

**TWO YEARS AFTER THE STORM: HOUSING NEEDS
IN THE GULF COAST**

HEARING
BEFORE THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE
ONE HUNDRED TENTH CONGRESS
FIRST SESSION
ON

THE CURRENT HOUSING NEEDS IN THE GULF COAST, HOW LOCAL,
STATE AND FEDERAL EFFORTS ARE ASSISTING IN MEETING THE
MOST PRESSING HOUSING NEEDS, AND WHAT CAN BE DONE TO
JUMP-START HOUSING DEVELOPMENT AND ASSIST PEOPLE DIS-
PLACED AS A RESULT OF THE 2005 HURRICANES RETURN TO THEIR
COMMUNITIES

TUESDAY, SEPTEMBER 25, 2007

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TWO YEARS AFTER THE STORM: HOUSING NEEDS IN THE GULF COAST

TUESDAY, SEPTEMBER 25, 2007

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The Committee met at 9:34 a.m., in room SD-538, Dirksen Senate Office Building, Senator Jack Reed, presiding.

OPENING STATEMENT OF SENATOR JACK REED

Senator REED. I would like to call the hearing to order. I want to welcome everyone to this important hearing on housing needs in the Gulf Coast and extend my appreciation to all the witnesses who have taken time out of their busy schedules to come to Washington, D.C., to be before us today.

I want to also recognize my colleague Senator Mary Landrieu who is testifying this morning and acknowledge her efforts to secure resources and assistance for her constituents and all the Gulf Coast residents. She has been a stalwart in this effort, and she continues to do that. Her dedication to rebuilding these areas devastated by Hurricanes Katrina, Rita, and Wilma are impressive, and I know she is here fighting every day to make sure that the people of Louisiana and the Gulf Coast have an ability to rebuild their communities.

We are here this morning because, although 2 years have elapsed since these hurricanes, unfortunately there is still much to be done, and we want to focus on what we can do to accelerate the reconstruction and do it in a way that will benefit the people of the communities that were devastated by these storms.

I have a much longer statement which I would like to include in the record, because I do think it is important to hear not only from my colleague, the Ranking Member, Senator Shelby, but particularly Senator Landrieu. I would also note that Congressman Bill Jefferson is here. Welcome, Congressman. Thank you.

Senator Shelby.

OPENING STATEMENT OF SENATOR RICHARD C. SHELBY

Senator SHELBY. Thank you, Chairman Reed.

It has been over 2 years since Hurricane Katrina made landfall, leaving behind a trail of unimaginable destruction and loss. Before we begin a discussion of the continuing needs of Katrina survivors, however, I would like to once again remember the nearly 2,000 individuals who lost their lives here. I believe that we can honor

their memory in part by ensuring that the Gulf area is rebuilt not as it was, but as it should be.

In these last 2 years, Congress has appropriated over \$100 billion to rebuild what Katrina destroyed. That is a significant amount of money. Clearly, the question is not a matter of funding in some instances but, rather, a question of why is it taking so long to get the funding to those who need it.

I hope that today's hearing will provide an opportunity to examine how well the post-Katrina rebuilding effort is being conducted. Is it being fairly done? Is it being officially done? Is it reaching those people who really need it?

While much of the focus since Katrina has been on New Orleans, I think it is also important to remember that Katrina also caused significant damage in Mississippi, my State of Alabama, and also Florida. A great deal of the damage done in these States occurred in many rural areas and small towns, and we are concerned that some of these smaller areas lack the capacity to fully tap the funding that Congress has provided for their needs. They should not be overlooked, and they should not be forgotten.

For instance, over a third of the homes damaged in Mobile County, Alabama, were located in the unincorporated, often rural areas of the county. Congress tasked HUD with overseeing the development and implementation of each State's plan to address housing needs resulting from Katrina. I look forward here today to hearing how HUD is monitoring each State's efforts to address the specific and at times unmet needs of these smaller and sometimes isolated communities, such as in my State of Alabama.

I want to welcome all of today's witnesses and thank them for their appearance at the hearing, and while leadership here in Washington is vital to the success of the Gulf Region, the most important leadership is always and will be at the local level.

I want to thank and recognize those Alabamians who have traveled here today and who are in the audience for their continuing efforts to help bring back some semblance of building like it was and should be to southern Alabama.

Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Shelby.

I would now like to recognize Senator Landrieu, and your full statement will be made part of the record, as well as any of the other statements of the witnesses today and members of the panel.

Senator Landrieu.

STATEMENT OF MARY L. LANDRIEU, U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator LANDRIEU. Thank you, Mr. Chairman, and I will try to summarize my remarks in the time allotted to me, and I really appreciate the opportunity to testify this morning on behalf of a great effort that is underway not only in our State but, as Senator Shelby said, throughout the Gulf Coast.

Senator REED. Could I ask you for a moment—I am the Acting Chairman, and it is really acting this morning.

Senator Menendez, do you have a statement before we recognize Senator Landrieu? Forgive me, Senator Landrieu.

Senator LANDRIEU. No, go ahead. Senator, go right ahead.

OPENING STATEMENT OF SENATOR ROBERT MENENDEZ

Senator MENENDEZ. I will be brief, Mr. Chair.

First of all, let me thank you and the Ranking Member for holding the hearing. I think it is incredibly important, and I just want to make some brief remarks on this.

You know, here we are almost 2 years after the storm has hit discussing housing needs and the recovery effort along the Gulf Coast, so that even the nature of the hearing troubles me in some respects. Why 2 years later we are still discussing the type of needs that exist today somewhat is baffling to me.

So my real question today that I look forward to hearing is: Why hasn't the region recovered? What hasn't been done? What needs to be done? And what is the most effective, efficient way to get it done?

Recent data indicates that homelessness in New Orleans, for example, has almost doubled. Two years later, we should have been able to put a roof over almost everyone's head. This summer, 82,000 people were still in trailers despite findings that many trailers contained a toxic chemical. We always talk about safe housing in this Committee, and now we need to stand by that commitment.

Currently, there are 7,300 public housing units in New Orleans, but less than 2,000 are being rented. And now, as I understand it—and I look forward to the Assistant Secretary's testimony—HUD has plans to demolish public housing buildings and replace them with fewer units. So that means we have either empty or destroyed apartments. Why aren't we using all of our available resources to provide affordable housing?

Mr. Chairman, 1.3 million people were driven from their homes. Fellow Americans were forced to leave not only their hometowns, but often to cross State lines to find a place to stay. I know New Jersey became a second home to many traveling from the Gulf Coast, but I saw it in their eyes when I talked to them that they long to go home. The sum of the population in New Orleans was only 66 percent of its pre-Katrina levels. It seems to me we are just over halfway there, and that is not acceptable.

And let me close, Mr. Chairman—and I ask for the rest of my statement to be included in the record—by saying I have to be honest with you, if I lived in Louisiana, I would want Senator Landrieu to be my Senator because she does not lose a moment. As a matter of fact, sometimes when I am trying to catch the train to a vote, I decide whether or not I want to step in the same compartment with her.

[Laughter.]

Senator MENENDEZ. Because undoubtedly she will use the time, as I am sure she feels passionately about, to advocate for the reconstruction of her State and the people who have been displaced. And she just does an amazing job of it, and I just wanted to recognize her service.

Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Menendez, and, again, I am sorry for not recognizing you immediately.

Senator Landrieu, please continue.

Senator LANDRIEU. Well, I thank Senator Menendez for those remarks, and I thank him for his care and concern and for coming

down and visiting and all of you on the panel this morning for focusing your ongoing efforts to help us recover in New Orleans, in the region, and in the Gulf Coast.

I will try to be brief, but let me also acknowledge Representative Maxine Waters, Congressman Bill Jefferson, Congressman Barney Frank, and Congressman Richard Baker, Republicans and Democrats who have put their shoulders to the wheel to try to push and got a bill out of the House. This is a companion bill, if you will, in the Senate. I think there are some provisions of this bill that are slightly stronger, but both bills are moving in the right direction to find a balanced approach to solving some of the great housing challenges that, Senator Menendez, you so aptly pointed out.

No. 2, let me begin by saying the scope of this disaster has still not been fully grasped, I think, here in Washington. We lost 275,000 housing units between just Mississippi and Louisiana alone. And, Senator Shelby, I am sorry that I cannot give off the top of my head those lost in Alabama, which was a thousand or so, and in Texas as well. But 275,000 housing units were destroyed between Mississippi and Louisiana.

Habitat for Humanity, which is probably the most aggressive nonprofit, community-based, stepped-up rebuilding homes, has built less than a thousand homes in 2 years. We cannot do this with all of the great work even of Habitat for Humanity and the foundations and nonprofit organizations. The Government must take an extraordinary, strong, and bold effort to push housing and to create housing and to provide opportunity, and to do it with partners like faith-based organizations and nonprofits and the community. But it is going to take more, is what I am saying, than just volunteers coming down to rebuild homes. And in large measure, this bill helps to find the pathway forward.

Just to recap Orleans' situation—and this is just one parish in the Gulf Coast, one parish—there were 80,000 owner-occupied units, 100,000 rental units. Of the 100,000 rental units, 15,000 were public housing, including Section 8 of about 5,000, and there were 20,000 vacant rental units in New Orleans the day before the storm hit.

I am sorry I do not have those details for St. Bernard Parish, for Jefferson Parish, for the counties in Mississippi. But the overwhelming numbers are what I am trying to convey here.

In response to the devastation of hundreds of thousands of homes and businesses, the Federal Government has done a couple of big things. One, we have sent to date \$13 billion for levee construction, and we just passed a WERDA bill yesterday to try to shore up levees and flood protection. We have passed \$15 billion in community development block grants to try to give help to homeowners, primarily, and infrastructure, which would make sense. And we have provided billions of dollars in GO Zones for the redevelopment of business and housing.

But there is a piece that is missing, and this is the piece. This is the housing piece for public housing and for renters, for people who choose not to be homeowners or cannot be homeowners, for people who would like to find a market-based rent but cannot afford it because their income is too low or because they are disabled or because they are elderly or because they are very, very, very

sick. We have got to push forward a public housing bill, and this is the bill. It came out of the House. This is a companion bill in the Senate. There is some urgency about getting this bill passed.

No. 2, in the devastation of these public housing units, some of them were not in very good shape. Some of them were very high crime areas, and some of the units were quite dilapidated. Some people wanted to say let's just demolish them and start all over again. Other people said let's just renovate them and basically get back to where we were.

This bill is a middle-of-the-road approach. This says we are not going to demolish all of the housing units, but it also says we are not just going to throw a little bit of paint on the walls, put a few light bulbs in, and have people living in the same sort of squalid conditions that many of these housing units represented before the storm. And I cannot thank the Congressmen and Congresswoman Maxine Waters enough for trying to push forward a middle-road approach with Catholic Charities, with the faith-based organizations, with the tenant groups that will say we are going to have a phased redevelopment. We have to give people a right to return. We have to give people a right to make choices about whether they come back. But we want to make it a better place. We want to not only build housing and build units, but have some mixed-income units. We want to provide wrap-around services. We want to provide, instead of just an apartment, perhaps daycare, perhaps help for senior citizens.

That is basically, Mr. Chairman, what this bill does. I can answer a lot of questions about it, but I am hoping that HUD will testify to this this morning. There was a notice that came out Friday that has me a little concerned. I am hoping they can clarify it. But I am hoping, because we have considered HUD a partner in this, that they are committed to this middle-of-the-road redevelopment approach to try to provide urgent help for renters. Again, 80,000 homeowners in New Orleans, but 100,000 renters. And while the community development block grant has gone to the Road Home Program trying to help homeowners get back—and we have still got a lot of challenges and work there, Senator Menendez—we have got to push forward a bill that expands Section 8, that gives some help to redevelopment of these rental units in a way that helps us rebuild a better city and better region.

I am happy to include help for Mississippi. I am happy to include help for Alabama. The Senator can direct us, the Ranking Member, about how he would like us to help Alabama. This is not meant to be just a Louisiana bill, nor just a New Orleans bill. But I ask this Committee to work with us to help us get literally tens of thousands of people back. They were not homeowners. We hope to encourage homeownership. But as we work toward greater homeownership in Orleans Parish and other places, we need to find places—affordable, decent—where people can rent and live and get out of the trailers, particularly those with formaldehyde in the trailers.

I am happy to answer any questions, but I think that that would suffice. I am going to stay here to listen to the panel. And, again, I thank my colleagues from the House for their great advocacy, and let's try to push this bill through, get to a markup, Mr. Acting Chairman, and thank you very much.

Senator REED. Senator Shelby.

Senator SHELBY. Senator Landrieu, we have talked about this on many occasions, and I know that Louisiana and Mississippi took the brunt of the damage here. But in my State of Alabama, and Mobile County, as I mentioned in my opening statement, we have got some rural areas that have more than been overlooked here. Of course, I will address that to the HUD Secretary in a few minutes.

In any supplemental bill, the one you are advocating and others that we passed, I hope that you would be able to sit down with me and Senator Sessions and tailor our needs, which are small compared to yours but are very important to a population of our constituents in Mobile County, Alabama—

Senator LANDRIEU. Absolutely, and I will give you my full commitment. As you know, we have worked well together on revenue sharing for Louisiana and Alabama on coastal issues, and I look forward to it. The needs are, you know, different but they are equally important, and I am happy to include anything for Alabama and Mississippi in this bill.

Senator SHELBY. Thank you.

Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Shelby.

Senator Landrieu, I would like to invite you to join the panel at the dais, and we would also like to welcome Orlando Cabrera, the Assistant Secretary for Public and Indian Housing at HUD. Mr. Secretary, thank you for joining us today, and we look forward to your testimony.

STATEMENT OF ORLANDO J. CABRERA, ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. CABRERA. Thank you. Good morning, Mr. Chairman, Ranking Member Shelby, and Members of the Committee. Thank you for inviting us to testify before you today.

Mr. Chairman, I ask that my statement be accepted for the record.

Senator REED. Without objection.

Mr. CABRERA. In my previous role as Executive Director of Florida Housing, we dealt with recovery efforts after having been struck by five hurricanes in a 13-month period. Despite that experience, Katrina has taught me that when it comes to the ferociousness of hurricanes, frequency pales in comparison to intensity.

My personal experience with hurricane recovery extends well beyond my time with Florida Housing or Katrina, Rita, and Wilma. My wife and I were displaced from our home by Hurricane Andrew for 4 months. Our house was severely damaged. Comparatively, though, I feel fortunate today. Compared to those in New Orleans particularly, I was displaced by living with family in my own city, which, however dysfunctional the place at the time, still essentially found ways to provide its residents with basic services that New Orleans, for example, largely through no fault of its own, cannot provide. Our school system was still largely intact. Water and sewer infrastructure mostly worked. Public safety was in place, and medical services were available. Dade County still had a rough foundation upon which to rebuild. Even with that rudimentary

foundation, our community was in tatters and did not resemble itself for years afterward.

In New Orleans, as an example, that foundation is considerably more washed away than it was in Dade County. Hurricane Andrew caused what at the time I considered to be unfathomable damage, but the aftermath was not such that our city was flooded for weeks and its population displaced, scattered about, two-thirds of it, overnight.

In comparison, the experience of Katrina's effect on Mississippi was more akin to Andrew than that of New Orleans. Now, 15 years after the beginning of those horrid days for our family, much of our efforts on the Gulf Coast are affected by those experiences of so long ago.

Nothing, though, not even the previous years' many hurricanes, could have prepared us for the hurricanes of 2005. HUD's role in a catastrophe is always one that begins where emergency operations end and the efforts to return the community to some variation of normalcy begin.

