Hurricane Katrina two years on

Part 5: Mississippi Gulf Coast—Casinos thrive while homeowners languish

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The following is the fourth part in a series of articles on the second anniversary of the Hurricane Katrina disaster. Part one, "New Orleans—A city in social and economic distress," *was posted on August 29. Part two,* "New Orleans: a scene of devastation and blight," *was posted on August 31. Part three,* "New Orleans levees still not rebuilt," *was posted on September 1. Part four,* "The Katrina gold rush—profiteering and the Gulf Opportunity Zone" *was posted on September 5.*

"Hurricane Katrina: Social Consequences & Political Lessons," a pamphlet from Mehring Books that brings together articles and statements posted on the WSWS in the immediate aftermath of the Katrina disaster, is also available for purchase online.

Hurricane Katrina reached the Mississippi Gulf Coast at midday on August, 28, 2005, with full-force impact hitting that night. A 28-foot storm surge flooded areas 6-12 miles inland, while hurricane-force winds ravaged the entire region. The coast was utterly devastated—concrete slabs were all that remained of many homes; shopping centers and small businesses were wiped out; and larger housing and casino buildings were extensively damaged. Numerous shipyards and the Port of Gulfport, Mississippi, stretching out into the Gulf of Mexico, also had severe damage.

The official Katrina death toll of 1,836 includes 238 who perished in Mississippi. This figure, however, cannot account for the suffering of victims dispersed throughout the country, or whose bodies were never found in the storm wreckage.

Two years later, it would be incorrect to say that little rebuilding of the Mississippi Gulf Coast has taken place. The preponderance of recovery, however, has come in the form of an explosion of profits for casino owners, upscale condominium builders and other enterprises in the private sector. Profiteering has enjoyed a lucrative rebirth in the region, through generous funding, the easing of restrictions, and outright criminality.

For ordinary people incredibly little has been done. Above all, there is no comprehensive federally sponsored and administered relief program. Residents have been forced to finance their own rebuilding, wait endlessly for government funding, or seek out the limited services of various relief organizations. Insurance companies have denied millions of dollars in claims, raised rates dramatically, and continued to pull in large profits. Little of the existing relief money has been used, with restrictions lifted on how much goes to low-income recipients.

Undoubtedly, the most long-lasting effect of Hurricane Katrina on Southern Mississippi was the widespread damage to residences. Many coastal houses were wiped out completely, others miles inland suffered flood damage, and a large quantity suffered wind damage. The most astonishing feature of the entire recovery period is that there has been no overall government plan to rebuild these homes.

Loans from FEMA and other government sources are only received through a long, bureaucratic process, and are frequently of insignificant amounts. Many people are *still* waiting for this funding.

Aid requirements have also been modified to divert the majority of aid money from the working class and poor to the wealthy. Congress authorized $5.4 billion in Community Block Development Grants, with the requirement that half go to low- and moderate-income residents. However, he Republican Governor of Mississippi, Haley Barbour, intervened to waive these restrictions, allowing the federal money to be spent elsewhere. Reportedly, only 20 percent of the total funding has even been assigned to programs designed for low- and moderate-income residents, with much less actually handed out.

Insurance payouts have also been far below the actual cost of repairs, or have been simply nonexistent. Many home insurance companies have attempted to deny claims because water damage isn't covered by their policies—although homes with water damage were extremely likely to have sustained wind damage as well, which is covered.

State Farm Insurance explicitly claims damage from wind and water combined is not covered under its policies. The largest insurer of residences in Mississippi, State Farm, has been under legal attack since the hurricane for its failure to pay the expected insurance compensation. Recently, the company agreed to reopen numerous cases and pay settlements on hundreds of others.

In February, State Farm announced that it was writing no new policies in the region. The company's vice president of public affairs stated that Mississippi's "current legal and political environment is simply untenable. We're just not in a position to accept any additional risk in this homeowners' market." Despite the "untenable" business climate in Mississippi, State Farm managed to pull in $5.3 billion in profits for 2006, nearly the same as their earnings in 2004, and a 64 percent increase over 2005.

Homeowners have clearly received far less than needed to rebuild—both from the government and from their private insurance carriers. The *New York Times* reports that "many have turned to the Small Business Administration for low-interest loans; however, a property owner is eligible for a loan only if he or she can show the ability to repay it. Hence, low-income residents must find other assistance."

The result of this incredible lack of organized assistance is an extremely slow, haphazard rebuilding process that has left many suffering as they wait or attempt to finance the repairs themselves. When this author volunteered in the area in August 2006, all three of the houses he worked on had been waiting on small-sized FEMA loans for months. One of the families had already put $25,000 into repairs—an amount nearly equivalent to the average income in the area—but had run out of funds with the house only 60 percent complete. Left with no other option, they sought out the primarily unskilled volunteer labor of various relief organizations in the area, which themselves are short of funds and organization. A full two years on, these organizations are still in operation on the Gulf Coast.

For renters the housing situation is even harsher, as high-priced beachfront condominiums make up most of the rebuilt and new rental housing stock. It is assumed that most of the estimated 13,000 families still in FEMA trailers are former renters with nowhere else to go. There have been no programs specifically designed for renters.

CNN.com reported the situation facing Mitch Woodcock, who moved to Houston, Texas after Katrina and recently returned to Mississippi. He said the least expensive rental he had been able to find was about $1,200 a month for a unit that used to cost $850, and that some people have been forced to live on the street or in ramshackle homes.

