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EVALUATING POST-HURRICANE KATRINA INVESTMENTS: STRENGTHENING DECISION-MAKING AND ORGANIZATIONAL IMPACT

PRESENTED TO:

The John D. And Catherine T. MacArthur Foundation

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Executive Summary

Following Hurricane Katrina, which struck the Gulf Coast states of Louisiana, Mississippi, and Alabama in August 2005, the MacArthur Foundation deployed urgently needed resources, made wise strategic choices in taking advantage of existing relationships and focusing on long-term rebuilding, and funded a generally strong cohort of organizations that continue to play an important role in rebuilding the Gulf Coast. However, the foundation's decision to limit its involvement in rebuilding efforts impacted the success of the organizations it funded. The foundation's experience, unique expertise in affordable housing, and extensive networks would have benefited certain recipients who struggled to overcome challenges related to the disaster, the economy, and the national housing market. Those challenges have, in some cases, significantly affected recipients' abilities to deliver against their missions.

Background and Context

The MacArthur Foundation provides disaster recovery relief in the context of its Disaster Relief Policy, which was formalized in 2007. The policy states that the Foundation does not provide disaster relief, with few exceptions. Hurricanes Katrina and Rita created an unprecedented scenario that caused the foundation to make an exception to its Disaster Relief Policy and to put aside its usual grant-making process to expedite the support it could give to those in need. It already had deep expertise and established relationships in affordable housing and community development finance in the Gulf Coast, so it chose to concentrate its efforts in that arena and to dedicate its support to organizations with which it had previous relationships. This decision allowed the foundation to expedite the due diligence process, getting needed funds to those responding to the hurricanes more quickly. The foundation decided to make both grants that would help maintain organizations' capacity during a time of financial stress and program related investments (PRIs) to facilitate long-term rebuilding efforts. The foundation also granted one-time concessions primarily on interest and/or principal payments on previously awarded PRIs to help organizations quickly redirect capital toward recovery and rebuilding efforts.

Evaluation of the Foundation's Decision-Making Process

The foundation's decision-making process was largely effective and can act as a strong starting point for a formalized disaster-relief *funding process* – a programmatic response, should the foundation decide to engage in responsive disaster-relief grantmaking again in the future. Working through existing networks proved an effective model, as the foundation's cohort of recipients are leaders in the ongoing rebuilding effort. In addition, the combination of grants and PRIs provided diverse and flexible funding, and PRI loan concessions proved to be a swift and effective way to give organizations' immediate financial help. The foundation was also wise to contribute longer-term funds that complemented other donors' immediate relief efforts. That said, the foundation could have communicated its goals and objectives more clearly to its recipients and peers. Certain recipients had false expectations of long-term support. In addition, peer funders were not entirely clear why the foundation chose to limit its involvement in the region and with recipients, particularly given the foundation's deep experience in affordable housing.

Evaluation of the Foundation's Investment Strategy

By including both short-term grants and longer-term PRIs in its portfolio, the MacArthur Foundation was able to meet the needs of its recipients and to complement the efforts of its peers. Grants provided important operational funding that allowed organizations to assess the situation, adjust their strategies accordingly, and responsibly deploy PRI dollars. The Foundation could have amplified its impact by ensuring that its staff had the capacity to be more responsive to recipients as they dealt with unexpected challenges over the course of the ten-year PRIs.

Recipients would have benefited if foundation staff had responded more frequently to progress reports, connected recipients with experts and like-minded organizations, streamlined the legal underwriting process for smaller organizations, and troubleshot strategies via phone or in person. Furthermore, the foundation should re-examine the mix of grants and longer-term support it provides in disaster situations. It may well be appropriate to continue to focus on longer-term support, especially if other donors are providing short-term relief, but in addition to PRIs, grant funding is particularly important in the chaotic and challenging circumstances of a disaster and should be prioritized.

Recipients' Contributions to the Region

The MacArthur Foundation's cohort of recipients is at the forefront of the recovery and rebuilding efforts in the region. Key regional contributions of the Foundation's grantees since the 2005 hurricanes are captured below.

- ***Mobilized volunteers.*** Several recipients mobilized large numbers of volunteers to assist with rebuilding efforts through partnerships with national volunteer organizations. Recipients also added volunteers to their staffs in hurricane-affected regions and opened satellite offices to manage volunteers.
- ***Leveraged additional funding.*** Recipients used the MacArthur Foundation's investments to leverage approximately $201.7 million in the form of additional funds, loans, and commitments.
- ***Developed affordable housing*.** The foundation's recipients developed or financed the development of approximately 3,880 affordable housing units (including both single-family homes and rental units) in the region.
- ***Expanded lending services*.** Recipients with CDFIs originated $95.7 million in mortgage loans to 1,054 home buyers. They also expanded their lending to include redevelopment loans for the long-term sustainability of communities. At least 350 businesses benefited from the more than $165 million that has gone into the region in the form of commercial and redevelopment loans.
- ***Created secondary mortgage markets.*** Two organizations created secondary mortgage markets where none existed. The creation of these markets provided liquidity, which allowed the recipients' affiliated CDFI and credit unions to originate even more affordable mortgage loans to low- and moderate-income buyers.
- ***Expanded financial institutions.*** Three recipients established new branches to provide lending services in the region by either opening new branches or rebuilding those that were destroyed in the hurricanes. One recipient acquired several other struggling credit unions in order to expand its services in the area.
- ***Advocated for policy and regulatory changes*.** There was a lack of formal and coordinated advocacy efforts in the region, a common gap in post-disaster situations. Nonetheless, many of the foundation's recipients actively advocated for policies and regulations regarding affordable housing. One recipient established a formal policy center to conduct independent research on economic policies affecting low- and moderate-income individuals.
- ***Established regional recovery loan funds.*** Three recipients established recovery loan funds to provide capital for rebuilding efforts in the region. One recipient used its relief fund to provide loans that directly sustained credit unions that were heavily impacted by the disaster. Another recipient offered recoverable grants in order to encourage economic growth in the region.

Despite these successes, the foundation's recipients faced numerous challenges that impacted their success. Key challenges included: delays in deployment of federal resources; ambiguous regulations; the 2008 housing crisis; the rising costs of insurance, sewage, and water; crime and corruption; and difficulty procuring lots to develop properties.

Ongoing needs

Despite the progress that has been made, addressing a number of ongoing needs is critical to the long-term rebuilding of the region. Greater investments in wealth building and financial services are needed to help low-income families become homeowners, and finding creative ways to make developing housing affordable remains a key challenge. Long-term funding is needed to sustain rebuilding efforts and help scale the activities of local organizations.

Recommendations

As the MacArthur Foundation reflects on its experience in the Gulf Coast, a number of lessons apply not only to rapid-response grantmaking but also to the foundation's general processes. We recommend that the board and staff do the following:

Rapid-Response Scenarios:

- Provide larger and/or multi-year grants to support strategic course corrections and effective expenditure of longer-term PRIs
- Use grants or recoverable grants, rather than more complicated PRIs, when funding smaller, less sophisticated organizations
- Clearly communicate goals and expectations both in writing and verbally so that recipients clearly understand the foundation's intentions and timeline
- Consider providing supplemental advocacy investments and being directly involved in regional and national advocacy efforts that aim to streamline regulations and effectively allocate government funding of challenges that impact recipients
- Collaborate more extensively and for a longer time period with other funders to keep abreast of challenges that impact recipients
- Ensure staff has the time and resources to work with recipients either in person or via phone to overcome challenges and think through strategic course corrections

General Funding Recommendations

- Ensure that foundation staff has the capacity to act as a thought partner with recipients, responding to recipients' progress reports and thinking through challenges
- Better articulate the foundation's philosophy and institutional approach to funding advocacy to peer funders, recipients, and other stakeholders

Background and Context

The MacArthur Foundation rarely provides disaster recovery or relief funding. However, the magnitude of Hurricanes Katrina and Rita created an unprecedented scenario that warranted an intervention. Given the response of the federal government and individual donors to immediate relief efforts, the MacArthur Foundation made a swift decision to make a targeted and complementary set of investments that would facilitate long-term rebuilding of affordable housing, an area in which the foundation had unique expertise.