Congress has asked HUD to do a lot, and HUD has. Essentially, our task—and I mean the collective sense of “our”—is to rebuild a geographical area roughly the size of Denmark and simultaneously rebuild a core city of the country roughly the size of Copenhagen. But the challenges are different in Mississippi than they are in Louisiana, and for different reasons. In Mississippi, Katrina was a hurricane, while in New Orleans it was something more than a hurricane—a hurricane followed by inundation. That kind of catastrophe can only be addressed by time. For those most affected, understandably time moves too slowly. For those of us committed to rebuilding, our sense is that time moves altogether too fast. But the tangible results are deliberate and slow.

Given that premise, the core truth about recovery remains unchanged. Recovery is remarkably hard, thankless work for whoever undertakes it. To a degree, it should be thankless. Communities should rightly expect and receive help from all quarters—Federal, State, and local governments. HUD has certainly attempted to do its part in meeting those expectations during these last 2 years, and the one thing we all learned is that recovery never happens quickly enough.

We have a lot to report regarding the last 2 years during which we have facilitated the availability of billions of dollars to the Gulf Coast States, made housing available to tens of thousands of Gulf Coast residents, created tools that help Americans affected by natural disasters find housing, and housed tens of thousands of public housing residents, Section 8 voucher holders, and other tenants whose housing is funded, directly or indirectly, by Federal dollars that HUD administers.

Secretary Jackson has executed 120 regulatory waivers. It has made it easier for those that operate HUD programs to perform their jobs and more seamlessly provide housing. So what will that mean?

For the Housing Authority of New Orleans, for example—it is known as HANO—it has meant bringing home over half of the city's public housing residents. It will also mean 5,100 new affordable units, 1,000 new affordable homes ready for homeownership,

and 3,000 more tenant-based voucher holders available to residents of New Orleans. For coastal Mississippi and Alabama, it has meant helping PHAs rebuild damaged housing, which, to their fullest ability, they have done. In both cases, it meant assuring those who lived in public housing that they will have a first opportunity to return to housing that is provided by their respective public housing authorities.

We have reached out to former public housing tenants all over the country consistently over the last 2 years, offered to pay off remaining lease payments if they elected to go home, offered to pay for moving expenses, and help resituate them in New Orleans by providing social services, a social net.

Beyond public housing, it has come to mean helping thousands of storm victims by providing resources that have helped them find and maintain homes. It has meant providing the States that have received funds from Congress with the flexibility to shape their own recovery plans and perform.

Similarly, it has meant that recovery and facilitating recovery is a predominant focus above anything else. HUD's role has been and will continue to be to facilitate success and even catalyze success wherever possible. Regardless of HUD's actions and unquestionable commitment to help recovery, nothing that has been done or could be done would address the ultimate truth that those of us in Government dealing with recovery—whether Federal, State, or local—know. We know that those folks want to be home, want their lives back as they knew them, their schools and hospitals back, and, most of all, their communities back.

HUD's commitment has been to make that aspiration of return to normalcy as likely as possible by executing upon the President's and Congress' commitment to recovery. HUD will continue to perform its part in the recovery efforts.

Thank you for this opportunity to address the Committee. I stand ready to answer any questions you may have.

Senator REED. Thank you very much, Mr. Secretary, and let me begin by saying that just recently—it was alluded to by Senator Menendez—HUD announced the demolition of four public housing units in New Orleans. And I understand that one of those units, Lafitte, the plan is to replace all the public housing units with scattered-site, mixed-income developments. But do you intend on a one-for-one replacement with the other three units?

Mr. CABRERA. I think the issue is, Is it going to be one-for-one replacement of public housing or one-for-one replacement of affordable housing? We are committed to one-for-one replacement of affordable housing. When we talk about public housing, what we are talking about is a particular nature of the financing of operations going forward. If the issue is to serve a particular demographic—and in this case, the demographic is basically zero to 60 percent of area median income, or zero to 30 percent of area median income—there are lots of tools to do that with. That includes Lafitte. That includes the three others.

I will clarify, though. On Friday, what was issued was a permit. Nothing has been knocked down. It is the first step in the process that started 18 months ago.

Senator REED. On public housing, let me go back to the initial point, which is that affordability is often in the eye of the beholder and the wallet of the payer. For many public housing tenants, their income is 30 percent of the area median income or below that. So if you are talking about affordable housing which is within the grasp of people who are making 60 percent of median income, that might be way beyond the ability of a lot of public housing tenants. What are those people going to do?

Mr. CABRERA. I think, first of all, when you are talking about the nature of the vehicle that is financing these units, when you have units that are financed under Section 42 of the Internal Revenue Code, if someone is holding a tenant-based voucher—they have tenant-based rental assistance—and they present it to a landlord, it has to be accepted. So they really will be subsidized. The issue is the nature of what is going to be subsidizing those units. That is the point of tenant-based rental assistance, is to give people access to that marketplace.

Now, what is being built are 5,100 units. What I think we all—and I include HUD in “we.” What we all forget is, prior to the hurricane, there were, I think, 2,700 units off-line in New Orleans, mostly because of housing quality standard problems. And so the issue here becomes trying to replace units with the most tenable way to operate them. So that is how essentially—

Senator REED. Well, I just want to clarify my understanding. Are you telling me that if you are a public housing tenant now, the unit was destroyed, there is not another unit that is either public housing or—public housing available for you, that you have the right to a voucher which will allow you to go into any rental place in New Orleans and the Federal Government will pick up the tab if you go to the—

Mr. CABRERA. What we are saying is if you were a public housing resident the day before the storm and you want to come home—and let’s think theoretically and assume that all of these units are up and they are available—you will be given the first opportunity to return. You will have a voucher, and you can utilize it at those units, assuming you have complied with Federal law, yes. On top of which there are ACC units that are going to be reconstructed.

Senator REED. Well, I am going to allow my colleagues to ask questions. I might reserve the right to ask an additional question to follow up. It seems to me that you have already admitted that you are not going to, in the other three units, provide one-for-one replacement of public housing units. But somehow everybody is going to have a place to reside after you finish.

Mr. CABRERA. I think, Mr. Chairman, the reason that this is something of an issue is because we presume that public housing is the only form of affordable housing. Public housing authorities, as a general rule, have been property managers, not developers. Public housing authorities all over the country are beginning to change that because the assets are 70 years old. They have to change that. So at the end of the day, what you build back using the various subsidy pools that are out there, the idea would be to serve that same population using the various tools that are out there, not just one. And the reason is because of the obsolescence

of those properties. Those properties are challenged, to say the least.

Senator REED. Senator Shelby.

Senator SHELBY. Thank you. Thank you, Senator Reed.

Mr. Secretary, the HUD oversight of State CDBG plans, that is my subject here. Congress tasked, as you well know, HUD with approving and overseeing the design and implementation of each State's—including my State of Alabama's—long-term housing recovery plan. I believe one reason for giving HUD this responsibility was to ensure that Federal resources went to those most in need. Do you agree with that?

Mr. CABRERA. Oh, absolutely, Senator.

Senator SHELBY. OK. Could you share with the Committee here today, and what you do not have before you today, would you share for the record with me and the Committee, what requirements HUD placed on State plans in terms of targeting funds to those families most impacted, whether they are in a small city, a large city, a rural area, or what? Did HUD, in other words, include in its discussions with State governments the need to specifically address the problems of, for example, unincorporated and rural areas, such as Mobile County, Alabama—which is a large county, but you have the city of Mobile, you have a number of other cities. You have the town of Bayou la Batre. But a lot of people in those areas that were heavily impacted have not been—their needs have not been addressed. I met with some of them this morning, and we are looking for fairness in the distribution of the program. Go ahead, sir.

Mr. CABRERA. Senator, I am going to ask to be indulged, if the Chair would allow, to have someone from CPD speak more specifically to your issue.

Senator SHELBY. That would be good.

Mr. CABRERA. Before I do, though, I would like to distinguish a couple of things.

The first one is Alabama received two different tranches of CDBG, one in 2004 and one in 2005. And in that sense, in the 2004 tranche, Alabama and Florida were kindred spirits because we were in the same tranche, and my good friend Bob Strickland, who runs Alabama Housing, we had a lot of chats about what it is we would need from that. And the thing that I think defined both is providing the State with the necessary flexibility to define for itself what it needs, and that is articulated on the consolidated plan of the State.

Now, that is where I will end my part of the answer only because I have no further knowledge. So I am going to ask Bob to come up—

Senator SHELBY. Have him come up. But you do have an interest in implementing and overseeing that these plans are carried out fairly, do you not?

Mr. CABRERA. The plans submitted by the various States are essentially accepted pursuant to the parameter provided in the Act.

Senator SHELBY. Absolutely.

Mr. CABRERA. And, thereafter, I would say this: that in most cases and in most States, what you will see is that the entitlement areas are provided some particular latitude just because of size,

and the non-entitlement areas are treated differently, and mostly through State devices because they are smaller. And by that I am alluding to your issue that you raised, rightfully, the issue of capacity.

Senator SHELBY. Also fairness.

Mr. CABRERA. And fairness, but that, again, would be a determination of the States and its prerogative. So I respect the issue you raise, but I would like Bob to—Bob knows more than me.

Senator SHELBY. Let him address it.

Mr. DUNCAN. Hi, my name is Robert Duncan. I am Grant Coordinator for Gulf Coast Recovery for CPD.

Senator SHELBY. And that includes my State of Alabama.

Mr. DUNCAN. It sure does, and I have been to Bayou La Batre four times.

Senator SHELBY. What about some other areas?

Mr. DUNCAN. I have been all through—

Senator SHELBY. There are some unincorporated areas that have been impacted by this and whose needs have not been addressed.

Mr. DUNCAN. I spent 3 hours with the county building inspector driving through Mobile County looking at every damaged structure.

Senator SHELBY. OK. Go ahead.

Mr. DUNCAN. A small point of clarification, and that is, HUD does not have disapproval authority of the plans submitted by the States. And our authority is limited to assuring that the broad requirements of the program are met, including overall benefit to low- and moderate-income people; and with the second supplemental that was passed, that 19 percent went for lower-income rental.

The State of Alabama has received just under \$100 million from the two supplementals: \$20 million out of the first supplemental is for housing generally, and \$4 million out of the second supplemental is for housing for renters.

I know that the State has developed plans for Bayou La Batre and is doing housing projects in Bayou La Batre.

Senator SHELBY. We know that, but what about the other areas around there that are unmet and obviously overlooked, according to some constituents I met with?

Mr. DUNCAN. When we get the plans, the plans are not so specific as to identify each potential recipient of the benefits. We approve broad-brush proposals, and if there is no discrimination—location is not necessarily a basis for discrimination, and so we are not talking about that type of compliance responsibility.

Senator SHELBY. But what I am talking about—

Mr. DUNCAN. The State has ultimate responsibility for how it decides to allocate money.

Senator SHELBY. The State is running the program, the Governor's office and other State agencies.

Mr. DUNCAN. That is correct.

Senator SHELBY. Now, how much money is left unexpended in this program for the State of Alabama right now?

Mr. DUNCAN. Right now the unexpended balance is about \$86 million.

Senator SHELBY. \$86 million. So they have some money in the States. Is this money that is obligated and unexpended, or is it—

Mr. DUNCAN. It is obligated from HUD to the State but not—
 Senator SHELBY. From the State to a specific—

Mr. DUNCAN. Identified for particular program areas, but not necessarily obligated or expended.

Senator SHELBY. So the State will expend this \$86 million you are talking about.

Mr. DUNCAN. That is correct.

Senator SHELBY. And so these unmet needs, the people—and some of them are in this room today—should, and we will help, get in touch with the State, who is administering this program, to try their best to make sure they are not overlooked and unfairly treated. Is that fair?

Mr. DUNCAN. That is correct. The State has only spent \$4 million out of the \$20 million originally set aside for housing out of the first supplemental. They have spent none of the money for the renters. That does not mean that they have not proceeded with projects, but they have not expended the money.

Senator SHELBY. OK. So you think there is money to be spent in an area that could be overlooked.

Mr. DUNCAN. It appears that there is money available, but I am not in a position to say that I know the program is designed to provide grants to those individuals.

Senator SHELBY. We will find out about that.

Thank you, Mr. Chairman.

Senator REED. Thank you very much.

Senator MENENDEZ.

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Secretary, let me ask you a couple questions. First of all, this summer, 82,000 people were still in trailers—trailers that in many instances had formaldehyde, a toxic chemical. I saw in a HUD press release that beginning in January of next year, HUD is going to work with FEMA, supposedly, to transition eligible families out of these trailers and into rental housing in the private market.

Two questions. One, what is that program going to look like? And, two, why wait until January when we have people languishing in trailers that they should not be in?

Mr. CABRERA. The trailer issue overall is an issue outside of my bandwidth. That is a FEMA issue, so forgive my inability to answer that question.

Senator MENENDEZ. But I have a HUD release here—

Mr. CABRERA. Senator, I am trying to go to the rest of it.

Senator MENENDEZ. OK.

Mr. CABRERA. Which is the transitioning of people in trailers out of trailers. So if you have broad categories of population, what HUD was doing with respect to both the KDHAP program, the Katrina Disaster Housing Assistance Program, and the Disaster Voucher Program was essentially serve those people who were being served by HUD as Congress denoted, so, just roughly speaking, public housing, Section 8, Section 202. So that has gone on for some time.

Now, FEMA and HUD have entered into an interagency agreement. That happened within the last month, as I recall, and in that agreement, it has to dovetail with the Appropriations Act. The ability to convert from the Disaster Relief Fund into basically the Dis-

aster Housing Assistance Program—which will be still funded by the Disaster Relief Fund but administered by HUD—will take time because there is an entire population of people who are being brought into the program who are not served by HUD and were not served by HUD prior to the hurricane. Those folks are largely in trailers, and those trailers, I think the mission would be to move them out of trailers and find them housing wherever they can.

What are the tools we are using? Well, soon after the hurricane, one of the things that we did was we created something called the National Housing Locator, and the locator essentially is a broad data base that allows people to find housing wherever they can. The challenge will be, frankly, candidly, that in many cases—and this is mostly in Mississippi. In many cases, those trailers exist where people work and where they want to maintain their lives. But there is inadequate housing there, and that is really where our struggle is going—that is really where the rubber is going to hit the road for us.

Senator MENENDEZ. Well, I have to be honest with you. I appreciate your answer, but if I was languishing in one of those trailers, having listened to your answer, it seems to me that our Government is failing those people, whether it is at the FEMA end or the ability to move earlier on the HUD end to wait for a process. We have had a lot of supplementals, appropriations, we have continuing resolutions coming up. It seems to me we should not have to wait for people to have whatever it is that you need to have the wherewithal to move them out. It is unacceptable that we have fellow Americans living in trailers that have toxic chemicals in them and that we find that acceptable as a country. It is unacceptable.

Let me ask you this: We had 7,300 public housing units in New Orleans; 5,100 of them were occupied before the hurricane; less than 2,000 are now rented. Now, in addition to that, from my understanding of your testimony and from what HUD has put out there, there is not going to be—you are going to demolish four large public housing developments and rebuild them with mixed-income housing, eventually fewer public housing units. So I look at this, and I say to myself—and I also heard you—did you not say in your opening statement that HUD has reached out for displaced residents across the landscape of the country to say if you want to come back, we want to help you do that?

Mr. CABRERA. Constantly.

Senator MENENDEZ. Well, if I am a displaced resident in New Jersey—in Perth Amboy, New Jersey, where many of them ended up—and I want to go back to New Orleans, and I hear 82,000 are in trailers, I hear that only 2,000 of the 5,000 units that were existing before are rentable, I hear that HUD is going to demolish four of the major public housing projects and replace them with far less units, how do I think—I mean, these people are not stupid. How do they think that, in fact, you are going to be able to—that your offer is not hollow? Because at the end of the day, where do the units add up?

