



**NATIONAL LOW INCOME
HOUSING COALITION**

*Dedicated solely to ending America's
affordable housing crisis*

**Testimony of Sheila Crowley, MSW, Ph.D.
President of the National Low Income Housing Coalition
presented to the
Ad Hoc Subcommittee on Disaster Recovery
Committee on Homeland Security and Governmental Affairs
United States Senate
April 24, 2007**

Chairwoman Landrieu, Ranking Member Stevens, and Members of the Subcommittee, thank you for the opportunity to testify today about the housing circumstances of low income people whose homes were damaged or destroyed in the 2005 Gulf Coast hurricanes.

I am Sheila Crowley, President of the National Low Income Housing Coalition; 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. The National Low Income Housing Coalition does not represent any sector of the housing industry. Rather, NLIHC works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. NLIHC is entirely funded with private donations.

Immediately after the immense destruction of Hurricane Katrina became apparent, NLIHC and several of our national partners convened what has come to be known as the Katrina Housing Group. Our purpose was to learn about the housing conditions of displaced low income people, to transmit information about federal policy and programs, and to advocate for an effective federal response. This group continues to meet weekly and now includes 30 national organizations and dozens of Gulf Coast organizations in Louisiana, Alabama, Mississippi, and Texas. We have co-convened two meetings of national and Gulf Coast housing organizations here in Washington to help bring the housing problems of low income evacuees to the attention of Congress, and sponsored three Congressional briefings. We have written innumerable letters to and had countless meetings with the Administration and Congress advocating for improvements to policy and programs for housing for low income evacuees. Our weekly publication on federal housing policy that now includes a section on hurricane recovery.

We were active in the development of H.R. 1227, the Gulf Coast Hurricane Housing Recovery Act of 2007, which passed the House by vote of 302-125 on March 21. We urge the Senate to take up H.R. 1227 without further delay. I hope that at least one outcome of today's hearing will be that the members of the Homeland Security Committee urge Senator Dodd, chairman of the Banking Committee, to move H.R. 1227 to the top of his list.

The consequences of Hurricane Katrina for the citizens of the Gulf Coast were catastrophic in all aspects of family and community life, but perhaps no more so than to the most basic of human needs – a safe and decent place to call home. The scope of physical destruction of homes caused by Katrina has not been experienced in the United States since the Civil War. Nearly a million homes were damaged; a third of them were destroyed or damaged severely.¹

NLIHC estimates that over 70% of the most severely damaged homes were affordable to low income families prior to the disaster.² Very few of these homes have been replaced. Given the slow pace of rebuilding, the vociferous opposition to development of affordable rental housing in many Gulf Coast communities, and the failure of the states to set aside funds for replenishing the lost rental housing stock, there is little chance that the majority of the homes that once were affordable to low income families will ever be replaced to pre-storm levels.

Thus, it is important to understand that unlike more typical disasters, that is, less catastrophic disasters, when displacement from one's home is temporary, a large number of the people displaced by Hurricane Katrina will never return to their homes - or their communities or their jobs. Indeed a significant percentage of people who were displaced do not intend to return and have made the choice to settle elsewhere. A February 2007 Zogby poll of all evacuees still in the Houston area commissioned by the United Way found that 73% intend to make Houston their home, 14% do not, and 13% are unsure.³ It is past time for them to be in permanent homes.

But the loss of affordable housing stock caused by Katrina added to an already acute shortage of housing in the United States that the lowest income people can afford. There are 9,022,000 extremely low income renter households and only 6,187,000 homes renting at prices these households can afford, paying the standard of 30% of their income for housing. This is an absolute shortage of 2,835,000 units.⁴ Extremely low income households are those with incomes at or below 30% of the area median. In Baton Rouge, that is \$16,740 a year or less. In Anchorage, it is \$23,070 a year or less. In Houston, it is \$18,270.⁵ These are elderly and disabled people on fixed incomes or people in the low wage workforce. Whatever ways low income families on the Gulf Coast coped in this housing market before the disaster are no longer available to them. They will require federal assistance.

In order to fully comprehend the complexity of what faces us, we must both distinguish between the temporary housing response and the housing rebuilding response and to understand how they are interrelated. Here we must grapple with the responsibilities of FEMA and HUD, as well as the thorny issues of Congressional jurisdiction over policy and funding for both agencies.