The geographic scope, breadth of devastation, and impact on affordable housing led the MacArthur Foundation to make an atypical set of investments following Hurricane Katrina. In August of 2005, Hurricane Katrina made landfall on the Gulf Coast states of Louisiana, Mississippi, and Alabama. The destruction wrought by the hurricane and its aftermath made it one of the deadliest and costliest hurricanes in US history, killing almost 2,000 people, displacing over 1 million people from their homes, and causing $81 billion of property damage. Among the population affected by the disaster were 1.2 million residents who were already receiving government housing assistance through programs such as public housing, Section 8 properties, low-income housing tax credits, and other government programs.[1] With an average cost to replace a single-family home at $150,000, more than $32 billion in financing was needed to replace the destroyed housing.[2] Less than a month later, Hurricane Rita pushed mud, water, and debris into the homes of people who were already struggling to maintain their livelihoods. While the MacArthur Foundation rarely intervenes in post-disaster scenarios, the board and staff felt an overwhelming urgency to respond given the scale of the hurricanes' devastation.

The foundation quickly established a goal of supporting Gulf Coast recovery by increasing access to—and development of—affordable housing, an area in which it had existing recipients and expertise. The foundation's leadership discussed why and how the foundation might respond and developed a set of decision-making criteria that included geographic location, scope of the disaster, issue expertise, relationships in the region, and the activities of other funders. Katrina and Rita affected an area where the foundation had been invested since 2001 through its $150 million Window of Opportunity

[1] "Federalism after Hurricane Katrina: How Can Social Programs Respond to a Major Disaster," Urban Land Institute, June 2006, http://www.urban.org/UploadedPDF/311344_after_katrina.pdf.
[2] Louisiana Recovery Authority, "Action Plan Amendment for Disaster Recovery Funds," HUD Disaster Recovery Initiative, 2006, http://doa.louisiana.gov/doa/pdfs/Exh_9A-APA1.pdf.

initiative.[3] It has also been a leading supporter of community development financial institutions (CDFIs)[4] having invested nearly $250 million in grants and PRIs nationwide since the mid-1980s. Therefore, the foundation determined it could make a strategic set of longer-term affordable housing and CDFI investments that would complement short-term relief funding.

Not only was affordable housing a natural entry point for the foundation's disaster-response, it was also a long-standing issue for New Orleans and the surrounding areas. Like most cities across the country, New Orleans already had an affordable housing crisis before Katrina. According to the 2000 Census, two-thirds of extremely low-income households in New Orleans bore excessive housing cost burdens (by federal standards, housing costs that exceed 30 percent of income). The majority (56 percent) of very low-income households in New Orleans were paying more than half their income for housing. The average income of residents in affected counties pre-Katrina was just $28,770.[5] These challenges were exacerbated by the hurricanes, so a focus on affordable housing and long-term development was a natural entry point for the foundation's disaster response.

The foundation was able to take advantage of its existing relationships and networks to identify post-Katrina funding recipients. The MacArthur Foundation had a number of existing grantee and PRI recipients in the region, as well as one organization that had not received prior funding but whose founder was a MacArthur Fellow. The foundation leveraged these relationships by funding eight organizations that were involved in the long-term rebuilding of affordable housing in the region. Only one organization the foundation supported was not in operation at the time of the hurricane. However, this new organization was established by a recipient that had a prior relationship with the foundation. (For a list of recipients, see Table 1.)

Table 1. MacArthur Foundation's Hurricane Katrina Grant and PRI Recipients

Organization	Investment(s)
Enterprise Corporation of the Delta – Hope Credit Union (ECD/Hope)	• Grant: $125,000 • New PRI: $1,000,000 • Forgave: $335,000 PRI principal payment
Housing Partnership Network (HPN) / Gulf Coast Housing Partnership (GCHP)	• Grant: $125,000
National Federation of Community Development Credit Unions (The Federation)	• Forgave: $500,000 PRI principal payment, waived $13,500 of PRI interest
National Housing Partnership Foundation (NHPF)	• Grant: $250,000 (over 2 years)
National Housing Trust/Enterprise Preservation Corporation (NHT/E)	• Concession: Waived $360,000 of PRI interest

3 http://www.macfound.org/programs/housing/. http://www.macfound.org/press/info-sheets/window-opportunity-investment-summary/.

4 A certified Community Development Financial Institution is a specialized financial institution (banks, credit unions and non-regulated institutions) that works in market niches that are underserved by traditional financial institutions. CDFIs provide a range of products and services in economically distressed markets, such as mortgages for low-income and first-time homebuyers and not-for-profit developers, flexible underwriting and risk capital for community facilities, technical assistance, commercial loans and investments to small start-up or expanding businesses in low-income areas. http://www.cdfifund.gov

5 "Going Home After Hurricane Katrina," Bureau of Labor Statistics, September 2009, http://www.bls.gov/ore/pdf/ec090060.pdf.

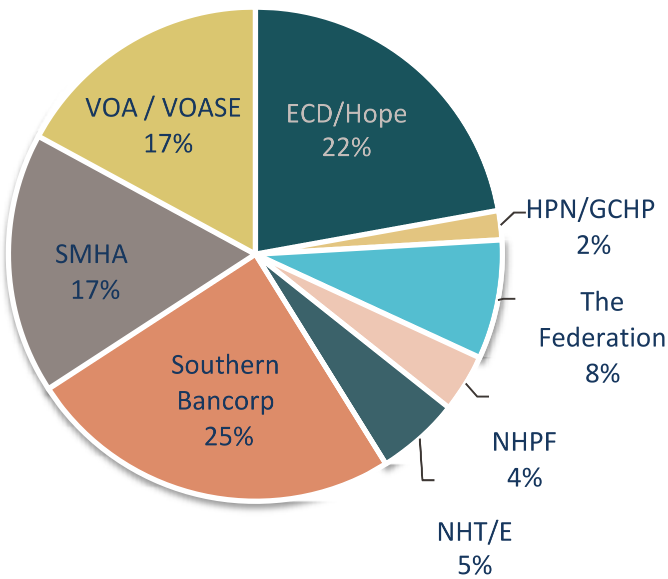
Organization	Investment(s)
Southern Bancorp	• Grant: $125,000 • New PRI: $1,000,000 • Donated back to the organization $500,000 in stock
Southern Mutual Help Association (SMHA)	• Grant: $125,000 • New PRI: $1,000,0000
Volunteers of America (VOA) / Volunteers of America Southeast (VOASE)	• Grant: $125,000 • New PRI: $1,000,000

The MacArthur Foundation prioritized expedited funding and used its existing networks and relationships to quickly fund eight organizations. While the foundation did not send checks or wire funds immediately, it employed an expedited process that differed from its typical grant and PRI approach. To eliminate the need for a lengthy period of investigating possible groups to support and the need for site visits and lengthy organizational reviews, the foundation chose to reach out to organizations with which it had existing relationships and request that they put together brief, but thoughtful and compelling proposals that outlined what type of support would be most valuable based on their frontline experience. The PRI committee received delegated authority to handle the grants, all of which were less than $250k and would normally be submitted to an Administrative Grants committee for approval. All of the grants were approved by the president in accordance with the foundation's administrative approval policy. PRIs were presented as a package with the understanding that the director and staff had identified and vetted the proposed organizations. The board approved the package of PRIs in September 2005.

For detailed information on the foundation's decision-making and funding timeline, please see Appendices A and B.