Mr. CABRERA. Well, one reason that they would think that they are not hollow is because 400 of them are vacant as we sit here today, and we have been trying to get people into them. And they will not come home, and that if after going—

Senator MENENDEZ. Then why are we waiting—

Mr. CABRERA. Senator, if I might finish—

Senator MENENDEZ. Then why are we waiting—I am happy to let you finish, but let me ask you—

Mr. CABRERA. After trying to pay for their social—

Senator MENENDEZ. Mr. Secretary? Mr. Secretary?

Mr. CABRERA [continuing].—Relocating them, paying off their leases, they will not—

Senator MENENDEZ. Mr. Secretary, I get to ask the questions. You get to answer them.

Mr. CABRERA. I am trying to answer.

Senator MENENDEZ. OK, but let me just give you the follow-up question to it, because you took a long time in your first answer. Of the 82,000 people in trailers, you are going to tell me there is not a fair number of those who would qualify to put them in those units that you say right now—

Mr. CABRERA. The folks in trailers are folks who do not qualify for HUD assistance. That is what I was trying to—

Senator MENENDEZ. You have determined all of them do not qualify for HUD assistance?

Mr. CABRERA. According to—

Senator MENENDEZ. If I would go to New Orleans and talk to those 82,000 people, I would find that none of them would qualify for your assistance?

Mr. CABRERA. According to data that FEMA has, those people do not qualify for Federal assistance. That was the distinction between the two programs.

What we have done at HUD is taken on a program that essentially is serving folks who HUD would typically not serve. That is who is in those trailers. Those are folks who were either above income or uninsured, or folks who were above income and insured but inadequately insured. There are any number of categories that fit from a demographic into those 82,000, but the one distinguishing characteristic is they do not qualify—

Senator MENENDEZ. How do you reconcile the rise of homelessness in New Orleans with your units being vacant in public housing? Explain that to me.

Mr. CABRERA. Senator, I cannot. I do not—I cannot—

Senator MENENDEZ. Well, those people would qualify for public housing, would they not?

Mr. CABRERA. Well, I think that the reason that I cannot do it is because I do not know enough about the issue of homelessness in New Orleans as I sit here today, post-storm, with everything going on. So I cannot answer the question honestly.

Senator MENENDEZ. Well, it seems to me that we need Senator Landrieu's legislation.

Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Menendez.

Senator Landrieu.

Senator LANDRIEU. Thank you so much.

I would like to focus again on the bill before us, the subject of this hearing. Mr. Secretary, do you all support this bill? And if so, why do you support it? And if not, why not, specifically? What sections are you not supporting?

Mr. CABRERA. Senator Landrieu, there are parts of the bill that we do support. There are parts of the bill that we absolutely do not. And the parts—

Senator LANDRIEU. OK. Could you please elaborate the parts that you do support?

Mr. CABRERA. The issues that most cause angst have to do with—

Senator LANDRIEU. No. I am talking about what you do support.

Mr. CABRERA. You know, I think I am going to do what I did before and allow Dominique Blom to come up and speak to that issue. But what we do support most generally is anything that would facilitate reconstruction of housing generally.

Senator LANDRIEU. Because I am under the impression, given the testimony that Secretary Jackson has given to me—and I am extremely disappointed he could not be here to represent the Department this morning—that HUD is supporting the bill, that HUD supported the bill when it moved out of the House and that HUD is supporting this bill. So if you all are not, we would like to have a specific letter from you all about what you are not supporting.

But, again, let's hear the testimony. What do you support in the bill and specifically what you do not and why?

Mr. CABRERA. Senator, may I have a moment very quickly?

[Pause.]

Senator, I am going to have a response to you on the official on support or non-support. I know that we do not support the bill. I am trying to get clarity in terms of our own facts. But the thing—

Senator LANDRIEU. But the reason this is disturbing to me—and I hope the panel can understand, and I am going to try to be patient. This gentleman is the Assistant Secretary of HUD. He is in charge of public housing. If he does not know why or why not he is supporting this bill, why he has to ask for staff, you can see how far we have to go. Now let me just—

Mr. CABRERA. No, Senator Landrieu. I am trying to figure out—

Senator LANDRIEU. Hold on. Let me just say one—

Mr. CABRERA [continuing].—If you have received the views letter. That is all I am trying to find out.

Senator LANDRIEU. I am operating for a year and a half—a year and a half operating—with the Congressmen on both sides of the aisle. This is not just a Democratic bill. This came out of the House with broad bipartisan support, Republicans and Democrats, with the idea that HUD was supporting our efforts. Now to be told, A, you do not know or no is not—

Mr. CABRERA. No, Senator. I did not say I did not know. As I noted, I was trying to get you an answer with respect to whether we have articulated why we do not support the bill. If you will give me just a moment, the person who can answer that question for me is behind me.

Senator LANDRIEU. Please.

Mr. CABRERA. A views letter has been prepared that is supposed to have been issued. It will be issued, evidently, as I understand it, tomorrow. I can tell you preliminarily what it is that causes us consternation in the bill.

The first issue and the foremost issue is the issue of one-to-one replacement. One-to-one replacement of public housing is both—it seems to us to be contrary to what has been the legislative intent of public housing for a while, but it seems to us to limit the ability to build affordable housing in a way that—

Senator LANDRIEU. OK. I understand. I do not mean to interrupt you. But, Mr. Chairman, this is important. There is a one-to-one housing requirement for 5,000 units. But let me repeat the facts. There were 7,000 units before the storm, 2,000 were vacant, and there were 7,000 people on a waiting list. So the compromise for a one-to-one replacement of 5,000 we think is a generous compromise.

Mr. CABRERA. There—

Senator LANDRIEU. First of all—let me finish. We are not asking for one-to-one compromise for 14,000 units, which you might argue 5,000 were there, 2,000 were vacant, 7,000. So just add the 5,000 and the 7,000 is 13,000.

Mr. CABRERA. Right.

Senator LANDRIEU. We could in this bill have a 13,000-unit requirement for one to one, but we are trying to find a middle road and get enough units back for people, because it is workforce housing as well. All low-income people are not disabled and unable to work. Many of them are working. Many. And our restaurants and businesses need people.

So I am perplexed and I think that Congresswoman Waters and Congressman Baker and Congressman Jefferson will be very perplexed, after a year and a half, to think that you all are not supporting this bill.

Let me just clarify—

Mr. CABRERA. Well, I am trying to—

Senator LANDRIEU. Hold on. One more—

Mr. CABRERA [continuing]. Tell you what I support—

Senator LANDRIEU. I just want to clarify one more thing. This letter that came out yesterday says that absent the disposition approval granted by HUD, these projects would not be able to meet the LHFA carryover requirement. I am going to put this in the record. And this is the reason that you are using for going ahead with the demolition—not permit, but the movement toward demolition.

I want to say for the record, Mr. Chairman and Mr. Ranking Member, the LHFA wants me to say this, Louisiana Housing Finance Agency: They are not requiring you to move. You are moving on your own volition. And I am going to put this in the record. They disagree strongly with you saying that you are moving because of them.

Number two, for the record, you say that you have to move forward because we do not have an extension of the tax credits, but you have not requested of this Committee, which is your authorizing Committee, you have not requested of your Appropriations Committee, which I sit on, any extension.

So I just want to state for the record that no one in Louisiana is pushing you to do this, that you are doing it on your own, and I am actually shocked that after a year and a half you all are not

even supporting the compromise bill. And I have more questions, but I do not want to take up any more time.

Thank you, Mr. Chairman.

Mr. CABRERA. Mr. Chairman, may I answer?

Senator REED. Yes, you may.

Mr. CABRERA. OK. First of all, the elements of the bill that we support are: We support the idea of surveying the residents. We think that that is a terrific idea.

We support the idea of replacing 5,100 units with affordable units. The issue is what is going to be the nature of trying to operate those units after they are constructed.

We support the idea of 3,000 vouchers which would otherwise be issued.

And the last issue is I think one of the things that is somewhat misunderstood is the process of HANO moving toward getting a demolition and disposition permit began 18 months ago. I can tell you just personally, I had no earthly clue that the court would render a decision last week. And, in fact, I was in Washington State when it happened. So that is something that happens as a matter of course.

When we issued it—this is not an issue of an extension. There are issues that we could bring to this Committee for extension, but we cannot bring to this Committee issues of extension when we are trying to preserve into HANO's baseline the capacity to issue another \$30 million worth of vouchers going forward. That is really what we were trying to accomplish.

So while I respect, Senator, that you have issues with the way that we have proceeded, the one thing you need to know is this—you know, I cannot help happenstance. This was going to be issued on Friday because it was going to be issued on Friday.

Senator REED. Mr. Secretary, I can anticipate the written questions directed to you, and we hope you respond because I think the line of questioning has exposed more questions than answers, and we will continue this discussion.

Senator Shelby.

Senator SHELBY. I just want to continue to focus on my State of Alabama for just a minute.

Mr. CABRERA. Yes, sir.

Senator SHELBY. We all know that Louisiana has taken a tremendous hit. We know Mississippi has. And we have in the southern part of Mobile County taken a hit, as you well know. And my interest, parochial interest, is in Alabama, although I want to help where I can to rebuild what we can in a prudent manner—in a prudent manner—in New Orleans and the Louisiana area, too. But I hope we will not send money down the drain in Louisiana, Mississippi, Alabama, Florida, or anywhere, because I recognize your responsibility at HUD and I think you have an overall responsibility to the taxpayers, to the people. And we want to make sure that all this is done fairly.

Mr. CABRERA. Thank you, Senator.

Senator SHELBY. Thank you, Mr. Chairman.

Senator REED. Well, I join the Ranking Member in his wish that we do things fairly, but it strikes me from listening—I am going to get more engrossed in the details—that the numbers just do not

seem to add up. The number of units you are proposing to replace are much less than the number of people that are out there, not just in public housing, but on waiting lists to get in public housing. And I appreciate your testimony, and we will continue the inquiry by written questions, Mr. Secretary. Thank you very much.

Mr. CABRERA. Thank you, Senator.

Senator REED. Now let me call forward the next panel. We thank them for traveling from Louisiana and Mississippi to be with us here today. We certainly appreciate their testimony.

Senator LANDRIEU. Mr. Chairman, as they are assembling, can I just also thank them? I am going to stay as long as I can for the testimony, but each of these individuals has worked tirelessly representing many, many people and constituency groups, trying to help come to terms with how we would move in a positive direction to redevelop, to rebuild, to provide better housing for people, and to help, you know, our constituents. And I just want to thank them, and I hope maybe they can shed some light on the benefits of this bill and what it will do to help.

Senator REED. Well, thank you very much, Senator Landrieu, and let me quickly introduce the panel and make a couple of administrative announcements and then ask them for their comments.

We are joined this morning by Amy Liu, who is the Deputy Director of the Metropolitan Policy Program at the Brookings Institution. We are joined by James Kelly, who is the CEO of Providence Community Housing and Catholic Charities. We are also joined by James Perry, the Executive Director of the Greater New Orleans Fair Housing Action Center; Mr. Alan Brown, who is Vice President of Operations and COO of the United Methodist Senior Services of Mississippi; Emelda Paul, President of the Lafitte Resident Council; and Mr. Edgar Bright, who is President of the Standard Mortgage Corporation, representing the Mortgage Bankers Association.

Before hearing your testimony, we have a number of written statements that have been submitted by others. I want to make sure they are part of the record. Your statements will all be made part of the record, so you do not have to read them. I want to urge the panelists to stay within the 4-minute boundary. We have a large panel, and we want to leave time for questions.

Again, thank you very much for joining us. The record will remain open for at least one week, so you may get additional written questions from the panel or any Members of the Banking Committee. And now I will recognize you, Mr. Perry, for your comments. Mr. Perry, please.

**STATEMENT OF JAMES PERRY, EXECUTIVE DIRECTOR,
GREATER NEW ORLEANS FAIR HOUSING ACTION CENTER**

Mr. PERRY. Thank you very much.

Senator Reed, Ranking Member Shelby, and members of the Committee, thank you for the opportunity to testify on the impact of Senate Bill 1668. I am James Perry, Executive Director of the Greater New Orleans Fair Housing Action Center. I am also President of the Louisiana Housing Alliance, a Statewide coalition of

more than 100 housing organizations. I am here today to testify on behalf of the National Low Income Housing Coalition.

My full testimony, of course, has been provided to you. But I want to touch upon a few facts and issues that provide why this bill is so important to the Gulf Coast States. The first is simply about public housing. We simply do not have enough affordable housing in New Orleans, in Mississippi, in Louisiana, and along the Gulf Coast. If left to its own devices, as you have seen from HUD's testimony, they simply would not provide enough affordable housing for our residents.

I want to touch briefly on the Assistant Secretary's comment that FEMA trailer residents would not qualify for public housing. Well, our stats show that about 20 percent of FEMA trailer residents would qualify for public housing. And so when he says that he cannot find people, we think that he is, frankly, wrong.

The second issue is that when it comes to public housing in New Orleans, as has already been noted by Senator Landrieu, we had a huge need for more public housing before the storm. And HUD comes forward after the storm and says we are going to demolish all of the public housing in spite of this.

Well, we need more public housing now.

The goal of replacing one-for-one of the public housing units that existed in the city before the storm is impeccable. It is so important. It is essential to make sure that the city is able to come back and to return to its prior status and to exceed that prior status that once existed.

The second thing that I want to comment on are the fair housing provisions in the bill. We applaud the inclusion of these provisions in the bill. Since the storm, our organization has done a few investigations into housing discrimination in the metropolitan area.

When we investigated housing discrimination against African-Americans, we found that African-Americans experienced discrimination in 57.5 percent of their transactions. 57.5 percent of the time that they would attempt to find housing they would be denied because of their race.

In one investigation we found discriminatory advertisements on the Internet. Two examples of those ads: "I would love to house a single mom with one child. I am not racist, but whites only." Another ad read "Not to sound racist, but to make things more understandable for our younger children, we would like to house white children."

The issue of housing discrimination presents a huge problem when we attempt to rebuild housing opportunities for people in the Gulf Coast. The Greater New Orleans Fair Housing Action Center, the Mississippi Fair Housing Center, the Houston Fair Housing Center, and the Mobile Fair Housing Center have been on the front of ensuring fair and equitable housing opportunities in the Gulf Coast but we need your help and Senate Bill 1668 will provide that assistance.

And then finally, with regard to the Road Home program, the program, of course, is not perfect. And there has been a lot of debate about whose fault or what has caused the shortfall in the amount of money necessary to get homeowners back into housing. But what I would submit to you is that it does not really matter

whose fault it is. The bottom line issue is that we need enough money to get homeowners back into their houses.

Senate Bill 1668 goes a long way in making sure that people can get back into their houses through the Road Home program, through provision of one-for-one replacement in public housing, through the provision of vouchers, and through the protection of fair housing rights.

We urge you to move forward on this bill.

Thank you very much.

Senator REED. Thank you very much, Mr. Perry.

Mr. Brown, please. Welcome.

STATEMENT OF ALAN BROWN, VICE PRESIDENT OF OPERATIONS AND COO, UNITED METHODIST SENIOR SERVICES OF MISSISSIPPI, INC.

Mr. BROWN. Thank you, Senator Reed, Ranking Member Shelby, members of the Committee. I am Alan Brown, the Chief Operating Officer of Mississippi Methodist Senior Services.

We have 11 campuses across the State of Mississippi, serving 1,800 seniors on a daily basis. Our organization has been serving seniors for over 40 years and we were the first in the State of Mississippi to offer HUD housing for seniors.

We are also a member of the American Association of Homes and Services for the Aging, a 5,700 member association representing not-for-profit providers throughout the world of senior care.

On August 29th, 2005, five of our campuses were damaged by Hurricane Katrina, none more so than our Seashore Retirement Community in Biloxi. That campus consisted of 124 market rate apartments, 42 assisted living units, a 65-unit HUD 202 project with project-based Section 8 rent subsidies.