1. U.S Department of Housing and Urban Development, Office of Policy Development and Research. (2006). "Current Housing Unit Damage Estimates: Hurricanes Katrina, Rita, and Wilma, February 12, 2006." Unpublished document.

2. National Low Income Housing Coalition. (2005, September 22). Hurricane Katrina's Impact on Low Income Housing Units Estimated 302,000 Units Lost or Damaged, 71% Low Income. Research Note #05-02.". Washington, DC: NLIHC.

3. Zogby International. (2007, March). "Tracking Poll: Hurricane Katrina and Rita Residing in Houston." Submitted to the United Way of the Texas Gulf Coast.

4. Pelletiere, D. (2007). *American Community Survey estimate shows larger national, state affordable rental housing shortages. Research Note #07-01.* Washington, DC: NLIHC.

5. Wardrip, K., Pelletiere, D., & Crowley, S. (2006). *Out of reach 2006.* Washington, DC: NLIHC.

I will start with temporary housing.

TEMPORARY HOUSING

Beyond mass shelters, temporary housing for displaced people has taken the form of hotel rooms, cruise ships, tents, travel trailers and mobile homes, and rent assistance provided in at least four different ways. With the exception of rent assistance for displaced households who were living in some form of HUD-assisted housing prior to the hurricanes, all of the temporary housing has been administered by FEMA.

In the days immediately after the disaster, numerous voices from across the political spectrum called for housing assistance for displaced people to be in the form of Section 8 housing vouchers issued by the Department of Housing and Urban Development and managed by local public housing agencies. The Senate passed legislation to that effect on September 15, 2005, but the measure was rejected by the House and the Administration.

Instead, on September 23, 2005, the Secretaries of Homeland Security and Housing and Urban Development announced a bifurcated temporary rent assistance approach with approximately 32,000 previously assisted HUD households the responsibility of HUD and FEMA assistance for everyone else.

Attached is a time line that describes the ups and downs of the temporary housing programs. Let me just say that in my 30 years as a social worker, I have seen my share of poorly conceived and poorly executed social service programs. Nothing comes close to the horrors of the FEMA rent assistance programs in response to Katrina. The best description of the program is from U.S. District Court Judge Richard Leon who ordered FEMA to “free these evacuees from the ‘Kafkaesque’ application they have had to endure.”⁶ Also attached are exhibits from the case filed against FEMA in which four social workers and an attorney in Texas describe their experiences in dealing with FEMA on behalf of their clients. They speak for themselves. Another lawsuit, *Ridgely v. FEMA* was filed just last Thursday. The complaint includes equally vivid descriptions of what people have had to endure.⁷ I urge the Subcommittee members to take time to read the complaint.

It is impossible for me to know precisely how many low income households remain displaced and temporarily housed these nineteen months later, because FEMA continues to withhold detailed and up-to-date data from the public.⁸ But let me offer an analysis that will give you a rough estimate of the scope of the problem.

According to the most recent posting on FEMA’s website, 127,848 households displaced by Katrina and Rita are still receiving FEMA housing assistance. Of these 90,791 are in trailers

6. *ACORN v. FEMA*, Case 1:06-cv-01521-RJL, Document 17. (U.S. District Court of the District of Columbia. 2006, November 29).

7. *Ridgely v. FEMA*, filed in U.S. District Court for the Eastern District of Louisiana, April 19, 2007.

8. After repeated unsuccessful attempts to get FEMA to disclose what should be publicly available data, NLIHC filed suit against FEMA in the U.S. District Court of the District of Columbia on April 20, 2007 for failure to respond to our FOIA request.

or mobile homes.⁹ We understand that FEMA believes approximately 20% of these trailers are in trailer camps. The remaining 80% are on individually owned property. We can reasonably assume that families who are living in camps were renters prior to the storm. It is homeowners who are living in trailers on their own property while their homes are being rebuilt. We can also reasonably assume that anyone who still is living in a FEMA trailer camp does not have the resources to make other arrangements. Thus of the 90,791 household in trailers, approximately 18,000 are permanently displaced.¹⁰

The other 37,057 households still receiving FEMA housing assistance are receiving monthly rent assistance. While almost 20,000 are in Texas, these families are found in every state.¹¹ Both the trailer and rent assistance programs were scheduled to end on February 28. Under great pressure not to turn people out on the streets, FEMA extended temporary housing aid until August 31, at which point another crisis decision will be needed.