The foundation provided PRI concessions to give immediate financial relief, stopgap grant funding to support near-term organizational capacity, and new PRIs to support longer-term rebuilding. The MacArthur Foundation invested $4,875,000 in grants and PRIs and made $1,708,500 in waivers or concessions on existing PRIs. By using a diverse set of investment vehicles, the foundation hoped to help give organizations the support necessary to maintain operations immediately following the disaster and to offer resources that organizations could easily leverage for longer-term rebuilding efforts. The foundation's grant dollars were designed as stopgap funding to help recipients maintain their current level of activity during a difficult time or think through course corrections that would be needed. The foundation also believed that zero-interest financing for CDFIs and affordable housing developers would provide a useful bridge in the event public dollars were slow in coming or complicated by restrictions.

Figure 1. Percent of Total Funding by Recipient



Compared to other funders, the MacArthur Foundation was unique in its exclusive focus on affordable housing and in its strategy of directly funding organizations, rather than pooling funds with other donors. Funder responses to the hurricanes varied significantly. Among independent foundations, the MacArthur Foundation was unique in its exclusive focus on the housing sector. While three of the four foundations with the highest contribution levels (The Bill & Melinda Gates Foundation, the W.K. Kellogg Foundation, and the Ford Foundation) gave to affordable housing redevelopment, the bulk of their funding went to other issues, such as immediate relief, public health, libraries, and education.[6] In the two years after the disaster, housing redevelopment funding accounted for only 6 percent of total post-hurricane donations, although the figure increased to 11 percent in 2007 through 2009.[7,8]

In addition, some of the MacArthur Foundation's peers preferred to engage primarily in collaborative funding efforts. This followed a larger trend of donors contributing to intermediaries, as over half of the top 20 post-hurricane recipients were national or local funding intermediaries that redistributed funds to regional direct service providers. The Hilton and Rockefeller foundations, for example, placed the majority of their post-hurricane affordable housing funds in the Community Revitalization Fund (CR Fund), founded in 2007 within the Greater New Orleans Foundation.[9] The Kellogg, Ford, and F.B. Heron

[6] The only top four funder that did not contribute to affordable housing was the Lilly Endowment, which gave $30 million to the American Red Cross, Salvation Army, and United Way.

[7] "Giving in the Aftermath of the Gulf Coast Hurricanes: Update on the Foundation and Corporate Response," The Foundation Center, August 2007, http://foundationcenter.org/gainknowledge/research/pdf/katrina_report_2007.pdf.

[8] "Giving in the Aftermath of the 2005 Gulf Coast Hurricanes, Profile of the Ongoing Foundation and Corporate Response (2007 – 2009)," The Foundation Center, August 2009, http://foundationcenter.org/gainknowledge/research/pdf/katrina2009.pdf;jsessionid=MAQZTGUN3X5INLAQBQ4CGW15AAAACI2F.

[9] The CR Fund was launched in 2007 and hosted by the Greater New Orleans Foundation. It combined nearly $25 million dollars from 22 national and local foundations to fund affordable housing redevelopment.

foundations all contributed to the Louisiana Disaster Recovery Foundation (now known as the Foundation for Louisiana), which invests in local organizations through its affordable housing and small business development portfolios.

For additional information on the foundation's funding in comparison to other donors, see Appendix C.

Evaluation of the Foundation's Decision-Making Process

> ***The foundation's expedited process proceeded quickly enough to meet the recipients' goals and needs and led to a successful set of investments that enabled a strong cohort of organizations to make important contributions to the long-term rebuilding of the region. While this process worked well, the foundation can better communicate its investment decisions to recipients, right-size its legal underwriting process for expedited situations, and institutionalize its programmatic funding processes for disaster relief grantmaking.***

Prioritizing speed over due diligence was appropriate and effective, and the foundation quickly deployed funding to strong organizations. The foundation made a smart decision to trust the relationships it had built through its past CDFI investments and the Window of Opportunity initiative.[10] In the immediate aftermath of the hurricane, it would have been difficult and burdensome for the foundation to spend time gathering information and questioning individuals and organizations who were struggling to get through each day. Expedited funding in the form of grants and concessions not only provided a critical cash infusion to sustain recipients' operations and to jumpstart redevelopment, but it also boosted morale among supported organizations. For certain organizations, MacArthur's investments served as a seal of credibility and seeded longer-term organizational transformations that were bolstered in many cases by the added PRI investments.

Strengthening Morale

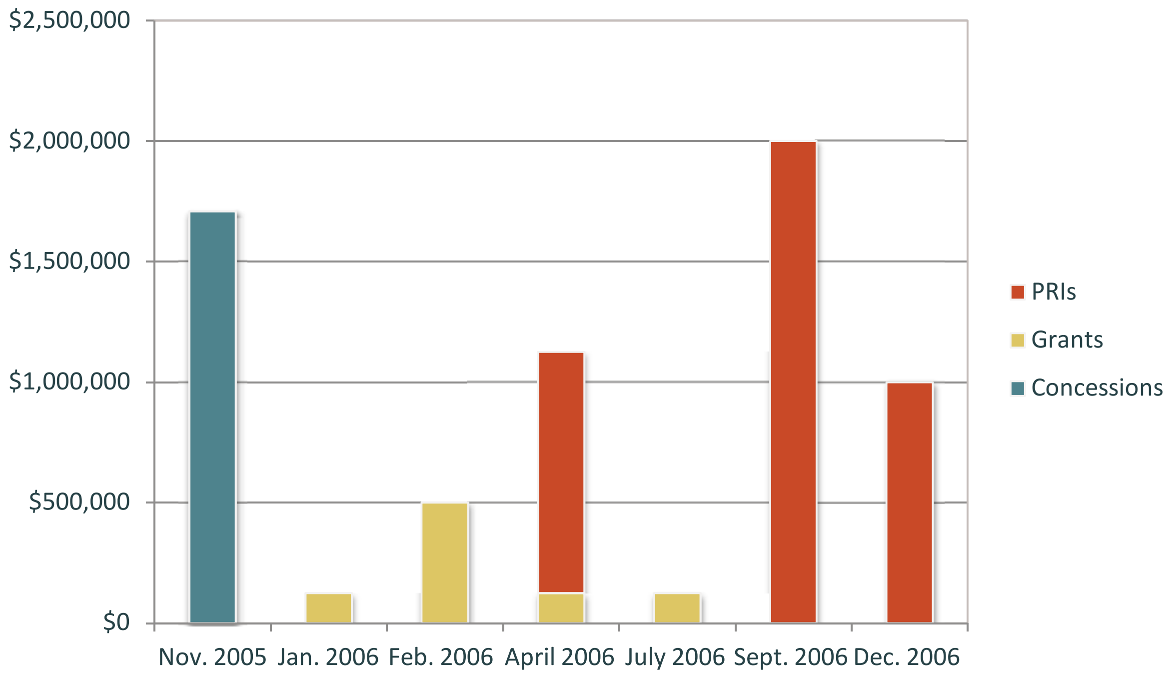
The MacArthur Foundation's brand and reputation in the affordable housing space helped organizations on the receiving end of the foundation's outreach. After Hurricanes Katrina and Rita, many funders reached out to recipients directly rather than holding an open RFP process. The MacArthur Foundation's staff has an excellent reputation in the affordable housing space, and the gravitas of a national funder reaching out to them boosted morale and funding helped legitimize their activities.

The MacArthur Foundation was as timely and efficient in disbursing funds as other funders who also requested proposals from recipient organizations. However, a handful of its peers sent large checks within days of the disaster to some of the same organizations that the foundation eventually supported. In the overall funding landscape, the MacArthur Foundation's awards were seen as timely, appropriate, and useful. While it was not always the first funder to respond, the foundation's outreach came at a critical time and helped organizations attract additional capital that would lead to greater

[10] Only one recipient had not received funding from MacArthur prior to Hurricane Katrina. This organization's President and CEO was a MacArthur Fellow.

impact. Recipients did not find the grant or PRI processes overly burdensome and felt that the application and approval process was comparable to the foundation's peers. The MacArthur Foundation's existing policy of having limited covenants contributed to the ease of the PRI award process. While the MacArthur Foundation was considered timely, some of the foundation's peer institutions awarded large and unrestricted grants within a few days of the disaster. Not surprisingly, recipients lauded the Ford Foundation and the Kellogg Foundation for sending $1 million checks in the hours after the hurricane without performing additional due diligence. Many of these funders also later provided longer-term PRIs or grants.