Our HUD building, Gulf Oaks, sustained significant wind damage, as well as a tidal surge of two feet on the first floor. 55 residents refused to leave the campus and rode out the storm with the campus executive director, who would not leave them. We were able to evacuate them 2 days later and provide housing on other campuses in North Mississippi.

We had good insurance, but there was still a \$1 million gap between our insurance proceeds and what was needed to repair the building. We contacted HUD and asked for help. We were told HUD would not loan the property any more money for repairs. HUD would not allow us to borrow money from other sources. HUD would not forgive the existing debt. And HUD would not allow us to prepay the Section 202 mortgage. In a sense, we were stuck.

Our FEMA request for help was denied because we were deemed a nonessential service. We contacted AAHSA for help and learned of a provision in the 2006 appropriations legislation, Section 318, which allowed for the relocation of Section 8 contracts from non-viable damaged HUD buildings. We thought this was tailor-made for us. On March 31st, 2006 we notified the Mississippi HUD office that we would be requesting a Section 318 transfer and provided them the preliminary information.

About this time, we received an unsolicited offer from a local developer to purchase the entire campus and accepted, contingent upon our being able to get a HUD release of the property. This

would allow us to have the funds to relocate the entire campus off the coast to a safer area and rebuild the HUD building at no additional cost to HUD.

On July 5th, 2006 we submitted our formal Section 318 request and asked HUD about how to begin. Weeks passed and we got no response from HUD. Once we inquired and were told they were not sure whose desk it was on. Senator Thad Cochran's staff and AAHSA intervened and made repeated inquiries to HUD on our behalf and were assured it was in process.

On October 2nd, 2006, almost 3 months after the formal request, we received a letter from HUD saying our Section 318 had been denied. We were given a list of things that would have to be done for the request to be considered. These items had never been communicated to us before or were not economically feasible or could not be encompassed for many months. We were in jeopardy of losing the sale of the entire property and our business interruption coverage was exhausted.

But we wanted to make one last effort to try to save the 65 subsidized housing units. We learned that we had a pre-1984 HUD 202 contract that could actually be prepaid with 30 days' notice and without HUD approval. We asked HUD for approval to transfer the Section 8 rent subsidies to a new building. They called us back the next day and said that could be done. As we got closer to the sale, we asked HUD about how we completed that process. They said they never agreed to that.

HUD essentially forced us to give up our Section 8 contract to complete the sale of the campus. HUD had done what the hurricane had not able to do, permanently displace those residents that had ridden out the storm in their homes.

We asked today for your support of Senate Bill 1668. There are several provisions within this legislation that would benefit seniors and the not-for-profit housing providers that serve them. Our residents and assisted housing providers will certainly fall victim to the same impenetrable barriers like confusing procedures, unclear goals, and ineffective policies when the next disaster strikes.

In closing, I want you to know that Mississippi Methodist Senior Services remains committed to continuing our 40-year-old mission of serving older adults in the spirit of Christian love and providing housing to senior adults regardless of their financial standing.

I sincerely appreciate the efforts of the Jackson, Mississippi HUD office and Senator Cochran's staff. And I want to thank you for giving me the opportunity to be here today and share our story.

Senator REED. Thank you very much, Mr. Brown.

Mr. Kelly, please.

**STATEMENT OF JAMES R. KELLY, CEO, PROVIDENCE
COMMUNITY HOUSING AND CATHOLIC CHARITIES**

Mr. KELLY. I would like to thank Senator Reed, Ranking Member Shelby, Senator Landrieu, the members of the Committee for the opportunity to be here today.

In the past 24 months Catholic Charities has delivered 120 million pounds of food and water, provided counseling and information to half a million people, and through our emergency service cen-

ters, delivered millions of dollars in direct assistance to families in need.

Shortly after the storm, a group of nonprofits came together to form Providence with the mission of bringing home 20,000 victims of Katrina. In partnership with Catholic Charities and 13,000 volunteers, we have gutted and cleaned out 1,100 homes and 800 apartments. Now we are assisting these low-income seniors and people with disabilities to navigate a severely underfunded Road Home program. We often front the seniors the money for the essential and critical home repairs.

Recently Providence and UJAMAA CDC, one of our community collaborators, finished renovating a flooded building and will soon welcome 43 displaced seniors back to their Treme community.

Since the hurricane, we have been attempting to reopen 901 HUD Section 202 apartments for low income seniors. Complications are 135 percent increase in construction, tripling in cost of insurance, and the requirement to finance the original owners' defaulted mortgage payments which date back to March 2006. As we spend an inordinate amount of time and effort working through these archaic policies, thousands of our seniors wait in trailers or in overpriced and overcrowded apartments wondering if they will get to return to their children and their grandchildren.

Last summer Providence and Enterprise Community Partners were asked by HUD to oversee the redevelopment of the Lafitte public housing complex. From the very beginning, we have worked closely with the residents to plan a vibrant mixed-income community that is equitable, affordable, and sustainable. The cornerstone of our rebuilding effort began with the absolute opportunity for the 865 families to return as soon as possible, the one-for-one replacement of all 900 units, and critically needed resident participation in the home building and community service planning. In addition to the replacement of the 900 apartments, we will build 600 new homes for working families.

We have also successfully advocated for phased redevelopment, the repair of temporary units for those who need to come home right now, while also along for the building of new homes and apartments on the remaining site. We have raised \$2.5 million and are now offering former residents counseling, direct assistance, and case management in New Orleans, Baton Rouge, and Houston.

We thank you for this sound legislation before us today. We are humbled that the principles that are the foundation of our Lafitte redevelopments plans are key components of the public housing section of the bill, most especially the replacement of public housing units and/or vouchers for residents.

To ensure the success of these new vibrant mixed-income communities, we would ask you to increase the number of project-based onsite Section 8 vouchers and the funding for soft second home mortgages available to residents.

With over 20,000 severely damaged homes and apartments, we are grateful that the legislation also assists our working and middle-class families. We are delighted that the bill addresses the need for full funding the Road Home program, provides 4,500 permanent and supportive housing vouchers for the disabled and the homeless, and extends disaster vouchers through June of 2008.

We expect the rebuilding to take 10 years, the 300th anniversary of New Orleans. We sincerely appreciate all of the resources Congress and the Administration have provided. In the future, however, we will need more Go Zone tax credits, additional funding for soft seconds, and last timeline extensions due to the complexities of mixing Federal, State, and local funds and regulations into one gigantic gumbo.

Katrina has taught us that to be successful will take a spirit of humility and collaboration. We pray for God's grace and God's speed in the passing of this legislation.

Please know of our prayers of gratitude to this Committee, to Senator Landrieu, and to its staff for all you have done and will do to bring home the good and brave people of Louisiana and the Gulf Coast.

Thank you.

Senator REED. Thank you, Mr. Kelly.

Ms. Paul, please.

**STATEMENT OF EMELDA PAUL, PRESIDENT, LAFITTE
RESIDENT COUNCIL**

Ms. PAUL. Thank you for the opportunity to speak to you today. My name is Emelda Paul. I was a 30-year resident at the Lafitte and I am the President of the Lafitte Resident Council.

I am here because I want our people, our families, to return home to New Orleans. I want to thank Congress for creating this legislation, which will improve our housing and make our community better. We cannot wait any longer. The longer the situation drags out, the harder it will be for our people to come home.

To make Lafitte a stronger community and a better place, I believe that there are several commitments that must be made. Every resident should be able to come home. Every unit that was taken down should be replaced with a unit that would be affordable to the residents. Counseling should be available to those who need it. And most importantly, redevelopment groups should work with the residents, like Providence has with us from the very beginning. They have listened to our needs and asked questions, like how many bedrooms do we need? What kind of assistance or help do we need? Do we need child care, job counseling, or supportive services?

When I see and hear some of these people who are fighting the redevelopment, I ask myself who the heck are these people? And where were they when we really needed them? They are saying we should save the buildings. They are talking about bricks and mortar. We are talking about people's lives. We are the ones who have to live there under these conditions. I cannot say for sure how many, but I can say there are a lot of people who think like me who want something better than what they had.

I have been back to Lafitte, and from what I have seen I do not want to go back there anymore. I do not want to live like that anymore. I am living in the new Fischer Senior Village in New Orleans now. It is nice, clean, and safe. When I go from my apartment at Fisher to see my old apartment at Lafitte, it is very depressing. When you get up close to the building you see that the ground is sinking. I had mold in my bedroom way before Katrina. And now I have mold growing up the walls on both sides. If people are going

to come back, I want to see them coming back to something decent, something healthy, and something safe. I took photos of the flooding and what I saw from the window of my apartment after Katrina.

People are under a lot of stress and want to come home. They want to come home to a new Lafitte with new apartments and new homes. They want something better for their families. So why can't we allow those who want to come home to come home now and also take down and rebuild the site in the meantime? While we are sitting here bickering about what should be done, the people are the ones who are suffering. Some of them are dying.

I think there are about 200 to 250 individuals, families, who want to come back right now. And probably 100 to 200 would want to come back in a couple of years because they are happy where they are living now. They have a decent apartment, their kids are in school, they have jobs and medical care where they are. They have to give something to come back to that is better than before, something that includes an emphasis on children like good schools, safe places to play, and medical care.

I like the idea of phasing and I know that more and more people are excited about it. People can come home in apartments temporarily and participate in the planning of the redevelopment. We want new larger apartments for our children and our grandchildren where we can move around.

People want to come home but we cannot have people living in the same condition they were living in before Katrina. We need and want up to date kitchen and bathrooms. We are tired of the patch jobs on the buildings from the 1940's. If we bring people back, we want to make sure they have a safe environment. We want a new Jerusalem. The time is now. We have got to bring our residents home and build something better here for our children and grandchildren.

Thank you.

Senator REED. Thank you very much, Ms. Paul.

Ms. Liu.

STATEMENT OF AMY LIU, DEPUTY DIRECTOR OF THE METROPOLITAN POLICY PROGRAM, THE BROOKINGS INSTITUTION

Ms. LIU. Good morning, Chairman, members of the Committee. I am pleased to be here before you this morning and pretty much appreciate your invitation.

The purpose of my testimony is to provide an overview of the state of recovery of Greater New Orleans since Hurricane Katrina. The overview draws a wide array of data that we at Brookings have been collecting since the storm in 2005.

I apologize, Senator Shelby, I do not have data on the State of Alabama.

But my hope is that this basic baseline picture will give you important context as you consider legislation to provide affordable housing in the region and any future legislation aimed to improve the future of the Gulf Coast.

So here is what we know about who lives in New Orleans, who has yet to move back, and the extent of the housing market 2 years after Katrina.

First, how many people are back in the city? Two years after the storm, the best and most reliable population estimates indicate that the city of New Orleans has recovered 68 percent of its pre-storm households, which is a big jump from about a year ago when just half of the residents had returned.

However, the city now makes up less than one-third of the region's population. So that means there is enormous growth and shift out to the suburbs. Post-Katrina, almost all of the surrounding parishes, except for St. Bernard, have reached or exceeded the number of households they had before the storm.

Second, who is living in the city now? The latest detail that we have on the details of who is living in New Orleans is for 2006, which is 1 year after Hurricane Katrina but I think the data is still revealing. The population living in New Orleans is now more educated, it is less poor by 6 percentage points less poor, and it consists of fewer renters than in 2000.

Further, there are dramatically fewer households with children today. That share has dropped from 30 percent before the storm to just 17 percent today.

Yes, the city is also more white but the city remains a majority black community. Approximately 58 percent of the city's population is still African-American.

Third, who has yet to return to the city? Approximately 197,000 residents remain displaced or have not returned to New Orleans 1 year after Katrina. Of these displaced, 70 percent are African-American and 38 percent live below poverty. So many of these low income African-American families remain widely dispersed across the Nation. The Census data does confirm that in 2006 many former black and lower income New Orleanians were still most likely to still live in Houston, Dallas, the Atlanta metropolitan areas, and other parts of the South in the U.S. In contrast, former white and wealthier households mostly stayed nearby, mostly relocated somewhere else in New Orleans area.

Fourth, on housing, the main concern here is that the cost of housing and rent levels have escalated 2 years after Katrina. Home prices have definitely jumped up in St. Tammany and Jefferson Parishes and the less impacted parts of New Orleans. Fair market rents in the region have risen an astounding 45 percent in the last 2 years. And meanwhile, the demand for housing assistance remains high. We have talked about that today. 180,000 households, for instance, have applied for the Road Home program and as of August only 22 percent of those have been served.

Fifth, I just want to say on the economy the New Orleans region has recovered the vast majority of its job base and labor force. But the real challenge there is that for two key sectors, health and education and leisure and hospitality, they are still missing one-quarter the pre-Katrina workers which is making it hard to recover the schools, the health care services, and the level of tourism.

In closing, what I want to do is point to just some of the implications of these trends for Federal housing and other efforts. First, I think the strategies to boost the supply of affordable housing are still critical to help soften home and rent prices, and that is why the Senate bill is so critical.

On the private sector side, I do want to say that the data shows that just one-quarter of the new housing units that are being built in the New Orleans region is dedicated multifamily housing. So with very new hard units, one other thing the Federal Government can do is to aggressively recruit existing apartment owners to accept Federal housing vouchers. One of the things we have to realize is giving families a voucher does not guarantee them housing.

Second, Federal leaders should consider making affordable housing available not just in the city but also in the job centers in the suburbs. Much of the data again point to the explosive population growth and job growth in the suburbs, and as well an increasing number of low-income families and Hispanics that are now emerging there.

Third, given the many low-income African-American families that are still in the diaspora, we must not forget them. We must give them affordable housing options and perhaps affordable housing in those far-flung destinations.

I want to close with the fact that it is clear that a strong Federal, State and local partnership is still very much due to address the outstanding challenges in the Gulf Coast. I want to say that future recovery efforts must go beyond just the focus on speed, which tends to be the conversation. We need to focus on the quality of recovery.

Prior to the storm, New Orleans was plagued with high concentrations of poverty, a stagnant economy with a weak workforce, and a region that was growing in unsustainable ways. No doubt the city has enormous assets. But future Federal investment and taxpayer dollars must not rebuild the exact same city and metropolitan area. It must rebuild a greater New Orleans that rebounds from Katrina as a better version of itself: safer, economically robust, with mixed-income neighborhoods and opportunities for all residents.

So once again, thank you for the opportunity to appear before you today.

Senator REED. Thank you, Ms. Liu.

Mr. Bright, please.

**STATEMENT OF EDGAR BRIGHT, PRESIDENT, STANDARD
MORTGAGE CORPORATION**

Mr. BRIGHT. Thank you, Senator Reed, and Ranking Member Shelby, and Senator Landrieu and Congressman Jefferson, for inviting me to testify today on behalf of the Mortgage Bankers Association on some of the challenges we still face in Louisiana two years after Hurricanes Katrina and Rita.

I would like to relate to you my personal story as a lifelong resident of New Orleans and a business owner in that great city. After the storm our homes and our headquarters were flooded. This is a picture. My house was two blocks behind that pearow and the school where my three kids attend was one block to the right of where that pearow is. And that was one week after the storm.

After the storm our homes and our headquarters were flooded and we could not return to our building for six weeks. We moved temporarily to Baton Rouge while some of my staff pulled all essential data and files from our headquarters. We instituted forbear-

ance for payments on all loans in the Katrina area. This caused major capital shortage for us. We borrowed significant funds to make investor payments and meet payroll. We also made sure our customers had access to their loan and insurance information and reassigned 75 percent of our staff to process the paperwork.

The industry and our regulators also responded. The entire industry instituted broad forbearance and began to try to contact customers who had been evacuated and were now across the country. The mortgage industry created a working group made up of lenders, servicers and their trade associations to help work on public and private sector problems and solutions. An industry practice was established that forbearance in the worst impacted areas should continue and be revisited every 90 days. This was a watershed event and it helped avoid mass foreclosures.