We believe that a large number of households that were receiving FEMA rent assistance have been erroneously or wrongfully terminated, as is asserted in *Ridgely v. FEMA*. At its peak, the FEMA 408 program served 723,786 households. By May 2006, 246,786 had requested continued assistance, but only 180,636 were granted such aid.^{12,13} Another 60,000 households received rent assistance through the 403 program; some, but not all, were transferred to the 408 program in the summer of 2006.¹⁴

In one of the early lawsuits against FEMA, a federal judge ordered FEMA to reassess about 5,000 cases of rent assistance that had been terminated and FEMA reinstated approximately 25% of the households.¹⁵ Applying the 25% error rate to the combined program participants of approximately 307,000 households, perhaps as many 77,000 more households continue to eligible for and in need of FEMA housing assistance than are currently receiving it. Thus, minimally 55,000 FEMA assisted households and potentially as many as 132,000 total households remain displaced.

9. U.S. Department of Homeland Security, Federal Emergency Management Agency. (2007, February 25). "Katrina and Rita (DR-1603 - DR-1607) Direct and Financial Housing Assistance Breakdown as of 2/25/2007."

10. A study of a sample of 576 randomly selected families living in FEMA trailers found that trailer living was taking its toll. The lower one's income prior to Katrina, the more likely one was not to be working now. The children showed many symptoms of persistent emotional distress. Adults who are parents or caregivers report heightened levels of depression and anxiety. Rates of health insurance coverage have plummeted as former workers remain out of the workforce and one in six children in need of medical attention did not try to receive care. And rates of absenteeism from school are rising among elementary and high school students alike. See Abramson, D., R. Garfield, & I. Redlener. (2007). *The Recovery Divide: Poverty and the Widening Gap Among Mississippi Children and Families Affected by Hurricane Katrina*. NY: Columbia University National Center for Disaster Preparedness

11. U.S. Department of Homeland Security, Federal Emergency Management Agency. (2007, February 25).

12. U.S. Department of Homeland Security, Federal Emergency Management Agency. (2006, May 3). "Hurricane Katrina and Rita Rental Assistance and Recertification." Unpublished document.

13. We can assume that some portion of the 723,786 households who got rent assistance from FEMA in the months immediately after the hurricanes have reestablished themselves and no longer need aid. Receipt of disaster rental assistance is not means-tested.

14. U.S. Department of Homeland Security, Federal Emergency Management Agency. (2006, February 27). "FEMA News: Frequently Asked Questions." Press Release Number FNF-06-03.

15. *ACORN v. FEMA*, Case 1:06-cv-01521-RJL, Document 17. (U.S. District Court of the District of Columbia. 2006, November 29).

We know that most of them are quite poor. The March 2007 Zogby poll found that 86% had household incomes of less than \$25,000 a year, with 69% with incomes less than \$15,000 a year. Prior to their evacuation, 72% were employed. Now only 38% are employed. Twenty-four percent are 55 years of age or older and 6% of the under 55 evacuees are disabled.¹⁶ Regular anecdotal reports from caseworkers and legal services attorneys who are assisting evacuees who remain displaced confirm that their clients have very little income.¹⁷

The disconnect between the reality of being poor and permanently displaced and the fiction that one's displacement is temporary dictating the terms of housing assistance creates considerable stress and anxiety. Consider the absurdity of the letter that FEMA sent housing aid recipients informing them that their eligibility for aid had been extended from February 28 to August 31, 2007. "Although the Temporary Housing Program has been extended, you have a responsibility to become independent of this assistance." This indicates either a lack of understanding of the circumstances of the displaced people or a lack of empathy for their plight. The same can be said for the local government officials who are agitating to close down FEMA trailer camps in their jurisdictions. Just where do they expect people to go?