Figure 2.
Total Funding Disbursed by the MacArthur Foundation for Post-Hurricane Rebuilding, 2005-2006



Using existing recipients and foundation relationships to identify a strong cohort of grant and PRI recipients proved effective. The foundation can rely on this process in future rapid-response situations. The MacArthur Foundation's recipients have been leading implementers in the rebuilding effort. In addition to their creativity and persistence in putting together affordable housing and community development deals, the foundation's cohort often plays a technical assistance or mentorship role to smaller community-based organizations. This evaluation revealed a surprisingly small number of affordable housing developers, nonprofits, or CDFIs that were considered influential in the rebuilding effort and did not receive MacArthur funding. Only two non-MacArthur funded organizations stood out as leaders.

> "Fund who you know, what you know, and learn from it."
> —*Funder*

The foundation was successful in achieving its Katrina objectives. However, there was potential to achieve greater impact by engaging more extensively with other donors and keeping abreast of challenges impacting recipients. Unlike a number of other donors, the MacArthur Foundation chose not to fund organizations through regional foundations or a donor collaborative. This decision did not prevent the foundation's success. While pooled funds played a critical role in helping national and individual funders navigate the local landscape, the MacArthur Foundation's previous relationships meant that this service was of limited value to the foundation. The CR Fund presented an opportunity for affordable housing focused co-investment but it did not launch until 2007 and the foundation chose to limit its involvement with recipients after it disbursed its funds in 2006.

That said, allocating continued staff time to engage more extensively with other funders working in the region may have led to greater impact. The foundation was active in coordinating with other donors in the immediate aftermath of the hurricane, but chose to disengage after finalizing its funding decisions. Given that a great deal of donor coordination and strategic conversations occurred after the six-month mark, staying involved for a longer period of time would have been beneficial. For example, the Gulf region had experienced a great deal of disinvestment from private foundations prior to Katrina. The re-entry and long-term commitment of national funders like Rockefeller and Ford helped bolster the sophistication of local funders and influence discussions around municipal- and state-level infrastructure. The MacArthur Foundation's voice in these conversations would have been important, and deeper involvement would have ensured the foundation was more attuned to the daily challenges affordable housing organizations were facing and therefore would have been better positioned to help recipients think through course corrections and strategic shifts.

The foundation should ensure that staff has the capacity to respond to progress reports in both rapid-response and formal funding scenarios. A handful of recipients were uncertain who they should follow up with about program-related questions and commented that more guidance and conversations about the challenges they articulated in progress reports would have been useful. One recipient commented that "the report went into a black hole." While the foundation has taken steps to ensure that staff respond to grant progress reports, this policy has not yet been expanded to PRIs. It is important to remember that given the longer-term nature of PRI investments, the ratio of progress reports to program officers is high. [The Foundation operates with 2 FTEs responsible for originating $10-$50M in new PRIs each year while overseeing $250M of previously awarded, outstanding PRIs.] When making rapid-response or more formal investments, the foundation should discuss what staff capacity is needed to ensure that appropriate follow-up and engagement with recipients is possible.

Award letters should explicitly state the foundation's goals and intentions to the recipients in order to manage expectations. Some recipients—especially those who had previously received support from the foundation—expected that the MacArthur Foundation's Katrina funding might lead to future support from the foundation, which was not the case. In particular, recipient organizations whose PRIs were sun-setting or those who had failed to get additional support through the foundation's traditional funding channels, viewed the Katrina funding as a new chance for longer-term funding. While the MacArthur Foundation staff explained (both verbally and via e-mail) the goals of the funding,explicit language in award letters and additional verbal communications from the foundation could help ensure that recipients fully understand intentions.

By not clearly articulating its approach to funding policy and advocacy with stakeholders and peers, the foundation missed an opportunity to learn from and share its knowledge with the community at large. Given the level of federal dollars available for affordable housing following the hurricane (at the one year mark, $16.7 billion[11] had been made available through HUD's Community Development Block Grants), peer donors emphasized the importance of providing funding for policy and advocacy to

[11] US Department of State, "Hurricane Katrina: What Government is Doing," US Department of State, September 24, 2006, http://www.state.gov/documents/organization/150082.pdf.

influence the allocation of those dollars and recommended that the MacArthur Foundation place a greater focus on this in the future. However, the foundation had previously determined that general operational support to help organizations overcome policy barriers at the transaction or deal level would be the most effective way to influence policy. Sharing this perspective with peers and other stakeholders would have offered the foundation an opportunity to communicate what its recipients were learning at a transaction level and align this with other groups' policy and advocacy efforts at a systemic level.

The MacArthur Foundation should not deviate from its rigorous PRI requirements and should instead provide grants, not PRIs, to smaller organizations in rapid-response scenarios. Smaller and one less sophisticated organization found the legal underwriting process for PRIs challenging to navigate and had a hard time meeting the expectations of the foundation's lawyers. Currently, the foundation reserves PRIs for organizations that are able to undergo a rigorous due diligence process. Deviating from this standard during the Katrina aftermath created challenges for a smaller sub-set of recipients. In the future, using vehicles like grants or recoverable grants will be a more effective and streamlined way to infuse cash in smaller organizations that are positioned to play a critical role in recovery and rebuilding.

The MacArthur Foundation's decision-making process after Hurricanes Katrina and Rita is an excellent springboard for establishing more formal disaster-response criteria. The foundation's work in the immediate aftermath of Katrina and Rita offers a strong starting point for building a formal disaster relief funding process that can be used in future rapid grantmaking scenarios. According to the United Kingdom Department for International Development, "the scale, frequency and severity of rapid onset humanitarian disasters will continue to grow in the coming years, and at an accelerating pace."[12] Given that more disasters will occur, the foundation will benefit from having an institutionalized and vetted strategy in place. The key elements of that process might include:

- Expedited due diligence and grantmaking
- Prioritized support to known organizations
- Clearly articulated goals and intentions
- Allocation of staff resources for ongoing counsel and support

EVALUATION OF THE FOUNDATION'S INVESTMENT STRATEGY

> ***The MacArthur Foundation's decision to focus on long-term rebuilding versus immediate relief was a wise choice that complemented other funders' efforts and facilitated recipients' ability to leverage resources for ongoing work. But given the magnitude of the disaster, recipients needed more time than anticipated to assess the situation and make the necessary strategic shifts for launching rebuilding efforts. The foundation could have better supported recipients during this time by providing unrestricted operational support, thought partnership—especially with respect to affordable housing—and connections with experts and other like-minded organizations.***

The foundation was correct in its initial assumption that the region would receive an outpouring of funding for immediate relief, and it was wise to concentrate its efforts on long-term support. The

[12] *UK Department for International Development (DFID) Humanitarian Emergency Response Review,* March 28, 2011, http://www.dfid.gov.uk/Documents/publications1/HERR.pdf.

impact of Hurricanes Katrina and Rita mobilized the general public and private sector to respond in a significant way. By February 2006, the largest post-hurricane recipient, the American Red Cross, had received almost $2 billion in donations, including $156.3 million from foundation and corporate donors.[13] Government funds also played a significant role, with FEMA providing immediate shelter and $6 billion in assistance to nearly 1.5 million people during the first few months.[14] Given the outpouring of immediate relief efforts, it was wise of the foundation to take a long-term approach to rebuilding.