Congress and the President put the region on the path to recovery by providing emergency funding for the CDBG program. Despite efficiency issues in dispersing funds, lenders and homeowners see that the money is on its way even if it is coming slowly.

While implementation of this program has not been at the pace we would all like to see, it is important to remember the enormous task at hand. Establishing a whole new rebuilding program under crisis conditions is unprecedented.

Now one of the greatest challenges we face is the conveyance of FHA properties. FHA current policy says payment of an insurance claim will only occur when it takes title to a property as a result of foreclosure. To convey a property and receive insurance benefits, however, FHA requires a property to be fixed up so it can be sold again. We are a small company and cannot afford to rebuild all of the damaged properties in their hurricane area.

Right now these properties sit vacant, blighted properties seen block after block deteriorate neighborhoods and hinder the rebuilding effort.

There are important lessons for future action which I discuss at length in my written testimony. The National Environmental Policy Act, or NEPA, hamstrung the States in how they could design their grant distribution program. The President should be able to activate NEPA exemptions for the purpose of rebuilding pre-existing housing.

Second, Federal agencies are not permitted to give recipients of Federal assistance duplicate benefits. While in theory this makes sense, in practice it is causing deficiencies for individuals and businesses.

Third, valuations and appraisals of damage properties are often conducted numerous times by numerous agencies. There should be some mechanism to share this information.

Last, MBA recommends prohibiting FHA from adding requirements that are above and beyond those determined acceptable by EPA and the appropriate State environmental agency in the production of affordable rental housing. EPA and the States are well qualified to determine environmental standards so it only delays critical production when HUD also adds requirements.

The mortgage industry responded admirably to the many challenges of Katrina and Rita, despite significant cost. We will do all we can to ensure that the region is rebuilt better than ever. We

have shown our willingness to sacrifice but that will not be enough. This is a national problem and the national solutions need to continue to ensure that the region returns better than it ever was.

Thank you for allowing me to testify.

Senator REED. Thank you very much, Mr. Bright.

I want to thank all the panelists for the excellent and concise testimony.

I understand Senator Landrieu has to depart so I would yield my time initially to Senator Landrieu.

Senator LANDRIEU. Thank you.

Just one question and, unfortunately, I have a press conference with another Senator in just a few minutes that I am obligated to go, but I look forward to working with all of you.

Thank you for your extraordinary testimony and your hard work to explain a very difficult and unprecedented problem and solutions to the problem.

My one question to you, Mr. Kelly, would be why do you think that this bill or something like it is so important to pass? And what, in your view, will happen if something like this does not pass?

Mr. KELLY. Senator, I think in your remarks you summed it up very well. This is not about an either/or proposition. This is about not a compromise. This is about a right ground solution.

I have worked with the homeless. I have worked with the poor my whole life. I have worked with the working poor. If we do not do this, we do not bring people. If you do not bring back the elderly, you do not bring back child care. If you do not bring back elderly, they are a certain critical element of every community. If you do not bring back children, you do not bring back your future workforce.

Why would we not want to bring back the working poor? Those are the people who care for our folks in nursing homes. Those are the people who care for our children in child care. They are the people who work in the dry cleaners and the restaurants. The working poor are a part of who we, as a Nation, are. They are a part of our economy, as well as people that we love and we respect and we work with every day.

If we do not pass a bill like this, then we are showing a lack of leadership. That is what we are being criticized for. We are being criticized for a lack of leadership. And people are looking for leadership. People want to come home. We have the highest percentage of natives of any State in the union. It is about faith, it is about family, it is about food, and even with the Saints' disappointing loss, it is about football.

But it is critical. People want to come home. It is a part of the fabric of who New Orleans is. When you say to somebody what is the first question you ask? How's your mamma and them?

We are a community that is very unique. But if we do not allow our whole community to come home, then shame on us.

Senator REED. Senator Shelby, please.

Senator SHELBY. Mr. Kelly, we all want to help the people of New Orleans. I think that is a common thread. But we want to be smart in what we do. We want you to be smart in what you do.

I am not a native of New Orleans but I love New Orleans. We would like for the Saints to do better. We hope for them, because we are from the South.

Mr. KELLY. What about LSU?

Senator SHELBY. Well, we are a little nervous about LSU because they play the University of Alabama. We have got their former coach but we need their players, too.

But as far as New Orleans is concerned, I think we—and I speak for myself—we want to do everything we can to make you whole.

The Port of New Orleans is very, very important—that is why New Orleans, among other things exists—to America. We realize that. We think families are very important to all of us, as you alluded to. But we have got to be prudent in what you do. And I hope you will not build in the flood-prone areas. I mean, that is just something that I would not want the people in my State to do. But you have tough geography there and I realize that.

I want to direct my next question and pick up on what Ms. Liu testified to. I guess are there, in the city of New Orleans, vacant apartments that if we had vouchers could a lot of the poor people, working people, can they get some of those apartments? Or of the apartments in the greater—in the metropolitan area?

In other words, here are the vacancies now that are ready to be rented. And would that help alleviate some of the shortage, if we had a voucher system?

Ms. LIU. First of all, I know that there has been a high number of rental units that remain damaged, almost as many as the homeowner units. So I think that—

Senator SHELBY. So they are not ready for occupancy then, if they are damaged?

Ms. LIU. I think there are some and I think there are some in the larger region. My only concern is there is a lot of emphasis on vouchers for families and yet there is not a discussion or aggressive solution about where these vouchers are going to be used. And are we working with the private sector to ensure that such housing does exist?

Senator SHELBY. Sure.

Ms. LIU. I think in the interim if the private sector, if most of the apartments that are available are in the New Orleans region but in the surrounding parishes, I think we should reach out to those apartment owners as well.

Senator SHELBY. I think you should.

Mr. Kelly, do you have a comment?

Mr. KELLY. Yes, sir. We deal with this in case management all the time, trying to find apartments for folks. The No. 1 issue was referred to, 45 percent increase in rents. So how does the working poor afford a 45 percent increase in rent?

Senator SHELBY. That is tough.

Mr. KELLY. We do have Go Zone credits that are now being put into use. But to rebuild and redevelop a former apartment complex is not happening overnight, especially with the construction and the insurance issues. But that will happen but it will not be enough for the amount of units that were destroyed.

Senator SHELBY. Mr. Bright, you mentioned you are in the mortgage business and you know a lot about housing and finance. In

your testimony, and correct me if I am wrong, you suggested that FHA should pay claims on properties that were damaged by Katrina that are currently not in habitable condition. As FHA currently—you know what the law is. FHA does not currently factor into its FHA premiums catastrophic events. In other words, they do not have flood insurance in the FHA premium. But I believe everybody ought to have flood insurance who is in a flood-prone zone.

If I understand your proposal, this would have FHA insure lenders against a risk which the lender did not pay a premium for.

So I guess the question that I would ask, should FHA pay these claims, do you believe that FHA should raise its premiums to offset the additional risk—because there is risk here—of providing catastrophe insurance? Or should be lenders be covered by this risk at the expense of the taxpayer?

In other words, FHA was never—we never contemplated the Federal Housing Administration to do this, to cover these. I understand what you are talking about. We are very interested here in the Senate in a meaningful comprehensive flood insurance program, which I think we have not had and has not been required and implemented well.

Do you want to comment on that?

Mr. BRIGHT. Sure. There is a lot in that question. I will try to be concise.

Specifically, there is a technicality in the FHA contract. These houses, there are about 8,000 homes we think, that are people that were flooded but not in a flood zone area. So therefore we, as the lender, would not have charged them flood insurance because they would have said we were gouging them—

Senator SHELBY. They were not in it, but they should have been if we had had a good program.

Mr. BRIGHT. Right. I mean 99 percent of the people have flood insurance. These are people that did not have flood insurance because they were outside of the flood zone and they flooded anyway. So that is specifically what this would cover.

Let me also say if they got a Fannie Mae loan or a Freddie Mac loan, this would not have been an issue for them. So that is one reason why the FHA program is not as popular as the Fannie loans and the Freddie loans.

So when you all fix, when you modernize the FHA, I believe you should address this issue.

Senator SHELBY. Well, I hope we are going to address it—flood insurance—in a meaningful way because I have been, myself, very concerned about our flood insurance program, the inadequacies of it, the role that leaving out areas that are flood-prone and we pay for it in the long run, do we not?

Mr. BRIGHT. I would also like to say the FHA is a great program, as is the Fannie and Freddie program. Those loans you still can get funding for that. There is no problem with all of the subprime that you hear about. Those loans work just fine. And in our area that is something that is working.

Senator SHELBY. Thank you. Thank you, Mr. Chairman.

Senator REED. Thank you, Senator Shelby.

I want to thank all of the witnesses for their excellent testimony, insightful and articulate.

Mr. Perry, I think you have given HUD a reason to go back to those trailers and see how many people really are qualified for housing. Thank you for all of your good work there.

Mr. Brown, it was kind of frightening to listen to your tale of woe about how you could not find support, particularly from HUD, to do what your faith-based mission was, to help house these seniors. But thank you for your persistence and your efforts.

Ms. Paul, thank you for your leadership at Lafitte. I used to say Lafayette, but I am from Rhode Island.

Ms. PAUL. It is Lafitte.

Senator REED. It is Lafitte. I know. I stand corrected.

Mr. Bright, thank you.

Let me start questioning with Ms. Liu. Your analysis, and this is sort of a simpleminded approach, but the price of rental property has gone up 42 percent. If we are not replacing one-for-one destroyed housing, that price is not likely to come down but to go up. Is that simple economics? Is that fair?

Ms. LIU. Yes, we have a real chicken and egg problem right now in terms of making sure that we are, as we are trying to immediately provide affordable housing for many of these residents, that the construction for rental property is just really lagging. Again, we have spent the first 2 years focusing a lot on homeowners and single-family homes.

Again, if you look at the data, even with one-for-one, multifamily units are not going up as a small share of the total pie. And because of the insurance costs and other things, there is a lot of concerns that tax credits are not being used.

So I think every resource that we have to expand the supply of rental units is really critical right now.

Senator REED. And the policies, I discern from the Assistant Secretary's comments, are not designed to accelerate the production of housing. They are not talking about a one-for-one replacement. They are talking about tax credit programs which you suggest in your analysis might not induce the market to provide the rental housing because of other factors like insurance costs? Is that a fair point?

Ms. LIU. That is fair.

Senator REED. They are also talking about vouchers. But without units, vouchers is a piece of paper in your pocket but not a roof over your head.

Is this a strategy simply to look like you are doing something but end up not doing anything at all?

Ms. LIU. Well, I appreciate their spirit of not wanting to maybe re-create the concentrated poverty that was there in the city before, but I think we have to be very pragmatic in the short term about whether or not we are creating enough units for families to come home. And whether I think we should—this is a 10-year recovery effort.

So I think in the short term what is the quickest way we can get some hard units on the ground. If that is public housing, let us do it that way. And over time, let the other options that he raised occur over time.

Senator REED. Thank you.

Mr. Kelly, your project specifically made the commitment for one-for-one replacement. That was not at the suggestion of HUD. I think that was at your insistence. Is that correct?

Mr. KELLY. Yes, sir. We have been at this since 1727.

Senator REED. Longer than HUD.

I go back. I am trying to sort out the Secretary's testimony. The suggestions, I think, is that we are going to do it by tax credits. Even if those tax credits are taken up, you need a second subsidy which is the voucher for the public housing individuals.

So you basically have two subsidies which may, in fact, per unit per family be more expensive than creating a public housing—a one-for-one public housing approach. Is that . . .

Mr. KELLY. I think the tax credits are being used to fund the capital and I think you really have to separate those two eggs. But the issue is we have to make sure that it is affordability. The tax credits can be geared at 60 percent below. In public housing, you are dealing with a lot of people at 30 percent. And that is the issue on affordability. Tax credits do not solve the problem.

Senator REED. Right. That is the point I was trying to reach with the Secretary, and my understanding is not as expensive as his, but if you have a tax credit regime that sets up of affordability levels at 60 percent of median income, than they do not have to serve anyone below that, I think. Is that correct? I am trying to figure out the program. Maybe Ms. Liu?

Mr. PERRY. I think that is correct, that people who are at 30 percent may not get served. The ultimate problem is that public housing is being demolished now and we have to move quickly. That is what this bill provides us, an opportunity to move.

Senator REED. Again, there are lots of regulations and laws, et cetera. But on the streets of New Orleans, if formerly resided in public housing, that unit is demolished, you cannot get into public housing. You may get a voucher. But that voucher does not allow you to go to any rental property in the city of New Orleans, walk up to the door and say here, you have got to put me. Is that fair?

Mr. PERRY. I would agree. I can provide you a referral list of folks who have called our office and said well, I have a voucher. But everywhere I go they say that they do not take vouchers. And so I still cannot find a place to live, even though I have a voucher.

Senator REED. Even if those places take vouchers, there is a certain amount of money that they expect to be paid also. Is that correct? Or am I missing the point totally?

Mr. PERRY. Right, that is true. The tenant has to pay a portion of the rent, as well.

Senator REED. And for many public housing people that is literally beyond their grasp; is that correct?

Mr. PERRY. That is correct.

Mr. KELLY. It gets more complicated when you get into the issue of utilities. So if it is a 30 percent income, but then you have got the utilities on top.

I think one of the things that should be emphasized is under the public housing the ACC do not provide enough revenue to operate units successfully. That is part of why we have public housing in the disarray that it is. We really need to have many more project-

based Section 8 vouchers so that these redevelopments can be done successfully and will last into the future.

Ms. LIU. I was just going to echo that because I do think, and other folks on the panel and in the audience will probably know this, I know that the value of the housing vouchers have gone up to meet the increase in cost in that housing market. So in some ways that is a help.

But if the tax credits are moving faster, if the developers are moving faster on breaking ground, the more we have project-based vouchers to tie with these tax credits the better off we will be. I know that we need to continue to push on expanding that.

Senator REED. So essentially what I think you are suggesting is that we have a coherent strategy where it is not just tax credits to any developer, and then I related to that might give a voucher to a person. They have to be coordinated together, which I presume you are doing in Lafitte?

Mr. KELLY. Yes, sir.

Ms. PAUL. Yes.

Senator REED. And that has to be the plan going forward for the other public housing units that are being demolished and replaced in some version.

Is that the approach you have heard this morning from the Secretary, Mr. Kelly?

Mr. KELLY. I think—I do not want to speak on behalf of the Secretary. I think Lafitte is a model of what the public housing redevelopments should and can be. It is about allowing people the right to come on.

Senator REED. Thank you all very, very much.

We will keep the record open for a week. This has been extremely informative. Thank you for traveling all the way up here to Washington. And thank you for your good work every day to help people, our neighbors, who need your help.

I understand we have some ladies and gentlemen who were evacuees for Katrina who are here in the audience. Thank you for being here today, I guess, in picking up Mr. Kelly and Mr. Paul, seeing them bearing witness.

Thank you.

[Whereupon, at 11:15 a.m., the hearing was adjourned.]

[Prepared statements and additional material supplied for the record follow:]

PREPARED STATEMENT OF SENATOR JACK REED

I want to welcome everyone to this important hearing on housing needs in the Gulf Coast, and extend my appreciation to the witnesses who have taken time out of their busy schedules to come to Washington, DC to be before us today. I want to also recognize my colleague Senator Landrieu, who is testifying this morning, and acknowledge her efforts to secure resources and assistance for her constituents and all Gulf Coast residents. Her dedication to rebuilding the areas devastated by hurricanes Katrina, Rita, and Wilma are impressive, and I know she is here fighting every day to make sure families can return to their communities.

We are here this morning because although two years have elapsed since hurricanes Katrina, Wilma, and Rita hit shore, unfortunately, there is still much to be done to rebuild devastated areas and help people return home.