Recommendations:

1. Transfer all households still receiving FEMA rent assistance into the Section 8 housing voucher program and continue to provide assistance as long as they remain income eligible. Once the displaced household is no longer eligible for the voucher, the voucher itself will terminate. Congress must appropriate sufficient funds for these vouchers. Further, offer all low income households currently living in trailer camps the option of receiving a Section 8 housing voucher instead of the trailer. This will at least allow them the choice of moving elsewhere. For people in trailer camps in or near the affected areas, there will be little housing they could rent with vouchers in the foreseeable future. H.R. 1227 includes provisions to authorize these transfers.¹⁸

The Section 8 housing voucher program has many advantages over FEMA housing assistance. First, vouchers require that the tenant contribute 30% of their income towards the rent. This is both a more normal way of living for the tenants and means rent assistance through

16. Zogby International. (2007, March).

17. Of the approximately 32,000 low income evacuee households who were receiving HUD assistance prior to the storm and whose temporary housing assistance was provided through the HUD Disaster Voucher Program (DVP), HUD reports that 11,483 households were still receiving Disaster Vouchers as of April 19. Please note that some 10,000 of the households that HUD says were eligible for DVP never enrolled in the program. Their whereabouts remain a mystery, but certainly some may be in FEMA trailers. Disaster vouchers are due to expire on September 30, 2007.

An unknown number of low income displaced households were aided by their receiving communities with existing federal housing resources intended for their own citizens, including public housing, Section 8 housing vouchers, and Section 8 project-based units. At a time when every community in the country faces an extreme scarcity of housing affordable for the lowest income families, to divert these resources away from local needy people to assist people who should have assisted by FEMA is a scandal. I learned recently of a jurisdiction in the DC metro area that created a special program out of their federal HOME funds to provide ongoing rent assistance to several displaced families from the Gulf Coast who had been denied FEMA rent assistance.

18. HR 1227, Title IX, Section 902).

HUD is less costly than rent assistance through FEMA. Second, vouchers are locally administered, where services are delivered by local people who are knowledgeable about their local housing markets and not by anonymous people at the other end of the FEMA 800 number. Third, the voucher program has long established rules, regulations, and procedures that are known or knowable to all, unlike the FEMA program where there are few known rules and constantly shifting interpretations of what rules there are.

2. Require GAO to undertake a comprehensive review of all households whose temporary housing assistance was terminated.¹⁹ For all households who were wrongfully terminated, FEMA should reinstate them if they can demonstrate continuing eligibility and financial need for housing assistance using HUD criteria, i.e. incomes at or less than 80% of the area median and paying more than 30% of their income for their housing. Further, all reinstated households should be transferred to the HUD Section 8 housing voucher program and continue to receive assistance as long as they remain eligible.

3. Require FEMA to establish data collection, analysis, and management systems such that its service delivery can be made transparent and accountable.

4. Require GAO to undertake an assessment of the amount of local housing resources that have had to be used to assist people displaced by the disaster and require that FEMA reimburse these jurisdictions.

5. Require HUD to determine the number of displaced HUD-assisted households who do not want to reoccupy their assisted units when and if these units are repaired or replaced. Congress must appropriate sufficient funds to provide these households with Section 8 vouchers. Once the displaced household is no longer eligible for the voucher, the voucher itself will terminate. H.R. 1227 includes such provisions.²⁰

6. Enact legislation that will make HUD responsible for all disaster housing aid needed for 30 days or more in future disasters. In its own “lessons learned” report issued in February 2006, the White House called for HUD to lead housing efforts in future disasters. In the last Congress, Representatives Richard Baker (R-LA) and Barney Frank (D-MA) co-sponsored legislation to transfer all disaster housing aid that would be needed for 30 days or more to HUD. H.R. 5393 was voted out of the Financial Services Committee on June 14, 2006. Senator Landrieu introduced a companion bill, S.2983.

HOUSING REBUILDING

The State of Louisiana estimates 82,000 rental homes in the state sustained severe or major damage, that 47% of the housing in the affected areas was rental housing, as were 55% of the homes in New Orleans.²¹ Even if there were sufficient resources to reproduce that level of rental housing, there appears to be very little will to do so. Assisting home owners is the top

19. HR 1227, Title III, Section 308

20. HR 1227, Title II, Section 201 and Title III, Section 306).

21. State of Louisiana, *The Road Home*. (2007). *Small Rental Property Program Small Owner & Owner Occupant Round 1 Application Handbook*. Baton Rouge: Author.

priority of both Louisiana and Mississippi plans for their CDBG allocations, with attention to rental housing as an afterthought.