> "Leave first responding to first responders. Figure out how to support local networks or build them."
> —*Bellwether interviewee*

The MacArthur Foundation's stopgap funding was critical since federal relief efforts were less effective than initially anticipated. After the hurricane, federal assistance in the form of vouchers, tax credit legislation, and programs like the Gulf Opportunity Zone Act of 2005 (which provided $107.9 million in low-income housing tax credits) incentivized and facilitated the rebuilding efforts of the foundation's recipients. However, the expiration dates on federal programs were premature. For example, many recipients noted that the original 2010 construction deadline for the Go Zone credits did not give them enough time to finance and build affordable housing developments (the credits have since been extended to 2012). In addition, service providers in hurricane-impacted communities viewed government assistance as cumbersome and inefficient. Given the challenges with federal programs and reimbursement, receiving private funding (such as the MacArthur Foundation's) in the immediate aftermath of the storm was critical to organizations' financial survival.

The foundation's early funding commitments for affordable housing played a catalytic role in leveraging additional investments for its recipients. Given the MacArthur Foundation's recognition as a leading institutional funder in the affordable housing sector, its investments often had ripple effects for its recipients in attracting funding from other foundations. For example, the foundation's funding for one recipient served as a boost of confidence for the recipient's own disaster relief fund, enabling it to leverage significant additional funding from other sources. The foundation also provided critical seed capital to establish a new organization, demonstrating the foundation's commitment to launching the organization and leading other donors to match its funding.

> "Being visibly supportive is almost as valuable as financial contributions."
> —*Recipient*

Concessions were an immediate and effective way to provide rapid funding to address short-term needs. By giving one-time concessions, the MacArthur Foundation provided needed rapid support to organizations heavily affected by the hurricanes. The four organizations that received concessions stated that concessions were as beneficial to them as having received an unrestricted grant because they quickly reallocated those funds for their immediate recovery efforts. Recipients used concessions to expand their disaster recovery lending, as well as to strengthen their financial positions in order to expand into

> "Playing with the interest rate is a much smarter way to deal with an organization's short-term needs."
> —*Recipient*

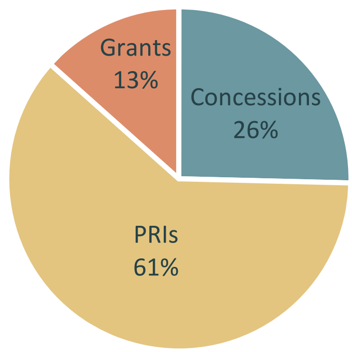
[13] Steven Lawrence, "Snapshot of Philanthropy's Response to the Gulf Coast Hurricane," The Foundation Center, February 2006, http://foundationcenter.org/gainknowledge/research/pdf/katrina_snap.pdf.
[14] "Far From Home: Deficiencies in Federal Disaster Housing Assistance After Hurricanes Katrina and Rita and Recommendations for Improvement," Committee on Homeland Security and Governmental Affairs, US Senate, February 2009, http://biotech.law.lsu.edu/blaw/FEMA/DisasterHousingInves.pdf.

hurricane-affected areas. In addition, concessions played a critical role in rapidly offsetting costs for organizations engaged in immediate hurricane response. For example, one recipient used concession funds to limit its losses in subsidizing rent and social services for hundreds of Katrina evacuees before federal relief funding began to flow.

While the foundation's concessions and grants were useful vehicles for providing rapid-response funding, PRIs were effective in providing needed funding for long-term rebuilding. Providing grants in tandem with PRIs allowed organizations to responsibly deploy PRI dollars and required recipients to exercise greater fiscal discipline. Recipients who got concessions appreciated the ability to quickly reallocate these liabilities to respond to immediate needs. Similarly, PRI recipients expressed appreciation for the generous amounts and terms associated with the PRIs. Those who received grants often used them to strengthen infrastructure that positioned the organizations to better deploy longer-term PRI dollars. In addition, the constantly changing environment brought many challenges, so the PRIs helped recipients focus their long-term rebuilding efforts. For example, some organizations had prioritized home ownership following the hurricane and were stymied by challenges including rising insurance premiums and the 2008 housing crash. Knowing they would have to repay the PRIs led recipients to diversify their activities into a mix of home ownership, rental, and mixed-use deals. Finally, the PRIs increased organizations' capital, allowing them to broaden their lending activities by making more loans to low- and moderate-income families and individuals.

> "If you really want to build sustainable capacity, well-structured PRIs impose a new level of fiscal discipline. It's absolutely good to do this in tandem with grants."
>
> —*Funder*

Figure 3. Distribution of Katrina Rebuilding Funding by Vehicle



Grants providing general operating support were critical for helping organizations strategically respond to opportunities and challenges in a rapidly changing environment, but the foundation should have provided multi-year support and greater levels of grant funding. Immediately following the hurricanes, organizations needed to regroup, assess the landscape, and determine a path forward. Unrestricted operational support gave recipients the flexibility to respond to immediate and rapidly evolving needs, such as retaining staff, paying for added costs of mobilizing volunteers for immediate relief, and thinking through new strategies. All recipients stated that unrestricted grant funds were enormously useful and they applied them to a variety of purposes ranging from stopgap financing for pre-development costs to office supplies and equipment.

However, all recipients could have benefited from multi-year and larger grant amounts. In general, the MacArthur Foundation's $125,000 year-long grants tended to be smaller than those of its peers. For example, Kellogg gave grants of $2 million and $1.5 million to two of the recipient organizations, while Ford gave a $1.5 million unrestricted grant to one of the recipients and two additional $500,000 grants to recipients. In addition, challenges that arose in the years following the hurricane such as the 2008 housing crash and changing regulatory policies required recipients to make course corrections or shift their strategies. Larger grants and multi-year commitments would have given organizations the ability to better respond to these challenges in order to continue to deploy their PRI dollars in a smart and strategic way.

Ensuring that the foundation has the human resources to respond to and work with recipient organizations for a longer period of time is an important complement to financial investments. Rebuilding requires a sustained investment and long-term presence, the importance of which is intensified during a disaster. In the first two years following the hurricanes, recipients faced numerous challenges and valued the non-financial support they received from other funders and peer organizations to navigate these challenges. For example, a national community development nonprofit paid for one recipient's CEO to meet with experts and leading nonprofits in the disaster recovery field. The networking and advice received informed the organization's strategy to contract locally and was instrumental in helping build its capacity in a sustainable way.

In order to ensure that their shifts in strategy remained aligned with the foundation's goals, recipients would have benefited from more access to and guidance from the foundation's staff. Several recipients struggled with unanticipated economic challenges and would have appreciated the opportunity to troubleshoot strategies with foundation staff. Other recipients felt isolated in their development efforts and would have liked access to other nonprofits or regional coalitions working in the area. The foundation's peer funders also emphasized that having the MacArthur Foundation's perspective in conversations about regional development planning would have been useful. If the foundation is providing long-term funding, it is critical that staff have the time to respond to challenges raised in progress reports, help organizations identify and make connections with experts and like-minded organizations, and to just be available for an occasional phone call to troubleshoot strategies.

> *"Not having MacArthur more involved on the ground with respect to multi-family and public housing compromised progress in these areas. MacArthur is a leader in this area of housing and had a lot to contribute."*
> *—Funder*

Recipients' Contributions to the Region

The MacArthur Foundation's recipients led recovery and rebuilding efforts in the region. Strong leadership, local knowledge and relationships, and adaptability were critical elements for successfully implementing long and complicated rebuilding efforts, as recipients faced a number of unexpected external challenges that limited their ability to provide services and meet their homeownership goals.

The MacArthur Foundation's cohort of recipients is at the forefront of recovery and rebuilding efforts in the region. Recipients mobilized quickly to provide relief following the hurricanes, including medical and social services, housing, and access to financial services. As they shifted from responding to immediate needs to addressing long-term needs, recipients used the foundation's investments to implement a variety of rebuilding efforts, including financing and developing a significant number of affordable housing and rental units, expanding lending services to low-income communities, and building secondary mortgage markets. Key regional contributions since the 2005 hurricanes are captured below.