"Casinos are doing well, yeah granted," said Woodcock, 38. "They're building all of the condominiums and everything else up and down [Highway] 90 here. They're not worrying about all of the people who have lost so much. Lost houses and homes and even family and loved ones. It's like they don't care about them anymore. They're more worried about making money."

Prior to Katrina, local law required the actual gambling portions of casinos to be located offshore. This in effect meant hotels, restaurants, and parking garages were built onshore, with a gambling barge floating alongside. The enormous storm surge of Katrina washed many of these ashore, either damaging them or destroying them entirely. Just two months after the storm—when scarcely any FEMA trailers had been distributed—the Mississippi state legislature passed a new law granting casinos the ability to build on land, no more than 800 feet from the coast.

Ten of the 12 major casinos on the Gulf have since reopened, while another was newly built from the ground up. They are reaping record profits: Biloxi's casinos reported a record-breaking monthly gross gaming revenue of $97.3 million in July. The mayor of the town told *CNN.com* that he predicts 18 to 22 casinos could open within the next decade, rivaling Las Vegas. The casino workforce numbered 15,000 pre-Katrina, but it has now reached 17,000. Journalist Tim Shorrock reports that "developers and promoters, sensing potential gold in real estate and retail deals, promised new investments of $20 billion to $30 billion in the area compared to the $3 billion to $6 billion planned before Katrina. Casino interests believe Biloxi will be a $4 billion gaming market by 2010."

In an article in the *Progressive*, "Gambling with Biloxi," Shorrick describes the Beau Rivage Casino: "Then you see it, towering above the desolation: the spectacularly garish Beau Rivage Resort and Casino, a subsidiary of MGM Mirage and one of the largest casinos in the United States. Badly damaged during Katrina, it was quickly rebuilt in time for Labor Day in 2006 for $550 million. It has thirty-two stories, spacious restaurants, big-time Southern entertainment, and a spa. It is one of seven casinos that have reopened in Biloxi since Katrina. While residents scramble to find the resources to rebuild, the casinos are drawing in thousands of gamblers from surrounding states like Georgia and Texas. These visitors don't even have to see the wreckage of the town; from Interstate 10 they can drive straight into the Beau's parking lot on I-110, a state-subsidized thruway that ends one block from the casino."

Along with numerous pawn shops, check-cashing stores, and loan shops, gambling is preying on the desperation and destruction of the region. The immense resources that have rebuilt the casino industry on the Gulf will certainly result in handsome profits for the owners, while the most basic needs of the region and its population go unmet. The industry further contributes to the region's misery by generating financial losses for patrons, and low-wage employment for casino workers.

The profiteering that occurred in New Orleans after Hurricane Katrina was by no means limited to that region. The Gulf Opportunity Zone Act, passed in December 2005, created an open playing field for businesses to profit from the destruction of the entire Gulf Coast. The act provided various tax credits and significant financing to companies operating within the "Go Zone."

A report from US Rep. Henry Waxman (Democrat of California) on waste, fraud, and abuse in Hurricane Katrina contracts identified "19 Katrina contracts, collectively worth $8.75 billion, that have experienced significant overcharges, wasteful spending, or mismanagement. As of June 30, 2006, over $10.6 billion has been awarded to private contractors for Gulf Coast recovery and reconstruction. Nearly all of this amount ($10.1 billion) was awarded in 1,237 contracts valued at $500,000 or more. Only 30 percent of these contracts were awarded with full and open competition."

Pascagoula is the home of Mississippi's largest employer, Ingall Shipyards, which has a workforce of over 10,000. Owned by Northrop Grumman Ship Systems, the yard has been rebuilt, with several ships completed for the Navy within the last two years. A smaller shipyard, owned by Signal International, is located nearby and has resumed repair and construction of oil rigs and other equipment. The displacement of skilled workers in the region led Signal to hire 300 guest workers from India in August of 2006.

In March of 2007 the nature of this guest worker program was revealed when a group of the workers desperately sought the help of the New Orleans Workers' Center for Racial Justice. At the time, several were being held in the TV room of their living quarters by armed security guards of Signal International, which was attempting to deport the workers over "performance issues." Later, they were released into the custody of community groups.

Details suggest that the attempted deportation was a result of protests over living and working conditions. Originally, the guest workers were to be paid $18.50 per hour, but attempts were made to cut this to $13.50 and even $9.50, using the threat of deportation. The guest workers were only allowed to live in company quarters—windowless trailers bunking 20-24 people—at a $35 daily charge. This was on top of a crushing debt burden: the guest workers paid between $15,000 and $20,000 each for travel and placement, the life savings of many. Their passage was organized by Global Resources, Inc., whose president is also a Mississippi sheriff's deputy. One of the workers threatened with forcible deportation, facing enormous debt upon return to India, attempted to commit suicide after a raid on the operation.

But as workers and homeowners face nightmarish conditions, businesses and the wealthy continue to capitalize on the recovery process in Katrina's aftermath. The region of the Gulf Opportunity Zone is quite large, extending over 200 miles inland. The city of Jackson, Mississippi—nearly 150 miles north of the Gulf Coast—has seen a construction boom, with more than $450 million of construction either in progress or planned to take place before the generous tax credits and incentives expire.

In Tuscaloosa, Alabama, 200 miles north of the coast, 10 new luxury condominium projects are under construction next to a university football stadium. According to *USA Today*, the condos are expected to go for $1 million each, and many purchasers are real estate investors who plan to rent them out, taking advantage of the lucrative tax breaks available under the Gulf Opportunity Zone Act.