

Senate Democratic Policy Committee Hearing

“An Oversight Hearing on Gulf Coast Reconstruction Contracting”

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Chairman Dorgan and members of the Democratic Policy Committee, I am Sheila Crowley, President of the National Low Income Housing Coalition. We are solely dedicated to ending the affordable housing crisis in the United States and our members include non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens.

I have been asked to testify today about the federal response to the housing needs of people displaced by Hurricane Katrina. Unfortunately, the most charitable way to characterize the current situation is confusion. Hundreds of thousands of Americans were uprooted from their homes, and six weeks later many still have no idea where they will live in the coming months.

In my testimony, I will attempt to provide you with highlights about what the federal government is and is not doing to assist displaced families find transitional housing. I must offer the caveat that implementation is a work-in-progress and that what seems to be policy today may be different tomorrow. Moreover, the true extent of problems continues to be unknown. The lack of valid and reliable data on the many dimensions of this crisis is stunning.

But gleaned from various reports, testimony, and press statements of Administration officials, here's some estimates:

- FEMA reports 2,372,770 registrations for assistance Hurricanes Katrina and Rita as of October 14, 2005 and 1.19 million households have received hurricane disaster assistance in some form. FEMA registrations have come from every state in the union, but the majority of evacuees remain in the affected Gulf states and the immediate surrounding states.
- FEMA officials have stated that between 400,000 and 600,000 people are living in shelters and hotels, with about 23,000 still in shelters after the October 15 deadline of closing all shelters had passed. This number does not include the many thousands more

displaced people who are temporarily living in someone else's home, including friends and family members or strangers who have taken evacuees in. This number is unknown.

- FEMA reports it has approved 416,000 applications for its transitional housing program. Please note that being approved for housing assistance does not mean that the household has actually received any aid. Indeed, reports that people have yet to receive any assistance are widespread.
- The number of families who have moved into trailers is unclear, but FEMA announced on October 12 that 5,000 families were housed in trailers in Mississippi. A FEMA official stated on October 5 that FEMA has contracted for delivery of 116,000 travel trailers or mobile homes.
- HUD's Katrina Disaster Housing Assistance Program (KDHAP) reportedly had approved 10,000 families for aid, but a HUD official told me Sunday that this number is higher and promised to get me updated information today. The most widely cited estimate of the number of KDHAP eligible households is 50,000, although HUD officials have not confirmed that number.
- The National Low Income Housing Coalition has estimated the number of occupied housing units destroyed or damaged by Hurricane Katrina is 287,000, 71% of which were affordable to low income households. This estimate is based on comparing 2000 Census data on housing units to maps done of the affected area by the National Geospatial Intelligence Agency. To my knowledge, no federal agency has determined the number of lost housing units. Indeed, in his October 6 testimony before the House Budget Committee on the macroeconomic and budgetary effects of Hurricanes Katrina and Rita, Congressional Budget Office Director Douglas Holtz-Eakin cited the NLIHC report to estimate the degree of damage to the housing stock. A copy of our report is attached.

Displaced households in theory have a few housing options, but the reality is more limited based on where the household is currently located, the condition and exact location of the former home, and the resources a family has at its disposal. A family with continued income and savings has likely already found a new home to rent or buy, and FEMA assistance will simply reimburse them. A family without means has many fewer choices. Most people who are not yet rehoused were low income before the disaster and/or have lost their source of income as a result of the disaster.

FEMA's initial response was its usual disaster response, to order trailers. Difficulties in obtaining enough trailers and in siting what trailers they could get, as well as widespread outcry against the prospect of several hundred poor families being segregated together in trailer camps removed from transportation, jobs, schools, health care, and shopping, caused FEMA to rethink its approach.

In the days immediately following the disaster, HUD asked that all public housing authorities (PHAs) make available vacant public housing units and unused housing vouchers to Katrina

evacuees. HUD waived requirements so that a PHA could choose to suspend its local preferences for housing assistance and give priority to evacuees. HUD Deputy Secretary Roy Bernardi said in testimony in the House on September 27 that 34,000 vacant public housing units and available housing vouchers had been identified.

Thus, local people in need of housing assistance, including people in homeless shelters, have been passed over in favor of evacuees, causing considerable anger and resentment among many low income people. HUD officials report that HUD is no longer encouraging PHAs to use their existing housing assistance for evacuees, but the guidance to PHAs to do so was still on HUD's website yesterday.

On September 23, FEMA and HUD announced the establishment of a joint Transitional Housing Program that would provide financial assistance for evacuees to use to rent housing in the private market. It is noteworthy that the joint program did not involve the use of the Housing Choice Voucher program, the existing and successful rent assistance program run by 2600 PHAs across the country. This is despite the fact that the Senate had passed legislation on September 14 to appropriate \$3.5 billion to fund 350,000 housing vouchers for Katrina evacuees. Some observers believe that the momentum developing for the Housing Choice Voucher solution was further impetus for the Administration to announce its own approach. This is the Administration, after all, that has been trying to dismantle the Housing Choice Voucher program for several years.

The Transitional Housing Program announced on September 23 has two parts. The first, operated by FEMA, would provide \$2,358 to each eligible household to cover three months rent. At the end of the three months, the amount would be adjusted based on actual housing costs. Assistance could be provided for up to 18 months. The specific amount of \$2,358 represents the national Fair Market Rent for a two-bedroom unit. The assistance is to be provided directly to the displaced household in the form of a check or direct deposit to a bank account.