- ***Mobilized volunteers.*** Several recipients mobilized large numbers of volunteers to assist with rebuilding efforts through partnerships with national volunteer organizations. Recipients also added volunteers to their staffs in hurricane-affected regions and opened satellite offices to manage volunteers.

- ***Leveraged additional funding.*** Recipients used the MacArthur Foundation's investments to leverage approximately $201.7 million in the form of additional funds, loans, and commitments.

- ***Developed affordable housing*.** The foundation's recipients developed or financed the development of approximately 3,880 affordable housing units (including both single-family homes and rental units) in the region.

- ***Expanded lending services.*** Recipients with CDFIs originated $95.7 million in mortgage loans to 1,054 home buyers. They also expanded their lending to include redevelopment loans for the long-term sustainability of communities. At least 350 businesses benefited from the more than $165 million that has gone into the region in the form of commercial and redevelopment loans.

- ***Created secondary mortgage markets.*** Two organizations created secondary mortgage markets where none existed. The creation of these markets provided liquidity, which allowed the recipients' affiliated CDFI and credit unions to originate even more affordable mortgage loans to low- and moderate-income buyers.

- ***Expanded financial institutions.*** Three recipients established new branches to provide lending services in the region by either opening new branches or rebuilding those that were destroyed in the hurricanes. One recipient acquired several other struggling credit unions in order to expand its services in the area.

- ***Advocated for policy and regulatory changes.*** There was a lack of formal and coordinated advocacy efforts in the region, a common gap in post-disaster situations. Nonetheless, many of the foundation's recipients actively advocated for policies and regulations regarding affordable housing. One recipient established a formal policy center to conduct independent research on economic policies affecting low- and moderate-income individuals.

- ***Established regional recovery loan funds.*** Three recipients established recovery loan funds to provide capital for rebuilding efforts in the region. One recipient used its relief fund to provide loans that directly sustained credit unions that were heavily impacted by the disaster. Another recipient offered recoverable grants in order to encourage economic growth in the region.

Strong leadership, local knowledge and relationships, and adaptability were critical elements for navigating rapidly changing environments during the long and complicated rebuilding efforts. Across the cohort of recipients, several key factors helped recipients overcome obstacles. When making future rapid-response grants, the foundation can look to these factors as indicators of success:

- ***Strong and persistent leadership.*** High-performing recipients are consistently led by strong leaders who establish a culture of persistence, even in the face of enormous challenges. The organizations' leaders are often cited as providing clear direction and ingenuity, particularly when faced with challenges beyond their control.

- ***Local knowledge and relationships.*** Organizations with a history of working in the area and established networks were able to capitalize on local knowledge and relationships to implement their recovery and rebuilding efforts. Nearly all recipients stated that relationships are crucial to carrying out their work in the region. Those who were relatively new to the area struggled initially to develop their markets.

> "Partnerships are important – it's about leveraging people, talent, and money."
> —*Recipient*

- ***Adaptability.*** All recipients operated in rapidly changing environments where a willingness to revisit and adjust strategies was critical to success. Many recipients developed their long-term rebuilding efforts around homeownership, yet homeownership decreased dramatically following the housing and financial crisis in 2008. To continue to successfully rebuild the area, organizations were forced to adjust their strategies to focus on other needs.

Recipient organizations faced various unexpected external challenges that limited their ability to provide services and meet their homeownership goals. Recipients would have appreciated having greater access to the foundation's staff to get guidance on how to deal with the high level of uncertainty that accompanied the following challenges:

- ***Delays in deployment of federal resources*.** Although the availability of federal resources was quickly communicated to the region, the actual deployment of federal funds and credits often took two to three years. Recipients faced a number of bureaucratic setbacks, including cumbersome applications for housing tax credits. Recipients often complained about having to submit their applications and accompanying paperwork several times before finally being approved. By the time federal funds were finally disbursed, investors and developers were often no longer willing to see the projects through.

- ***Ambiguous regulations*.** Many of the federal funds flowed through the state and local municipalities, which added their own—sometimes contradictory—regulations to those already imposed by the federal agencies. In other cases, regulations were loosely enforced or were haphazardly revised and were thus unclear. Recipients struggled to keep track of and follow all the regulations regarding the development and rebuilding of affordable housing, which delayed progress on rebuilding.

- ***Housing and financial crisis.*** The financial and housing crisis in 2008 dealt a major blow to all of the recipients. Organizations that planned to develop affordable single-family homes found themselves with little to no demand for their units. Similarly, those that sought to originate mortgage loan products found it difficult to secure secondary capital to take on the risks associated with loans to low- and moderate-income home buyers. Access to affordable capital, particularly for mortgages with favorable terms for low-income home buyers, became even more limited following the financial crisis.

- ***Rising costs of insurance, sewage, and water.*** Following the hurricanes, the costs of insurance, sewage, and water increased dramatically, sometimes tripling. In many cases, insurance payments were higher than mortgage payments, and homeowners who could not afford insurance consequently ran the risk of losing their homes. Because fewer homeowners could afford the increased costs of living, recipients had a difficult time meeting their homeownership goals.

- ***Outmigration.*** Vacancy rates and the decreasing population of many Gulf Coast communities affected market values and made the rebuilding effort more difficult. In some communities, the decreased population affected federal funding formulas, further complicating development deals.

- ***Difficulty assembling lots to develop properties*.** Acquiring titled land upon which to develop projects was a painstaking and time-consuming process. Because land had often been transferred informally from one owner to the next, it was difficult to identify the rightful owners and to acquire the land titles. In many cases, abandoned lots had accumulated debts following years of unpaid taxes, which were often higher than the land's value. All of these challenges delayed the piecing together of land for housing developments.

- ***Crime and corruption.*** Some recipients encountered incidents of corruption by individuals attempting to profit from the influx of federal funds to the region. In addition, criminals often curtailed development efforts that were underway by breaking into unfinished structures to strip the copper from pipes. Several recipients cited the theft and resale of copper as a challenge they faced when developing housing.

ONGOING NEEDS

Despite the progress that has been made, recipients continue to face a series of ongoing needs that are critical to the long-term rebuilding of the region, particularly with regard to affordable housing. Among these needs are wealth building, managing and reducing outmigration, and affordability of housing.

Wealth building and financial services are critical for helping low-income families become homeowners. Middle-income families were typically able to relocate or recover from the storms' damage. Low-income people, on the other hand, had a much more difficult time rebuilding their lives and continue to need services to build their wealth and financial literacy. Providing programs that build residents' financial capacity will improve their economic opportunities and increase homeownership.

Housing affordability remains a key challenge for developers. For a variety of reasons, many residents simply cannot afford to buy, own, or rent homes. Much of the public housing that was destroyed has yet to be rebuilt, leading to long waiting lists for federal assistance and to low vacancy rates. Rents in the private market have consequently increased and are unaffordable for low-income residents. Until the housing market recovers, increased subsidies from the federal government, innovative private sector investments, or philanthropic investments are needed to help residents pay rents and mortgages.

Little access to affordable insurance is limiting the pool of homeowners. The high cost of insurance premiums is a significant challenge for many homeowners in the Gulf states. Following the hurricanes, insurance rates tripled for much of the area and became more expensive than mortgage payments. Being unable to pay for insurance has subjected many low- and moderate-income homeowners to foreclosure while simultaneously narrowing the pool of potential home buyers. Funding for advocacy efforts to regulate pooled insurance models, or other affordable alternatives, will help homeowners secure their properties.

Long-term funding is needed to sustain the rebuilding efforts. Many organizations receive time-limited funding that provides short-term incentives for rebuilding communities, but does not ultimately result in sustainability for either the organization or community. Recipients also noted that in addition to affordable housing, communities need long-term investments that provide stability and perpetual returns, such as investments in education, jobs training, and financial literacy.