The hurricanes of 2005 destroyed or significantly damaged over 305,000 homes, and caused some level of damage to tens of thousands of others. Of the homes most damaged, over a third were occupied by renters. Two-thirds of the most damaged homes were in Louisiana. After the hurricanes, over 1.3 million Americans were scattered throughout the country, relying on friends, family, and others to meet their short-term housing needs. Longer-term housing needs have been met by the federal, state, and local governments, private non-profits, public housing agencies, and private landlords and property owners.

Congress quickly responded after the storms to provide needed funds to help communities clean-up and recover, and to provide housing assistance to those displaced. However, anyone with a television can recount the horrors of watching the bungled recovery efforts in New Orleans. While those days seem long past, there are still many families who have been left stranded and unable to return to their communities. We are here today to explore how we can work together to help people return home.

While more residents return every day, and old businesses open their doors, communities are still struggling to recover. New Orleans, the hardest hit area, has climbed back to 66% of its pre-storm population. Unfortunately, as we would suspect, those with low-incomes, minorities, renters, and families with children have been the least likely to return. Many of these families have no resources to move once again, and many have no homes to return to.

With supplemental CDBG funds provided by Congress, the states affected by the storms have established grant programs to assist homeowners in rebuilding their destroyed homes, and in turn, their communities. In Louisiana, over 180,000 families have applied for funds through the State's "Road Home" program, with over 50,000 receiving grants to rebuild so far. And in Mississippi, almost 14,000 homeowners have received rebuilding funds. These programs have helped to jump start housing development throughout the Gulf Coast.

There has been a major gap, however, in ensuring that there is adequate, affordable rental housing in the devastated areas. While GO-Zone tax credits have been allocated, and other plans are in place to rebuild some portion of the rental housing, the plans of HUD and the states leave low-income renters with significantly fewer options than before the storms. As I understand it, HUD expects to demolish much of the public housing in New Orleans and only replace about forty percent of it.

While I believe that redevelopment must move forward and must result in healthy, vibrant, mixed-income communities, I am concerned that low-income families—including many children, people with disabilities, and seniors, will have no homes to return to if affordable housing is not replaced.

In fact, affordable housing in New Orleans and throughout the Gulf has become even more elusive. Rents have increased by 40% and homelessness has doubled, despite the significant population decrease.

Chairman Dodd and Senator Landrieu have introduced a bill, the Gulf Coast Housing Recovery Act, which would help ensure that families of all income levels can return to their communities, and I applaud their efforts. Their bill seeks to ensure that affordable housing is replaced in flexible and sensible ways—with resident and community input, in mixed-income communities, and through a variety of housing options.

I know there are still serious housing problems throughout the Gulf Coast, and I look forward to hearing from our witnesses on what challenges remain and how we can work to build healthier and stronger communities in the devastated areas.

PREPARED STATEMENT OF SENATOR MARY L. LANDRIEU

Chairman Reed, Ranking Member Shelby and Members of the Committee,
Mr. Chairman, we can easily lose sight of the nature of this tragedy in statistics, when we are really talking about people, and homes, and neighborhoods. To begin, I would like to tell the story of two such people from my state.

Gloria Williams and her twin sister Bobbie Jennings are 60 years old. They both lived in public housing in New Orleans before the hurricane struck. Gloria and Bobbie started working early in life. They picked cotton, strawberries, and snap peas in rural Louisiana. "We were raised to work," they have said. They moved to New Orleans when their father drowned, their mother was later killed. They eventually both had careers as Certified Nursing Assistants, working in nursing homes for many years. They fed people, cleaned people, bathed people and cared for people. They raised families and had grandchildren. And like 25 percent of households in New Orleans, neither owned a car. But their years of hard, physical work took their toll, and now at 60 they both have serious physical ailments. Ms. Jennings had back surgery and suffers from high blood pressure. Ms. Williams has heart and lung problems, high blood pressure and blood clots that keep her from standing for very long. Their only source of income is their \$600 a month disability check. Neither one has any pension. They tried to relocate to California, but the 3,000-mile distance from their family was too great. They've moved into a relative's damaged home in Slidell. The only thing they want out of this life is a little dignity and recognition for having toiled all their lives, as good citizens and good neighbors. For them, that recognition would be to allow them to return home to New Orleans. Mr. Chairman, these are the kind of people that God put us on earth to help. As the Bible reminds us "Whatever you did for the least of My brothers and sisters, you did for Me."

Mr. Chairman, I am pleased to be here today to discuss housing needs in the Gulf Coast, and in particular, S. 1668, the "Gulf Coast Housing Recovery Act" introduced by Chairman Dodd and myself. Let me take this opportunity to again thank Chairman Dodd for generous advice and guidance in crafting this legislation and to Ranking Member Shelby for his work alongside the Louisiana Congressional delegation on the numerous Gulf Coast recovery-related issues. I would also like to thank Congresswoman Maxine Waters and House Banking Chairman Barney Frank for showing such initiative on this vital subject for the Gulf Coast. Their early leadership on this subject speaks volumes about their compassion for the suffering of the people of the Gulf Coast. We will not forget their efforts.

Our ability to rebuild homes and communities will determine the success of overall long-term recovery efforts in the region. To illustrate the interconnectedness of our problems consider this, in Louisiana alone we had over 18,000 businesses destroyed. Yet time and time again, I am told that the biggest hurdle to business growth in New Orleans is the absence of affordable housing. Louisiana also had 875 schools destroyed. Again, teachers cannot come back to school and teach our children if they do not have a roof over their heads. Housing is where recovery must start!

The official title for this hearing "Two Years After the Storm: Housing Needs in the Gulf Coast" suggests that there was only one storm that hit the Gulf Coast in 2005. In fact, the Gulf Coast was hit by three storms in 2005: Katrina, Rita and Wilma. Katrina struck the Gulf Coast on August 29, 2005, which was damaging enough to my state. If that was enough though, in New Orleans there were also 28 separate Federal levee failures which flooded 12,000 acres—or 80 percent of the city—following Katrina. Then one month later, Hurricane Rita made landfall in southwestern Louisiana and southeast Texas with winds in excess of 115 mph and a significant storm surge. In terms of the impact of Hurricanes Katrina and Rita, and the failure of the Federal levees on housing in my state, we had more than 200,000 homes damaged or destroyed. These properties run the gamut from single-family homes to multi-family homes to rental units. However, owner-occupied and rental housing were not the only types of housing damaged by the storms. There were over 7,000 public housing units damaged in the New Orleans area alone with more than 5,000 public housing residents displaced.

Furthermore, according to a January 2005 study by UNITY of Greater New Orleans, a collaborative of 70 nonprofit and government agencies in Orleans and Jefferson Parishes, there were 6,300 homeless in the New Orleans area. As a result of Hurricane Katrina and the levee breaks, in January 2007, the homeless population had almost doubled to an estimated 12,000 homeless, though only 60 percent of the city's general population had returned. These homeless residents are living in abandoned housing, on the streets, in cars or in housing designated for the homeless. The number is steadily increasing because the extraordinarily high cost of development has added to the challenges of rebuilding affordable rental housing along the

Gulf Coast which has significantly reduced the number of deeply affordable rental units. For example, according to a June 2007 report by PolicyLink, a national research institute, rents have increased in the area by as much as 40 to 200 percent since the storms, leaving few apartments affordable to families making less than the area median income. All of these factors are creating an affordable housing crisis in the area but especially in New Orleans. As I mentioned above, this crisis threatens our recovery as, before the storm these residents of affordable housing were essential to our workforces in the tourism, hospitality, and service sectors which, as you know, are the lifeblood of the New Orleans economy. In fact, New Orleans employers are seeking to fill 15,000 hospitality industry jobs, 10,000 public health/hospitality industry jobs, and almost 10,000 construction jobs. We cannot fill these jobs without affordable housing for these vital workers.

Given the ongoing housing needs in the southern part of my state, as well as all across the Gulf Coast, I was pleased that H.R. 1227, the "Gulf Coast Hurricane Housing Recovery Act" passed the House of Representatives on March 21, 2007. This legislation, introduced by Representative Waters and Representative Frank, addresses many of the major housing-related problems in my state, especially as they relate to public housing, rental housing, and those who were made homeless by the storms. When this legislation was received in the Senate, I begin working closely with Chairman Dodd to review H.R. 1227 for ways to strengthen this important legislation. To further this goal, we consulted with all relevant stakeholders, including public housing residents, community leaders, nonprofits, developers, and Federal/State/local officials on areas where the House-passed legislation might require adjustments or improvements.

The legislation we are discussing today, S. 1668, the "Gulf Coast Housing Recovery Act" is the product of these months of intensive consultations. As a testament to the comprehensive, yet balanced approach in this bill, I note that S. 1668 is supported by at least 43 national organizations, 34 Gulf Coast organizations, in addition to the State of Louisiana and the City of New Orleans. This legislation, the Senate companion to H.R. 1227, is similar to the House-passed bill in some places; in others it really improves upon what was included in the House bill. For example, there were an estimated 18,000 distressed properties in New Orleans before the storm, but as a result of Katrina and the subsequent levee breaks, there are now at least 32,000 such properties. Distressed properties like this need a clear title and to be brought up to code, then they can be returned to the housing market rather than sitting idle or blighted. The New Orleans Redevelopment Authority (NORA) has the power to address this particular issue but lacks sufficient funding. To these ends, H.R. 1227 included \$15 million for NORA to carry out a pilot program to purchase and bundle properties, then sell them for redevelopment. After talking to Representative Richard Baker, who championed this provision on the House side, we were able to include \$25 million for NORA in S. 1668 so they can "hit the ground running" with this program. In addition to this funding, we also added an additional \$25 million in the Senate bill for other redevelopment authorities in Katrina/Rita declared areas in Louisiana to carry out similar programs.

Another important provision that we retained in S. 1668 from the House-passed legislation was an authorization of funding for 4,500 units of supportive housing for the elderly, the disabled, and the homeless—the most fragile of our population. 3,000 of these vouchers would be reserved for Louisiana, with the rest going to other impacted Gulf Coast states. I note that the Senate has already passed this particular proposal. It was included as a floor amendment that I offered as part of H.R. 4939, the Emergency Supplemental which was enacted last summer. However, much to my chagrin, and to those working on this issue in my State, this important provision was taken out by the House of Representatives in final negotiations on the Supplemental. As a member of the Senate Appropriations Committee, I plan to work closely with this Committee and my colleague Senator Patty Murray, Chairman of the Transportation, HUD Appropriations Subcommittee to secure this funding in the next Emergency Supplemental. Chairman Murray recently committed to me on the Senate floor to work to include this particular funding in the Supplemental. The authorization in this bill has been essential to push this issue forward and garner additional Senate/House support for these efforts.

Furthermore, before Hurricane Katrina, at approximately 40 percent, New Orleans had one of the lowest homeownership levels of any metropolitan area in the country. As we rebuild this vibrant city, in my opinion, increasing homeownership should be one of the tenets of the redevelopment process. It is essential to return residents to public housing, rental units, and other affordable housing but in order to truly spur long-term recovery and economic development; we should also create homeownership opportunities for these families. With this in mind, S. 1668 includes an additional \$5 million for NORA to provide soft-second mortgages and directs the

Federal Housing Administration to convey foreclosed/distressed properties to NORA for affordable resale to these low-to-moderate income residents. These provisions are important steps towards not just returning displaced residents home but giving them the chance to own that home.

Following Katrina and Rita, there has been a great deal of emphasis placed on rebuilding Gulf Coast owner-occupied and rental housing, as there should be. The recovery of public housing, however, is one area that has not received much national press even though public housing residents have the same right to return home and rebuild as homeowners or renters. Prior to Katrina, the Housing Authority of New Orleans (HANO) operated 7,379 public housing units, 5,146 of which were occupied. As you may know, HANO has long been a troubled agency and has been plagued by mismanagement. This in part, has contributed to the poor condition of some public housing in New Orleans and the negative stereotype that many in the area have of public housing. It should be noted however that despite that negative perception, before Katrina almost 85 percent of these public housing residents were employed and many of them are now employed in other cities, with children in school there. Some former public housing residents are settled in these other cities and do not want to return to New Orleans. That is their choice, however, many other residents do want to come home and participate in the recovery of their communities.

H.R. 1227 provides the process and means for returning these New Orleans public housing residents home. The House-passed bill includes a resident study to find out which residents want to stay where they are, which residents want to come back to public housing in New Orleans, and which residents would like to return to New Orleans with rental or Section 8 assistance. This study would guide redevelopment plans of public housing in New Orleans and the Department of Housing & Urban Development supports this provision. In fact, I understand that after both H.R. 1227 and S. 1668 were introduced, HANO started conducting a study modeled on the provision in the legislation. H.R. 1227 also specifies that HANO shall not demolish the 7,379 public housing units unless there is a plan in place to provide for one-for-one replacement of the disposed units. This particular provision ensures that all public housing residents who want to return can do so—to either public housing or other affordable units.

S. 1668 retains these provisions but strengthens them in a few important ways. For example, just as in H.R. 1227, our bill sets out that all 5,146 pre-Katrina occupied units shall be replaced with hard units—which can be public housing, affordable housing, or vouchers tied to affordable units. However, unlike the House bill, for the remaining units, the Senate bill allows HANO to replace these units with hard units or with project-based vouchers tied to units in low-income neighborhoods/areas undergoing revitalization. This is because some residents want to return to public housing, but there are others who would like to transition to other types of units. Our bill would set out this ‘menu of options’ for both residents and developers alike, allowing them to work hand-in-hand to rebuild public housing. And we worked closely with developers in the area who have already committed to responsible replacement of public housing, such as Providence Community Housing who is testifying today, to ensure that our bill will move development forward, while still providing sufficient guarantees for resident participation/input. Just as important, however, is that S. 1668 ensures that affordable housing will not be lost at a time when it is most needed.

In closing, let me reiterate that this bill addresses one of the most fundamental needs following a disaster: the need to return home. Whether residents live in million dollar mansions, rental housing, or public housing they all share the same desire to return to their communities, and in particular, their own homes. The House of Representatives has done its part to help these public housing residents, renters and homeless individuals so now it is up to the Senate, and this Committee, to act upon this legislation. I look forward to working closely with Chairman Dodd, Ranking Member Shelby, and the other members of the committee to hopefully reach an agreement on moving S. 1668 forward to the full Senate for consideration.

Mr. Chairman, this concludes my prepared statement. I ask unanimous consent to include a list of organizations supporting S. 1668 in the Record, along letters of support from both the State of Louisiana and the City of New Orleans. At this time, I would be pleased to respond to any questions that you or other members of the Committee may have on this issue.



KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana
OFFICE OF THE GOVERNOR
Baton Rouge

70804-9004

POST OFFICE BOX 94004
(225) 342-7015

July 26, 2007

Honorable Mary L. Landrieu
United States Senator
724 Hart Senate Building
Washington, DC 20510

Dear Senator Landrieu,

The Gulf Coast Housing Recovery Act being brought to the United States Senate by yourself and Senator Dodd is a piece of legislation critical to the continued recovery efforts in Louisiana post Hurricanes Katrina and Rita. In its current form in the Senate version, this Act will authorize full funding for Louisiana's Road Home Homeowner Assistance program so long as the State of Louisiana provides up to \$1 billion of additional funding to the program. We heard Congress clearly on this point, and you will be pleased to know that at my request the Louisiana Legislature has already appropriated funds that will make this \$1 billion commitment a reality. When the Gulf Coast Housing Recovery Act is signed into law, thousands of Louisiana homeowners who are counting on the Road Home program to help them rebuild will breathe a sigh of relief knowing that the U.S. Congress has pledged to make sure the resources they need will be there.