Eligible households are those who owned or rented a home that FEMA has verified is uninhabitable. At first, FEMA gave the impression that this assistance would expedited for all displaced households from the affected areas. In a later press release, FEMA announced the assistance would be expedited only for people from eight counties that had sustained the most damage.

The second part of the Transitional Housing Program, operated by HUD, is KDHAP. Responsibility for displaced households who were previously receiving HUD assistance, including Public Housing, Section 8 project-based, Housing Choice Vouchers, Section 202 (elderly housing) and Section 811 (housing for the disabled), and others, was retained by HUD, although paid for by FEMA. Also eligible for KDHAP are people who were homeless prior to the disaster and who were participating in HUD funded homeless service programs. HUD is considering including other pre-disaster homeless people in KDHAP, but has not yet made a decision.

KDHAP assistance is administered by PHAs and provided in the form of direct payment to

landlords. The amount of assistance is based on the Fair Market Rent for the jurisdiction where the household is located. Again, assistance can be provided for up to 18 months. The PHA receives a \$1,000 fee for each family that it houses and collects an administrative fee of 15% a month thereafter. Initially HUD proposed moving all displaced households who had been receiving Housing Choice Vouchers into KDHAP, which made no sense at all as the voucher by design is portable from one community to another. Eventually, HUD agreed that voucher recipients could choose to remain in the voucher program or transfer to KDHAP.

There are at least two serious barriers to an eligible family receiving KDHAP assistance. First, housing authorities are not required to participate in KDHAP. So if an evacuee is in a jurisdiction with a non-participating PHA, he or she must relocate or be out of luck. We are learning about PHAs that are reluctant to become involved because there is no guarantee of assistance past the first few months and because the fee provided will not cover the cost of security and utility deposits, as well as search assistance needed to place a family in a new home.

More onerous is simply the process of signing up for KDHAP. The first step is to register with FEMA, but FEMA registration does not mean one has also applied for KDHAP. A family has to decide to apply for KDHAP and affirmatively do so. FEMA may determine that a household is not eligible for FEMA assistance because it previously received HUD assistance, but there is no assurance that FEMA will tell the family how to apply for KDHAP or even that it is eligible for HUD assistance.

A fundamental flaw in the design of the two-pronged program is that there will be some displaced people who are not eligible for either form of aid. The criteria for eligibility do not cover people who were not literally homeless, but who were not homeowners or renters either. A common housing practice among low income people is “doubling-up,” where more than one household resides at the same place because one or both households cannot afford its own home. Under the FEMA program, only one household is eligible, so if two households register with FEMA and give the same previous address, one household is automatically disqualified.

Another flaw is that even if a household is approved for assistance and actually receives it, they may still not be able to afford to rent a home. In most urban housing markets, the actual rents far exceed the national Fair Market Rent. Moreover, FEMA regulations inexplicably prohibit the use of housing funds for payment of utilities, so the family may still be unable to pay for basic housing costs if the cost of all utilities is not included in the rent. Utility costs are likewise not accounted for in KDHAP. The prohibition against use of FEMA funds for utilities should be lifted. (There is no statutory basis for the prohibition.) Moreover, sufficient funds should be provided to cover utility costs.

Finally, FEMA’s Transitional Housing Program and HUD’s KDHAP can only work in markets where there are vacant units with willing landlords. In most places closest to the affected area, there are no vacancies at all. Yet, most people who are displaced by disaster prefer to be as close to home as possible to stay connected to place and to participate in rebuilding. Given the need for workers in the Gulf area, preference should be given to local people, who will need a place to live. This indicates a need for temporary housing in the form of mobile houses

for some time. But bringing these units on line has not kept pace with the movement of evacuees out of shelters, thus causing the extension of the motel program.

Unfortunately, the lack of housing stock means many people will not be able to stay in the Gulf area during the rebuilding and many will decide not to return once they have settled in new communities. The apartment industry indicates that there are a large number of rental housing vacancies in the Southeast that could accommodate displaced families.

The Bush Administration has concocted a bifurcated approach to providing disaster housing assistance in which some displaced people are in the FEMA program, other displaced people are in a brand new HUD program, and a lot of people do not fit into either program. All transitional housing aid should be transferred to the existing Housing Choice Voucher program as soon as possible. This will make for a far more efficient and cost effective solution.

The programs' design and the numerous problems with their implementation serve to limit access to services, which also serves to limit their cost. This is a case of being penny-wise and pound-foolish. The failure to do what it takes to get everyone rehoused now will show up as increased needs for homeless services. We will regret this failure if the ranks of homeless people in America grows exponentially in the coming years with Katrina victims who could not regain housing stability.

President Bush should appoint a person of stature and bipartisan respect to lead the federal housing response to Katrina, including transitional housing and rebuilding. Multiple federal programs need to be coordinated, and outreach to Congress is essential to assure a unified response. Leadership is desperately needed to curtail the chaos is created by everyone doing their own thing.

The people displaced by Katrina have experienced extreme trauma. Their trauma should not be compounded and prolonged by a chaotic federal response.