Scaling rebuilding activities continues to be a challenge for nonprofits in the Gulf region. Efforts to build the capacity of community-based organizations in the region have seen limited success. Although there have been some successful rebuilding efforts, it is difficult to replicate the factors and contexts that facilitated their success. By providing resources for organizations to identify and replicate best practices, as well as to develop their infrastructures, nonprofits will be better positioned to scale successful rebuilding efforts across the region.

RECOMMENDATIONS

The foundation can be proud of the important contributions it made, and continues to make, to the ongoing rebuilding of the Gulf states. As the foundation works to strengthen and potentially institutionalize how it responds to future disaster or rapid-response scenarios, the board and staff should strongly consider augmenting the foundation's level of involvement, increase the level of grants funding in comparison to PRIs, and provide non-financial support to complement financial investments.

Various key elements of the foundation's decision-making process proved effective and should be replicated in future rapid-response scenarios. The combination of the following elements resulted in the foundation investing in a strong cohort of recipients at the forefront of long-term rebuilding efforts. Specifically, in the future, the foundation should:

- Look for opportunities to work through existing networks
- Award a combination of grants and PRIs to provide diverse and flexible funding along differing timelines and for different sized organizations
- Look for opportunities to contribute complementary longer-term resources to immediate relief efforts
- Selectively use concessions as a swift and effective way to meet immediate needs and complement other funding when organizations have an existing PRI

While the overall process and approach the foundation employed was largely successful, **the following adjustments can help strengthen its disaster and rapid-response grantmaking:**

- **Ensure that foundation staff has the capacity to provide thought partnership to recipients and help connect them with experts and networks.** Long-term funding, especially in the dynamic context of a disaster, requires a meaningful degree of sustained involvement from the donor partner. Organizations faced a series of environmental challenges over the years, and could have benefited from the foundation's expertise, sustained engagement, and thought partnership on how to overcome these challenges. More specifically, more interaction from the foundation in the form of phone calls, follow-up on progress reports, and connecting recipients to like-minded organizations and experts would have been helpful. As part of its response process, the foundation should consider the staffing structures that are needed to support its investments.

- **Provide larger and multi-year grants to support strategic course corrections and responsible expenditures of longer-term PRIs.** As recipients responded to their evolving challenges and shifted their rebuilding strategies accordingly, they needed additional funding and operational support to expend their PRIs effectively and responsibly. The foundation should rebalance the ratio of PRIs and grants and provide larger grants that give organizations greater levels of stopgap funding and added operational support as they shift strategies over the years.

Providing multi-year grant support helps recipients build and maintain the infrastructure they need to deploy PRI funds strategically and effectively.

- **Use grants or recoverable grants rather than PRIs for smaller, less sophisticated organizations.** The foundation has a comprehensive and challenging set of criteria organizations must meet in order to be eligible for PRI funding. While investing in smaller, less sophisticated organizations is often an important part of disaster response, the foundation should use other vehicles such as grants or recoverable grants for these organizations. These grants will be more expeditious and will also ensure that the foundation does not place a burden on organizations that are less prepared to go through its rigorous legal underwriting process.

- **Clearly communicate funding goals and expectations both in writing and verbally.** Recipients appreciated the MacArthur Foundation's support, but did not seem to have a clear understanding of the foundation's planned level of engagement or long-term commitment to the region. In future rapid-response grantmaking, the foundation needs to be clearer, through more frequent and repetitive communications, about its goals, long-term strategy, and funding commitments in order to manage recipients' and peer funders' expectations.

- **Consider investing time and resources in targeted advocacy efforts.** The foundation's approach to funding advocacy in its Window of Opportunity rental housing and preservation initiative has been to make large operational investments in housing development organizations that are well positioned to contribute to policy change through their transactional work as well as demonstrate impact at the field level. However, following disasters, targeted advocacy helps ensure that federal and state dollars are allocated effectively and efficiently. In these dynamic and changing environments, the foundation should consider providing supplemental funding for targeted advocacy as well as have staff participate directly in regional and national advocacy efforts.

- **Collaborate more deeply with other funders and keep abreast of challenges impacting recipients.** The foundation was largely successful in achieving its goals, and it was not necessary to work through donor collaboratives in this case. However, given the constantly changing landscape, more active and sustained discussions with other funders about what is happening on the ground can help the foundation better position its response to recipients and address challenges that are articulated in progress reports. Ensuring that staff has time and capacity for such work is important.

- **Institutionalize or formalize its disaster or rapid-response funding processes.** Research and statistics continue to predict greater frequencies of disasters and numbers of people impacted. Disasters that were once uncommon are quickly becoming the norm. It is important for funders to have a plan in place for responding to disasters and to be prepared to execute against that plan. As such, the foundation should institutionalize a set of disaster relief funding processes that enable it to respond quickly and effectively. The criteria that the foundation's leadership developed in 2005 and lessons from the Katrina portfolio are a solid starting point for developing and vetting a formalized process.

Finally, a number of lessons apply to the foundation's more general investment approach, including the importance of responding to progress reports and clearly articulating the foundation's philosophy and funding goals, particularly related to advocacy.

- **Ensure that foundation staff has the capacity to respond to recipient progress reports.** Reviewing and being responsive to recipient progress reports is critical whether the investment is made in a rapid-response scenario or as part of the foundation's more traditional funding processes.

- **Better articulate the foundation's philosophy and approach to funding advocacy to its peer funders, recipients, and other stakeholders.** The foundation's Window of Opportunity rental housing preservation initiative has included a distinctive approach to funding policy and advocacy work. This approach uses large operational investments in housing development organizations that are well positioned to drive change through specific transactions. Better articulating this approach to external stakeholders will help ensure the foundation's advocacy efforts are aligned with and complementary to peer funders' advocacy investments.

Appendix A: Decision-Making Timeline

Events and Government Response

August 23–August 30, 2005
A national emergency is declared when Hurricane Katrina makes landfall on Gulf Coast states.

September 1, 2005
US Congress passes a relief package for the area.

September 18–26, 2005
Hurricane Rita strikes Gulf Coast states, exacerbating Hurricane Katrina's effects.

September 26, 2005
The Department of Housing and Urban Development implements the Katrina Disaster Housing Assistance program for previous HUD recipients; 1.2 million area residents had been receiving government housing assistance before the disaster.

Fall–Winter 2005
275,000 homes and 18,750 businesses are destroyed,
650,000 people are displaced, and infrastructure costs are over $37B, or $8,244 per capita.
215,000 of the homes destroyed, or 71 percent, were affordable housing.

MacArthur Response

September 2005
The MacArthur Foundation does not have a disaster program but consults an ad-hoc group of board members to consider its institutional strengths and previous disaster responses. The foundation decides to make an exception to its policy of no disaster relief for Hurricane Katrina funding based on the disaster's geography, scope, and impact on the program area of affordable housing. Due to institutional expertise and need, the foundation chooses to focus on long-term rebuilding. Its funding is a blend of immediate capacity-maintaining grants and longer-term housing PRIs to support CDFIs and affording housing developers that have the potential to leverage additional investments.

September 19, 2005
The foundation's president proposes $1M in affordable housing grants and $5M in program-related investments to the board.

September 19, 2005
The foundation's general counsel presents an official Katrina resolution to the board.

September 22, 2005
The foundation's director of program-related investments writes a memo to the board about CDFIs, nonprofit housing developers, and research and policy organizations that are affected by and responding to Katrina.

Fall-Winter 2005
The foundation balances a quick commitment of funds with thoughtful due diligence of recipients, determined by the director of program-related investments and the program-related investments team. The longer-range ambitions of the PRIs and grants reduces pressure to disburse funds immediately.

November 15, 2005
The director of program-related investments creates $1.6M of concessions for existing PRIs to defray one-time costs and to cushion risks that have been taken in response to the hurricane.