The major federal resource for rental housing was the allocation of Low Income Housing Tax Credits. Tax credit properties must have rents set to be affordable for people with incomes at 50% or 60% of the area median. The initial estimate of units these tax credits would produce was 54,000 units of rental housing.²² The reality is that the GO-ZONE LIHTCs will likely produce as few as 25,000 units in Mississippi and Louisiana because the costs of construction and operation of housing, most notably insurance rates, have skyrocketed.

Moreover, many of these units will be lost if Congress fails to extend the placed-in-service date for tax credit properties. Again the House has acted by passing H.R. 1562, the Katrina Housing Tax Relief Act of 2007, which would extend the placed-in-service date through December 2010. Last Congress, Senator Landrieu introduced legislation to do the same. It is a mystery to housing advocates why the Senate has not acted on this simple provision. Any resemblance of economic recovery in the Gulf Coast depends on increasing housing for the workforce that is needed. Having investors pull out of already approved housing development deals will send a strong signal to the nation that Congress is not really committed to the recovery of the Gulf Coast.

Of the \$16.7 billion that Congress appropriated in disaster CDBG funds, \$1 billion was designated to repair or replace the affordable rental housing stock, including public and assisted housing. Moreover, Congress granted the states unusual flexibility in who can be served by their CDBG funded programs. Instead of 70% of the funds benefiting people with incomes at or below 80% of the area median (low income), only 50% were required to serve this income group and HUD was allowed to waive even the 50% threshold.

In Mississippi, HUD did grant such a waiver. Of Mississippi's \$5.6 billion CDBG allocation, \$3.2 billion was dedicated to what has turned out to be an undersubscribed home owner grant program. One hundred and five million dollars were set aside for repair of public housing. Mississippi has not yet publicly released for comment its rental repair program, but some details have emerged. The state will set aside \$262 million for a rental repair program that will provide \$30,000 grants to small landlords to repair properties with four or fewer units. In exchange for these grants, landlords must agree to keep the units affordable to primarily middle income households for a period of five years. Mississippi still has \$1.5 billion for which it has no plans at this point.

The Louisiana Road Home plan pays more attention to rental housing needs than does the Mississippi plan. Some of the state's \$10.4 billion CDBG funds were set aside to capitalize an operating fund to provide rental subsidies to make LIHTC units more affordable to lower income households. The high cost of construction means more CDBG funds have gone to gap financing of LIHTC developments and less for the operating subsidy. Advocates argued strenuously for an allocation of Section 8 project-based vouchers to be the operating subsidy for LIHTC units and continue to assert that Section 8 is the best method for filling the gap between the operating costs

22. Fischer, W. & Sard, B. (2006, February 27). *Housing Needs of Many Low-Income Hurricane Evacuees Are Not Being Adequately Addressed*. Washington, DC: Center on Budget and Policy Priorities.

of a rental unit and what a tenant can afford. H.R. 1227 authorizes 4,500 Section 8 projected-based vouchers.²³ We think at least 25,000 are needed.

Louisiana has also dedicated \$869 million of its CDBG allocation to a “small rental property program.” The purpose is to assist private landlords with repairs to one to four unit rental properties that have damage estimates of more than \$5,200. Landlords will receive forgivable loans of \$20,000 to \$72,000 in exchange for renting to tenants with incomes at 80%, 65% and 50% of the area median, with rents set at affordable rates. The longer affordability is maintained, the more of the loan is forgiven. The number of units that can be repaired under the program is approximately 20,000. None will be affordable to the lowest income families.

It has been widely noted that while Louisiana sustained 75% of the housing damage caused by the 2005 hurricanes, Louisiana did not receive a concomitant share of the federal housing resources. Texas and Alabama were shortchanged as well and low income housing in those states has also been neglected.