The Gulf Coast Housing Recovery Act also gives Louisiana's Road Home program access to vital Hazard Mitigation Grant Program (HMGP) funds which have been unavailable to the State of Louisiana. The state has had this issue as one of its highest federal priorities since presentations to the Senate Homeland Security Subcommittee in January. The Road Home program's original budget always relied on \$1.2 billion from HMGP, and it remains a significant part of the problem for Louisiana's homeowner assistance program funding shortfalls. This legislation addresses fundamental problems between two sources of funding—those of the Department of Housing and Urban Development and the different rules of FEMA and the Stafford Act.

Our state's post-hurricane recovery activities have been committed to mitigating and preventing future damages from storms like Hurricanes Katrina and Rita across the state of Louisiana. In its fundamental design from the beginning, the Road Home program has funded home elevations, acquisition of properties into green space (in areas designated by local governments to be parks or that are otherwise hazard prone), and investments into other preventative safety measures for homeowners.

Senator Landrieu
July 26, 2007
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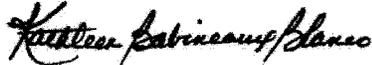
Furthermore, Louisiana has advocated that all of its parishes adopt as a precautionary measure the FEMA Advisory Base Flood Elevations (ABFEs), which has now been acted upon in all of Louisiana's coastal parishes. Although controversial, this policy to encourage ABFE adoption has succeeded and mandates new standards for elevations based on the best available guidance from FEMA, and will alleviate future damages to structures.

Another important measure in this legislation addresses a concern with duplication of benefits. The state has joined with you in calling for the waiver of the duplication of benefits requirements from the Small Business Administration disaster home loans. As you know, homeowners are being asked to repay their SBA loans with their Road Home grants, rather than allowing them to use both sources to rebuild if necessary. We have felt that homeowners be allowed to manage their debt obligation to SBA separately from their Road Home grant. The interpretation that Road Home grants cause a duplication of benefits of SBA loans by the federal government has essentially confused grants and loans as the same thing.

We are also very supportive of other vital measures that the Act provides for renters and the residents of public housing. These include the 3,000 new project based vouchers for families in need of Permanent Supportive Housing (PSH), which has been a fundamental component of the state's housing program for over a year now. These vouchers will couple with funds that will finance grants for services for PSH that Louisiana has set aside. It also provides greater flexibility for existing vouchers that will make housing and redevelopment more likely.

The state of Louisiana has championed mitigation and gone above and beyond guidelines set in place by FEMA. The passing of this Act will only help to further piecing back together the lives and homes of Louisianans affected by this terrible tragedy. With the assistance of this legislation, we will continue to guide our recovery efforts to build a safer, smarter, stronger Louisiana.

Sincerely,



Kathleen Babineaux Blanco
Governor

CITY OF NEW ORLEANS
C. RAY NAGIN, MAYOR



July 19, 2007

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Mary Landrieu
U.S. Senate
Washington, D.C. 20510

Dear Chairman Dodd and Senator Landrieu:

Thank you for all you have done since August of 2005 to help New Orleans and the Gulf Coast recover from the devastating effects of the hurricanes of that season. We have all come a long way in our efforts to rebuild and bring our citizens home, but there is much still to be done, and your efforts are critical to our recovery.

We applaud and support your initiatives in the realm of housing, particularly in light of the over 200,000 housing units damaged or destroyed by the storms and subsequent flooding in Louisiana alone. We support S.1668, the Gulf Coast Recovery Act of 2007, for the many provisions that work toward the goal of rebuilding the homes and lives of so many of our citizens.

There are many facets of this bill that deserve special attention for the critical time sensitivity of the problems they attempt to solve. The bill provides flexibility for the use of previously allocated funds needed to assist homeowners in rebuilding more safely. It authorizes funding to fill a substantial gap in the program to assist homeowners to rebuild their storm and flood damaged homes. It also fixes a punitive duplication of benefits issue requiring repayment of SBA loans with their homeowner grants needed for repairs.

By reinforcing the need to provide public housing options and expand voucher options, the bill creates a pathway to opportunity and economic stability for many of our working families struggling to make ends meet. It also provides for the participation of public housing residents in the policies and decisions that affect their lives. These efforts to provide housing and ensure accountability on the process of demolition, conversion and reconstruction in disaster-impacted areas are to be commended.

This bill also supports the partnership between the City of New Orleans and the New Orleans Redevelopment Authority (NORA) with a pilot program to acquire and redevelop property in

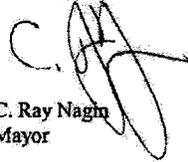
Page 2

accordance with the city's recovery plan. Additionally, NORA would be the recipient of HUD controlled FHA property to provide home-ownership opportunities for low-income families.

Finally, we would be remiss not to thank the authors of this legislation for including the call for a GAO review of how federal dollars were distributed to support housing needs following the 2005 disaster. While we can not turn back the clock for our citizens along the Gulf Coast, we know that there is much to be learned by our nation in the event that Americans fall victim to a disaster of this magnitude, natural or man-made, in the future.

Thank you again for your dedication to our recovery. Your efforts combined with those of House Financial Services Chairman Barney Frank and Housing and Community Opportunity Chair Maxine Waters in passing the House version of this legislation, and the entire Louisiana Delegation, will provide vital assistance to our community and help us to bring our citizens home.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Nagin', with a large, stylized flourish extending from the end of the signature.

C. Ray Nagin
Mayor

The Gulf Coast Housing Recovery Act of 2007

June 15, 2007

The Gulf Coast Housing Recovery Act of 2007, introduced by Senators Dodd and Landrieu, will ensure that families of all income levels can come back to the Gulf Coast, and will help jump-start development in the Gulf. The Bill does the following:

Brings People Home:

- Ensures homeowners in Louisiana can rebuild their homes by authorizing funds to cover the shortfall in the Road Home program.
- Provides former public housing residents the opportunity to come home.
- Provides counseling to families with housing vouchers so they can obtain suitable housing.

Replaces Lost Housing:

- Ensures there is no net loss of affordable housing opportunities by requiring that any public housing or other HUD-assisted housing in the Gulf is replaced.
- Authorizes appropriations for the repair and rehabilitation of public housing in the Gulf Coast.
- Provides additional affordable housing opportunities by authorizing funding for 4,500 supportive housing vouchers, and an additional 1,000 housing units for the homeless.

Creates Homeownership Opportunities:

- Requires FHA to use pre-hurricane credit history in determining a borrower's eligibility for FHA insurance so households who have faced financial difficulties as a result of the storms are still able to become homeowners.
- Requires any properties under HUD's control within the City of New Orleans be transferred to the New Orleans Redevelopment Authority for low-income homeownership opportunities.

Spurs Community Development:

- Provides \$20 million from previously appropriated funds to the New Orleans Redevelopment Authority, and \$20 million for other parishes, to acquire land for redevelopment.
- Assists the development of Low Income Housing Tax Credit projects by requiring the Housing Authority of New Orleans to work to project-base vouchers where development is occurring.

Continues Assistance for Evacuees:

- Requires continued rental assistance for evacuees and transfers funding from FEMA to HUD to provide rental assistance to families still in need of temporary housing.
- Assists families in moving out of unhealthy living environments by authorizing funding for rental assistance for families currently living in FEMA trailers.

Requires Accountability:

- Requires HUD to petition a court for judicial receivership of the troubled Housing Authority of New Orleans, so that the housing agency is an independent partner in redevelopment.
- Requires all states that received emergency federal funds to report on the use of those funds, including information on who is served in each state, and requires HUD to monitor expenditures of emergency funds to prevent waste, fraud and abuse.
- Authorizes funding for fair housing enforcement, to ensure that families are treated fairly and are not subject to discrimination.

The Gulf Coast Housing Recovery Act of 2007
September 20, 2007

The following organizations have endorsed the Gulf Coast Housing Recovery Act:

National Organizations:

AARP
ACORN
Addicts Rehabilitation Center Foundation, Inc.
American Association of Homes and Services for the Aging
Center for Responsible Lending
Center on Budget and Policy Priorities
Consortium for Citizens with Disabilities Housing Task Force
Consumer Mortgage Coalition
Enterprise Community Partners
Institute of Real Estate Management
Jonathan Rose Companies
Lawyers Committee for Civil Rights Under Law
Local Initiatives Support Corporation
McCormack Baron Salazar, Inc.
Mortgage Bankers Association
National Affordable Housing Management Association
National Alliance to End Homelessness
National AIDS Housing Coalition
National Apartment Association
National Association for the Advancement of Colored People (NAACP)
National Association of Affordable Housing Lenders
National Association of Home Builders
National Association of Realtors
National Coalition for Asian Pacific American Community Development (National CAPACD)
National Fair Housing Alliance
NCBA Housing Management Corporation
National Housing Conference
National Housing Law Project
National Housing Trust
National Law Center on Homelessness and Poverty
National Leased Housing Association
National Low Income Housing Coalition
National Multi Housing Council
National Policy and Advocacy Council on Homelessness
NETWORK: A National Catholic Social Justice Lobby
Oxfam America
PolicyLink
Religious Action Center for Reformed Judaism
Technical Assistance Collaborative

Tramell Crow Company
Unitarian Universalist Association of Congregations
United States Jesuit Conference
Volunteers of America

Gulf Coast and Regional Organizations:

Acadiana Regional Coalition on Housing & Homelessness (ARCH)
Alabama Appleseed Center for Law & Justice
Alabama Arise
Armstrong Family Services
Catholic Charities, New Orleans
Coalition for Citizens with Disabilities of Mississippi
Florida Legal Services, Inc.
Fresh Start of Baton Rouge
Georgia Appleseed Center for Law & Justice, Inc.
Greater Houston Fair Housing Center
Greater New Orleans Fair Housing Action Center
Gulf Coast Fair Housing Center (Biloxi, MS)
Home Builders Association of Greater New Orleans
Hope for the Homeless, Inc
Hope House
Lake to the River: The New Orleans Coalition for Legal Aid and Disaster Assistance
Last Hope, Inc.
Louisiana Advocacy Coalition for the Homeless
Louisiana Association of Nonprofit Organizations
Louisiana Developmental Disabilities Council
Louisiana Housing Alliance
Louisiana Supportive Housing Coalition
Mental Health America of Louisiana
Mobile Fair Housing Center
NAMI Louisiana
New Orleans Neighborhood Development Collaborative
Northeast Louisiana Delta CDC
People Improving Communities Through Organizing - Louisiana Interfaith Together
(PICO-LIFT)
Poverty & Race Research Action Council
Project Lazarus
Providence Community Housing
Shelter Resources, Inc.
Texas Appleseed
UNITY of Greater New Orleans

**Statement of Orlando J. Cabrera
Assistant Secretary for Public and Indian Housing**

**Before the Committee on Banking, Housing and Urban Affairs
United States Senate**



**"Two Years After the Storm: Housing Needs
in the Gulf Coast"**

September 25, 2007

Chairman Dodd, Ranking Member Shelby, distinguished Members of the Senate Banking Committee, it is a privilege to appear before you today on behalf of the Department of Housing and Urban Development (HUD). We appreciate Congress' continued support and attention to Gulf Coast recovery, as reflected in H.R. 1227 and S. 1668. Although HUD shares the goals of both bills in seeking to help the victims displaced by the hurricanes and rebuilding, we have serious concerns with many of the provisions in their current form. In response, the Administration will communicate detailed concerns separately, and we look forward to working with both the House and Senate to address the ongoing needs of families affected by the hurricanes.

Today, I share with you HUD's recovery efforts in the Gulf Coast following the devastation caused by the trio of hurricanes that battered the region two years ago. We have taken great strides in the recovery effort; yet, there are still many challenges that lie ahead, especially in Louisiana. This testimony focuses on three things:

1. The \$16.7 billion in Community Development Block Grant (CDBG) supplemental funds for long-term recovery;
2. The recovery of New Orleans Public Housing; and
3. Continuing affordable rental housing challenges.

In response to the disasters, the federal government has committed more than \$110 billion to help the Gulf Coast, including \$16.7 billion for the CDBG program. The legislation passed by Congress for the CDBG program was clear in its intent: the federal government would not dictate to local communities how they were going to use the money in their recovery efforts. The Gulf states and their governors were designated with the principal responsibility for the design, implementation, and performance of their rebuilding efforts. HUD has and will continue to move quickly with reviewing and approving state recovery plans. HUD has received and approved \$15.23 billion worth of recovery plans from the affected states. HUD has and will continue its role in offering guidance and assure compliance with the law, including the prevention of waste, fraud, and abuse.

Recovery is taking time but the pace has been picking up. In January 2007, a little over \$1.1 billion had been expended by the states. Today, over \$5.8 billion of the CDBG funds have been expended. Louisiana has made substantial progress in its Road Home homeowner grant assistance program. The state established a July 31, 2007, application deadline for its homeowner program. The state has received over 184,000 applications and has dispersed grant assistance of almost \$4 billion to over 52,000 homeowners.

In Mississippi, its Homeowner Assistance Program has assisted over 14,000 homeowners who have received checks to help compensate them for their losses and assist them as they rebuild their lives. All of the five Gulf states have other critical programs underway, including infrastructure repair and redevelopment, economic development assistance, and rental and public housing programs.

I will now address recovery issues for New Orleans Public Housing. As Secretary Jackson said when he visited New Orleans, "every family who wants to come home should have the opportunity to come back... HUD's goal is to bring families back to quality housing." HUD is working with the local community to redevelop New Orleans public housing so families will have the opportunity to return to better, safer neighborhoods. The Housing Authority of New Orleans (HANO) has selected development teams to redevelop four major public housing sites, including C.J. Peete, B.W. Cooper, Lafitte and St. Bernard. These sites will be redeveloped to make way for a mixture of public housing, affordable rental housing and single-family homeownership. Low Income Housing Tax Credits and CDBG Piggyback funds have been awarded to these projects by the State of Louisiana. Of the approximately 5,100 units of public housing that were occupied and affected by the disaster, more than 2,000 units have been repaired and are habitable. Over 1,600 families have already come back to New Orleans to re-occupy these units and additional families will be returning. As Louisiana and the other affected states develop their solutions to the challenges they face in public housing, HUD will continue to offer its support and guidance.

Our efforts to provide rental housing assistance to displaced families and individuals are well documented. The Office of Public and Indian Housing (PIH) issued guidance to the nation's more than 3,000 Public Housing Authorities (PHAs) on how to assist public housing residents displaced by Hurricane Katrina.

HUD has worked aggressively to provide previously HUD-assisted displaced families and homeless individuals with housing stability during this period by paying Katrina Disaster Housing Assistance Program (KDHAP) and Disaster Voucher Program (DVP) rental subsidies. Through the KDHAP and DVP, HUD issued over 37,000 DVP vouchers and assisted approximately 32,000 families to find and occupy affordable rental units. All rental assistance programs have been operating successfully and are fiscally sound. Both HUD's Office of Inspector General and the Government Accountability Office have audited HUD's performance and commended the Department on its ability to deliver timely services.

As pre-disaster HUD-assisted housing units damaged by Hurricanes Katrina and Rita become available, the Department remains fully committed to providing displaced families the opportunity to reoccupy their pre-disaster HUD-assisted housing. In 2007, HUD has convened several meetings in New Orleans, Gulfport, and Houston with representatives of the major stakeholders, including public housing residents, pre-disaster and DVP PHAs, tenant advocacy groups, and owners of Section 8 voucher units. The purpose of these meetings was to solicit feedback on the best strategy for returning families to their homes prior to issuing the "final" HUD re-occupancy policies for families displaced by Hurricanes Katrina and Rita as well as implementing the Disaster Housing Assistance Program.