November 17, 2005
The Program on Human and Community Development (since renamed US Programs) submits $4 million of PRIs to support the provision of low-cost financing and redevelopment of affordable housing in the Gulf Coast region.

December 12, 2005
The Program on Human and Community Development submits six grants totaling $875,000 to support rebuilding affordable housing.

Events and Government Response

January 2006
1.2 million people age 16 and over are reported to have evacuated as a result of Katrina.

February 2006
FEMA's coverage of hotel rooms for the displaced ends.

June 2006
Over 500,000 evacuated people still have not returned to their homes in hurricane-affected regions.

August 2006
After one year, HUD has assisted 27,000 families by leasing 20,000 units and disbursing $113M in assistance.

September 2006
After one year, the Housing Authority of New Orleans has issued 1,721 disaster vouchers; 2,400 voucher holders are still searching for housing.

MacArthur Response

January 2006
The foundation disburses $125,000 of a $250,000 grant to the National Housing Partnership Foundation to support general operations.

February 2006
The foundation disburses a $125,000 grant to Enterprise Corporation of the Delta to support general operations.
The foundation disburses a $125,000 grant to Southern Mutual Help Association to support general operations.
The foundation disburses a $125,000 grant to Volunteers of America to support general operations.
The foundation disburses a $125,000 grant to Housing Partnership Network/Gulf Coast Housing Partnership to support general operations.

April 2006
The foundation disburses a $125,000 grant to Southern Financial Partners to support rebuilding affordable housing and related activities in the Gulf Coast.
The foundation disburses a $1M PRI loan to Enterprise Corporation of Delta to finance mortgage loans for low-income persons in Mississippi and Louisiana, and to provide pre-development and bridge financing for low-income housing construction.

July 2006
The foundation disburses the remaining $125,000 of a $250,000 grant to the National Housing Partnership Foundation to support general operations.

September 2006
The foundation disburses a $1M PRI to Southern Mutual Help Association to provide necessary capital to Southern Mutual Financial Services to make affordable mortgages in hurricane-devastated areas. It disburses a $1M PRI to Southern Bancorp to provide equity capital to acquire a Mississippi-serving branch and to make housing and small business loans to low-income individuals.

December 2006
The foundation disburses a $1M PRI to the Volunteers of America subsidiary Southeast Steel Framing to provide employment and housing for low-income individuals, and to produce affordable hurricane-resistant housing components.

Total Funds Disbursed for Hurricane Katrina Rebuilding 2005-2006: $6.53M

APPENDIX B: DATES OF FUNDING DISBURSEMENT

Table 2. Dates of Funding Disbursement by the MacArthur Foundation

Recipient	Agreement Date	Wire Date
NHP Foundation Grant: $125,000 Grant: $125,000	12/21/2005	1/18/2006 7/24/2006
HPN/GCHP Grant: $125,000	1/18/2006	2/08/2006
ECD-Hope Grant: $125,000 PRI: $1,000,000	1/17/2006 3/06/2006	2/08/2006 4/12/2006
VOA Grant: $125,000 PRI: $1,000,000	1/17/2006 11/27/2006	2/01/2006 12/13/2006
SMHA Grant: $125,000 PRI: $1,000,000	1/17/2006 8/15/2006	2/01/2006 9/13/2006
Southern Bancorp Grant: $125,000 PRI: $1,000,000	3/23/2006 8/15/2006	4/05/2006 9/13/2006

Appendix C: Funder Timeline

August 2005

October 2005

- By executive order, HUD and FEMA develop a $79M program for temporary rent subsidies.

November MacArthur provides **$1.6M** in concessions to help defray hurricane response costs.

Winter 2005

- The Gulf Zone Opportunity Act allocates $107.9M in low-income housing tax credits through 2008.
- Congress appropriates $390M to HUD for rental voucher assistance.

Fall 2005

- The W.K. Kellogg Foundation awards $36.3M to hurricane relief and rebuilding, including grants of $1.5M each to ECD-Hope and SMHA.
- The Ford Foundation awards $20M to hurricane relief and rebuilding, including a $1.5M grant to ECD-Hope; its post-hurricane affordable housing funding was equally divided between grants and PRIs.
- The Bill & Melinda Gates Foundation awards $11.1M to hurricane relief and rebuilding, including grants of $1.5M to the American Red Cross and $3.8M to the Baton Rouge Area Foundation.
- The Rockefeller Foundation awards $6.5M in grants to GNOF, Habitat for Humanity, LISC, and Enterprise.
- The F.B. Heron Foundation awards $400,000 to hurricane relief and rebuilding, including a $200,000 grant to SMHA.

2006

January – July
MacArthur awards **$875,000** in grants to six organizations for maintaining operations post-hurricane.

Spring/Summer 2006

- Congress provides $16.7B for HUD's Community Development Block Grants program for Mississippi, Louisiana, Alabama, Florida, and Texas to be allocated by the states.

April – December MacArthur disburses **$4M** in PRIs to finance mortgage loans and affordable housing development in the Gulf Coast states.

April 2006

- National Federation of CDCUs raises $900,000 for its hurricane recovery fund, awarding $400,000 in grants and loans to ASI Federal Credit Union and a $250,000 grant to ECD-Hope.

Fall 2006

- Kellogg, Ford, the Charles Steward Mott Foundation, and the Open Society Institute fund the launch of the Mississippi Economic Policy Center through ECD-Hope.

November

- Fannie Mae provides a $14M line of credit to GCHP to fund pre-development and acquisition costs.

2007

April

- LISC and Enterprise Community Partners launch the $47M **Louisiana Loan Fund** for Go-Zone affordable housing development. Louisiana contributed $17M of its federal block grants and Capital One, the Annie E. Casey Foundation, JPMorgan Chase, Deutsche Bank, Ford, Gates, and Rockefeller collectively contributed $30M.

Spring/Summer 2007

- Ford awards a $3M, six-year, 1-percent PRI to the NHP Foundation for affordable housing in New Orleans.
- By June 2007, foundation and corporate philanthropy for housing and shelter totaled $56.6M, or 8 percent of all post-hurricane funding. The largest recipients were Habitat for Humanity and housing assistance for displaced families in Kentucky, Ohio, and Tennessee.

Fall 2007

- The Greater New Orleans Foundation launches the **Community Revitalization Fund**, a $25M five-year pooled fund to generate equitable housing and community development. Participants include Rockefeller, Ford, Hilton, Gates, Kellogg, Surdna, and 18 other national and local foundations.

Winter 2007

- HUD ends its Disaster Voucher Program assistance for families utilizing HUD vouchers.

2008

- Ford awards a $3M PRI and accompanying $300,000 grant to GCHP for predevelopment and acquisition financing for affordable housing, as well as a $500,000 grant for operating support.

August 2008
MacArthur provides GCHP with a **$1.5M PRI** and a **$250,000 grant.**

- Ford awards a $2M, ten-year PRI at 1 percent to SMHA.
- Hilton awards $25,000 for Gulf Coast recovery and $223,000 for program development to UNITY of Greater New Orleans to prevent, reduce, and end homelessness.
- Gates awards $1M to the New Orleans Redevelopment Authority and $1.5M to the Louisiana Disaster Recovery Foundation for program development.

2009 – present

2009

- Kellogg awards a three-year grant of $450,000 to ECD-Hope to support the Mississippi Economic Policy Center.

2010

- Kellogg invests $11M in Southern Bancorp in private equity and cash deposits to fuel program growth in rural communities.
- Heron awards over $600,000 in operating support to Gulf Coast organizations, including SMHA, GCHP, ECD-Hope, LISC, and the Louisiana Disaster Recovery Foundation.

- To date, FEMA has provided $6.4B in public assistance funding for Katrina- and Rita-related infrastructure rebuilding work in New Orleans.

July – December 2012
MacArthur conducts evaluation of its post-hurricane funding to inform future disaster grant-making practices.