Clearly more resources are needed if the Gulf Coast is to have enough housing for the people who live there now and the people who will come there in the future. To date, no resources have been dedicated to rental housing for people with incomes below 30% of the area median. This is precisely the population who would be assisted with housing built or repaired with the Affordable Housing Fund in H.R. 1427, the Federal Housing Financial Reform Act of 2007. H.R. 1427 was passed by the House Financial Services Committee on March 29 and is expected to come to the House floor with easy passage in the next month. For the first year the fund will be directed to Louisiana and Mississippi to replenish their low income housing supply. Again, we need the Senate to take action as well.

A final note on rebuilding – much of the public discussion about low income housing in the Gulf Coast has unfortunately focused on the future of public housing in New Orleans, a very controversial subject. It has become the vehicle by which the deeply embedded and unresolved divisions of race and class in New Orleans are being played out. New Orleans and the rest of the Gulf Coast can ill afford to lose the housing resource that public housing provides. This does not mean that existing physical units that have been long neglected and have served to perpetuate racial and economic segregation should be preserved. It does mean that the federal housing resources coming to the Gulf Coast prior to Katrina must not be lost.

The National Low Income Housing Coalition and many of our national and local partners developed a set of principles to guide redevelopment of public and assisted housing in the affected areas. They are attached. Much of what we suggest is included in H.R. 1227.²⁴ The two most important are that each unit of public or assisted housing that is demolished must be replaced with a unit of housing that is affordable to a family of similar economic status to the one who lived there before. The new units can be anywhere in the region and should be in developments that are economically integrated. The second is the right to return for all residents who were in good standing at the time of evacuation.

23. HR 1227, Title III, Section 305.

24. HR 1227, Title II

Recommendations:

1. Immediately enact legislation to extend the placed-in-service date of the LIHTCs allocated for Gulf Coast recovery.
2. Conduct careful oversight of the use of the CDBG funds allocated for Gulf Coast recovery. Are the programs that the states have developed, including those in Texas and Alabama, doing what they are intended to do? Who is being served?
3. Appropriate funding for 25,000 Section 8 project-based vouchers to provide operating subsidies for new rental housing produced in the Gulf Coast affected areas.
4. Enact GSE regulatory reform legislation that includes an Affordable Housing Fund to support the production and preservation of rental housing affordable to extremely low income families and direct the resources to states where the housing supply has been affected by the Gulf Coast hurricanes for the first year.
5. Enact legislation that reflects the principles for redevelopment of public and assisted housing in the Gulf Coast reviewed earlier.

CONCLUSION

Hurricane Katrina will be remembered as a seminal event in American history. The emptying of whole communities happened overnight. The dimensions of the diaspora are unknown in modern America. The destruction is so vast that it is only possible to comprehend by going to the Gulf Coast and seeing for oneself. Katrina is about wrenching hundreds of thousands of people from homes to which most will never return. Katrina is about the sudden and complete loss of all that home means – safety, respite, privacy, comfort, and security.

Katrina is also about the generosity of ordinary people. One of the ways Katrina will be remembered is by the common decency of many people who traveled to the Gulf to volunteer to put a new roof on for a stranger or to strip moldy sheetrock out of houses still standing. Would that it could be enough for the considerable charitable instincts of the American people to suffice in the face of a disaster of this scope.

But it will not. Human beings organize governments to do what individuals cannot do for themselves, with protection and recovery from wholesale catastrophe at the top of the list. Unless policy and practice take a different turn from where they appear to be heading at this turn, Katrina will be remembered as a massive public failure - a failure of political will to “do what it takes.”

Massive dislocation and loss have already happened and cannot be undone. But how Americans decide to ameliorate the suffering that it caused is a choice we still can make. A commitment to a national housing agenda that assures a sufficient supply of affordable housing for everyone in neighborhoods and communities of their choosing, including those of limited means, is a good place to start.

The prospect of families, especially poor, Black families who are already burdened by the legacy of American racism, never having the chance to go home after Katrina should weigh heavily on the hearts of all Americans. The pain of their forced exile will be embedded in the narratives of their families and shape their sense of themselves as Americans for generations to come. Unless everyone who was displaced by Katrina experiences genuine choice about where he or she will settle at the end of the day, Katrina will leave an indelible stain on the American soul.

Thank you for the invitation to come before you today and for your consideration of my remarks.