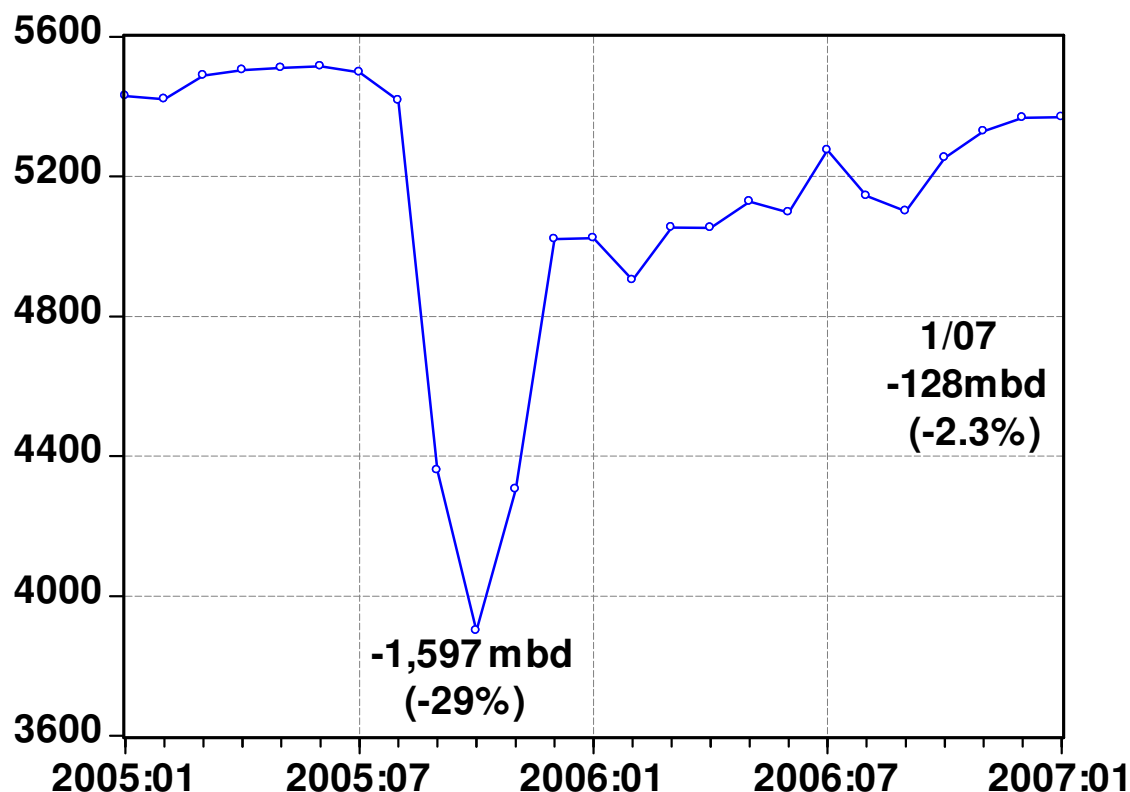
**Figure OAG-1  
Oil Shut-In Rate**



As seen in Figure OAG-1, in the case of Katrina **95.2 percent of the crude oil was shut-in by August 30, 2005**. The comparable figure for natural gas was 88 percent. By September 9<sup>th</sup>, the shut-in rates had dropped to about 56-58 percent for oil and about 33-37 percent for natural gas. Then the improvement stabilized. When Rita appeared, because it made landfall further to the west and more into the center of the GOM production region, 100 percent of crude and 80 percent of natural gas was shut-in. The latest, and last, Minerals Management Service report on shut-in data in the Gulf show that **as of June 6, 2006, 12 percent of the oil and 9.3 percent of natural gas production remains shut-in**.

Though shut-in data are no longer provided by the MMS, we do have another indicator of progress in restoring the damage in the Gulf caused by these two storms. Figure OAG-2 illustrates what has happened to U.S. oil production just prior to and since the storms.

**Fig. OAG-2: US Oil Production  
(mbd: 1st week of month)**



Note that U.S. oil production dropped dramatically in the two months after the storms hit, declining a total of about 1.6 million barrels per day. There was a significant increase in the two months just after the storms as many previously shut-in wells were

inspected and authorized to become active again. Then there has been the steady period of gains as repair work continued in the Gulf. **As of the end of December, production had recovered to the point of being down only 128,000 barrels per day or 2.3 percent below the pre-storms peak.**