DHAP will allow the 21,896 families that were displaced by Hurricanes Katrina and Rita and are currently being served by FEMA's rental assistance program to be transferred to HUD. Based on the recommendations presented in "Hurricane Katrina: Lessons

Learned," the Administration agreed that FEMA should not be in the long-term housing business. Because HUD has a proven process in place and is the nation's housing expert, it was determined that HUD should continue to serve these individuals. This will total 53,896 families assisted through rent subsidies under the KDHAP, DVP and DHAP programs. Final DHAP operating procedures were issued in August 2007. HUD currently has a team of over 14 program staff at the Housing Authority of New Orleans (HANO) working alongside HANO staff in attempting to contact Hurricanes Katrina and Rita families and make arrangements for their return. HUD is also in the process of issuing public service announcements and working with nonprofit agencies in the Gulf Region and other areas to locate these families and help them return home.

While New Orleans public housing is an important and visible piece of providing affordable rental housing in the region, it represents only a small number of the 112,000 rental units seriously damaged by the storms in the five-state Gulf Coast region. In total, 13 percent of the damaged rental stock in the Gulf region was subsidized housing. Although mostly unsubsidized, 75 percent of the damaged stock was occupied by low-income households.

A weak pre-storm housing market in the Gulf Coast resulted in a relatively affordable housing stock. The affordable homes, half of them in New Orleans, were not high-end properties. Many were built in the 1950s or earlier and had numerous quality problems. While families would in certain cases "double-up" or have extended family reside with them, nonetheless, there was moderately affordable shelter.

That situation has changed dramatically since the storms. Not only are there 112,000 fewer rental units in the Gulf Coast region, there is increased demand for the non-damaged rental units. This demand comes in the form of construction workers moving to the area to accelerate recovery, from displaced high- and low-income renters, and also from higher-income homeowners who are temporarily renting units in the area while their houses are repaired. Some of this demand is likely to be short-term, but in the meantime it quickly increased rents. In response to the rent inflation, HUD has increased its Fair Market Rents for New Orleans by 45 percent since the storms. Increasing Fair Market Rents, however, does not address the near disappearance of affordable rental units.

Immediately in the aftermath of Hurricane Katrina, the Department's goal was to repair, rehabilitate or rebuild the affordable housing projects to the greatest extent possible to ensure that residents could return as quickly as possible to the Gulf Coast region. The Department began diligently working with project owners to develop recovery plans and identify the resources needed to make the repairs and complete the rehabilitation or rebuilding of these projects. Through these efforts, 96% of the Department's portfolio is operational. At this time, out of the 82,404 [HUD-associated] units in the areas impacted by Katrina, there has been a permanent loss of only 354 affordable rental housing units. To date, the Department has seen a minimal increase in multifamily insurance claims.

The lack of affordable rental units means construction workers need to be paid more, increasing the cost of reconstruction. It also pushes low-wage workers out of the area,

having a dangerous trickle down effect on the industries that depend on low-wage workers. This is particularly dangerous for the economic viability of New Orleans, where the economy is based on low-wage workers. For low-wage workers, housing should be within reasonable commutes and at reasonable prices.

Rebuilding the affordable rental housing stock is not going to be easy. The majority of the rental units, over 60 percent, were in 1- to 4-unit dwellings. It is much harder to compel small landlords to repair a low-value property that provides a low return on investment than to get a large landlord to repair a property. Even with subsidy from the CDBG program, it is difficult to convince these landlords to repair their properties.

Again, the Department made the commitment early on to work with the owners to repair, rehabilitate or rebuild the impacted affordable housing units. We held meetings, worked diligently with the owners in developing recovery plans, and provided assistance with redevelopment. The Department has provided flexibility on the use of reserve funds, has suspended Section 8 contracts until such time as the units are rebuilt, and is using our authority under Section 318 to move projects to other locations if necessary to ensure safe, decent, and affordable housing. There were a total of 1,054 HUD-assisted or HUD-insured projects with 82,404 units in the areas that were impacted by Katrina. Today, 1,012 projects with 76,346 units have been repaired or rehabilitated and are fully operational. (The overwhelming majority of these units are HUD insured. We do not control occupancy data on those units. We are seeing in New Orleans that as soon as units go online they are snapped up – after the owner offers the right of first refusal to the original tenant.) This number increases every day as units are completed. All of the projects impacted in Alabama are operational. In Mississippi, approximately 98 percent of the projects are operational. In Louisiana, of the 407 impacted projects, there are approximately 37 projects that are still being repaired, being rebuilt, or are in the process of obtaining funds to complete the necessary restorations.

Multifamily property repair and replacement also faces obstacles, but of a different sort, most notably land acquisition and project design. The delays caused by these factors threaten the ability to fully utilize the Low Income Housing Tax Credits allocated for recovery in the timeframes mandated by law.

The path to rebuilding affordable rental housing continues to be challenging. The federal government has done a lot to help the states and the owners, and we are confident that the entities are on the right path to addressing their many challenges. It is a path, however, that is going to take longer than we want.

Mr. Chairman, Members of the Committee, people need help now. Secretary Jackson and the entire HUD family are committed to using our full authority to help families recover, to stimulate economic development, and to restore hope to communities throughout the Gulf. Thank you.

**Testimony of James Perry
Executive Director,
Greater New Orleans Fair Housing Action Center
and President, Louisiana Housing Alliance
on behalf of
The National Low Income Housing Coalition
presented to the
Committee on Banking, Housing, and Urban Affairs
United States Senate
September 25, 2007**

Senator Reed, Ranking Member Shelby and members of the Committee, thank you for the opportunity to testify today on the impact that passage of S. 1668, the Gulf Coast Housing Recovery Act of 2007 would have on Gulf Coast communities.

I am James Perry, Executive Director of the Greater New Orleans Fair Housing Action Center. I am also the newly elected President of the Louisiana Housing Alliance, a statewide coalition of housing advocates, non-profit housing providers, homeless service providers, fair housing organizations and local housing coalitions. We formed shortly after Hurricane Katrina in order to affect equitable housing development in post-hurricane Louisiana. We have more than 100 member organizations. We are the Louisiana state partner of the National Low Income Housing Coalition (NLIHC), on whose behalf I am testifying today.

Soon after Hurricanes Katrina and Rita struck, the immense housing destruction became apparent. NLIHC responded by convening what has come to be known as the Katrina Housing Group, which has grown to over 80 organizations. These include state and local advocates from the Gulf Coast, including the Greater New Orleans Fair Housing Action Center and the Louisiana Housing Alliance, as well as many national organizations. The members of the Katrina Housing Group work together to learn about the housing conditions of displaced low income people, to ensure that rebuilding is done equitably, to share information about federal policy and programs and to advocate for an effective federal response. We were active in the development of H.R.1227, the Gulf Coast Hurricane Housing Recovery Act of 2007, as well as S. 1668, the bill under consideration today.

On behalf of the National Low Income Housing Coalition, the Katrina Housing Group, the Louisiana Housing Alliance and the Greater New Orleans Fair Housing Action Center, let me offer our strong support for S.1668, the Gulf Coast Housing Recovery Act of 2007. We commend Chairman Dodd and Senator Landrieu for their legislation that would make major improvements to some of the remaining and pressing housing needs on the Gulf Coast.

You have no doubt heard the numbers before, but they bear repeating. Nearly one million homes were damaged by Hurricanes Katrina and Rita; a third were destroyed or severely

damaged. NLIHC estimates that over 70% of the most severely damaged homes were affordable to low income families prior to the disaster. Very few of these homes have been replaced. Given escalating construction costs, difficulty obtaining insurance, continuing anti-affordable housing sentiment and growing Katrina-fatigue, there is little chance that the majority of the homes that were once affordable to low income families will ever be replaced at the level on which they are needed.

It is important to remember that the loss of affordable housing stock caused by Katrina exacerbated an already acute shortage of housing affordable to the lowest income people. There are 9 million extremely low income households in need of rental housing in the United States and only 6.2 million homes renting at prices they can afford. Extremely low income households are those with incomes at or below 30% of the area median. In Providence, Rhode Island that equals \$19,200 or less. In New Haven, Connecticut it is \$22,980 a year or less. In Mobile, Alabama it is \$14,850 or less. These are elderly and disabled people on fixed incomes or people in the low wage workforce. Whatever means low income people on the Gulf Coast coped with the housing shortage prior to the hurricanes (social services or social networks) are no longer available to them, especially those displaced to unfamiliar communities.

It is impossible for us to know precisely how many low income households remain displaced and temporarily housed these 25 months after the hurricanes. FEMA continues to hold such information tightly, refusing to present detailed and up-to-date information to the public. We are left with rough estimates to gain a sense of the scope of the problem.

According to the most recent posting (August 25) on FEMA's website, 98,348 households displaced by Hurricanes Katrina and Rita are still receiving FEMA housing assistance. Of these, 69,194 are in trailers or mobile homes. FEMA estimates that approximately 20% of these trailers are in trailer camps; the remaining 80% are on privately owned property. It is a reasonable assumption that at a minimum most families living in camps were renters prior to the storm. We can also reasonably assume that those still living in FEMA trailer camps do not have the resources to move elsewhere. These assumptions provide that approximately 13,800 Gulf Coast citizens may be permanently displaced.

The other 29,154 households still receiving FEMA housing assistance are receiving monthly rent assistance. While over 13,000 are in Texas, these families are found in every state.

We know that most of the households still in need of housing assistance are very poor. A February 2007 Zogby poll found that nearly 70% of these households had incomes less than \$15,000 a year.

It is also important to note that we believe that a large number of the 723,262 households that were originally received FEMA rent assistance were erroneously or wrongfully terminated, as asserted in the most recent lawsuit filed against FEMA, *Ridgely v. FEMA*.

At its peak, the FEMA 408 rental assistance program served 723,786 households. By May 2006, 246,786 had requested continued assistance, but only 180,636 were granted such aid. Another 60,000 households received rent assistance through FEMA's 403 rental assistance program to cities and states; some, but not all, were transferred to the 408 program in the summer of 2006.

In an earlier lawsuit against FEMA, a federal judge ordered the agency to reassess approximately 5000 cases of rental assistance that had been terminated. As a result of the reassessment, FEMA found that 25% of the households had been wrongfully terminated, and had their benefits reinstated. Applying the 25% error rate to the combined program participants of May 2006, approximately 307,000 households, perhaps as many 77,000 more households continue to be 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.

This guesswork points to the pressing need for a GAO study of all households that received Federal disaster assistance for rental housing to determine how many households had their assistance wrongfully or erroneously terminated. S. 1668 would require that such a study be completed by January of 2008. Once we have a clear idea of how many households were wrongfully denied continuing assistance, we can work towards allocating the resources needed to assist them.

Temporary Housing

Shortly after Hurricane Katrina struck, FEMA purchased 102,000 travel trailers at a cost of \$2.6 billion. According to the Sierra Club, residents of the trailers soon thereafter began complaining of health problems including irritated eyes, breathing difficulties, headaches, nausea and rashes.

It was discovered that the trailers were off-gassing dangerously high levels of formaldehyde, a chemical that has been linked to cancer and other serious health problems. It was not until the House Committee on Government Reform and Oversight held hearings this summer examining the issue that FEMA began to take responsibility for these toxic trailers. FEMA has recently suspended the new deployment and sales of trailers until it addresses health concerns, and offered to help residents identify other housing options. Most recently FEMA announced a program allowing families who wish to move out of their trailers to have FEMA pay the cost of staying in a hotel or motel room until adequate rental housing can be identified.

S. 1668 contains an important provision codifying the Administration's most recent shift in its housing program, transferring households receiving rental assistance from FEMA to the HUD-administered Disaster Housing Assistance Program (DHAP). Advocates have long pressed for HUD, the agency with the expertise and infrastructure to administer housing programs, to be the administering agency for rental assistance after disasters.

S. 1668 would also allow for income eligible households living in travel trailers to choose to instead receive federally funded rental assistance until the program ends in 2008, providing a much-needed alternative to living in travel trailers or motels.

Rebuilding Concerns

The major federal resource for the repair or replacement of rental housing destroyed or damaged by Katrina was an increased allocation of the Low Income Housing Tax Credits (LIHTC). 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 the tax credits would produce throughout the Gulf Coast was 54,000 units of rental housing. It is now clear that the tax credits 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.

Section 8 project based vouchers are needed to be the operating subsidy for LIHTC units – they are the best method for filling the gap between the operating costs of a rental unit and what a tenant can afford. S. 1668 would authorize 5,500 Section 8 project-based vouchers for the Gulf Coast. Many more such vouchers will be necessary to replace the housing that was lost – we estimate 25,000 – but the vouchers provided for in S. 1668 represent a significant step towards ensuring that displaced low income households have an affordable home to which they can return.

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

Mississippi

Almost 92% of the \$5.4 billion Mississippi CDBG allocation has now received waivers from this requirement. Additionally, the recovery allocations that Mississippi has dedicated towards housing recovery have been disproportionately skewed towards homeowners and away from rental repair programs.

As in other Gulf States, low income renters have fared the worst in the state's recovery plan. Although 13,800 small rental units and 10,000 market rate rental units affordable to low and moderate income families were damaged or destroyed, Mississippi created a program with its CDBG dollars to repair or replace only 5000 rental units, targeted to households with 80-120% area median income. Of the \$5.4 billion received, Mississippi has directed only \$105 million towards housing for very low and extremely low income households, in the form of repairing damaged public housing.

Despite these dire housing needs remaining on the Mississippi coast, Governor Haley Barbour on September 7 proposed a plan to divert \$600 million of housing recovery funds to expand the Port of Gulfport. Residents, community leaders and organizations in Mississippi are mobilizing against this proposal, given the tens of thousands of Mississippians that are still displaced, including over 17,000 households still in FEMA trailers in Mississippi alone.

This offers a clear illustration of why the Federal government must conduct careful oversight of the use of the CDBG funds allocated for Gulf Coast recovery, in order to ensure that the housing needs of low income people are being met before much-needed funds are diverted to other projects. S.1668 would require that such reports be made by the States quarterly, and be made public.

Louisiana

The State of Louisiana estimates that 82,000 rental homes in the state sustained severe or major damage. According to a recent report by PolicyLink, 85% of federal funds appropriated to repair housing are going to homeowners. Despite the fact that 40% of the damaged homes were rental units, 15% of the funds are dedicated to repairing such housing.

Many of the rental units scheduled to be redeveloped are using the LIHTC and CDBG funding. The process of rebuilding affordable rental has been extremely difficult though, because Louisiana municipalities have sought to limit the construction of affordable housing. Anti-affordable housing efforts have slowed and in some instances stopped the development process.

One example occurred in Jefferson Parish where the Parish engaged in discriminatory zoning efforts that made it impossible for the Volunteers of America to build an apartment complex for low income elderly and disabled New Orleanians, most of whom were African-American, to replace a complex lost in the storm. The Parish passed a resolution expressly requesting that no LIHTC developments be constructed on the west-bank of Jefferson Parish. It later engaged in a land-use study at the site of the proposed development, timed to kill the project. The project is now dead and the elderly residents are unable to return home.

In similar fashion, a city council person and state Senator for New Orleans East have sought to prohibit the construction of any multi-family housing in their districts.

The combination of the state appropriating such a small amount of money for rebuilding affordable rental housing and localities working to limit such housing has stymied the ability of many low-income residents to return.

S. 1668's provision of additional rental vouchers and one for one replacement of damaged or destroyed public housing units will go a long way towards helping to provide desperately needed affordable housing to Louisianans. It is important to note however that more help is needed. I would further urge the Senate to encourage municipalities to

welcome affordable housing efforts. Municipalities should be reminded that federal law requires municipalities who receive CDBG funds to affirmatively further fair housing. A failure to do so can result in municipalities losing their CDBG allocation.

Alabama

Of the \$11.5 billion in Disaster CDBG appropriated to the Gulf Coast in 2005, Alabama received just under \$100 million. Only 20% of this has been allocated to housing redevelopment. Over 25 months after the storm, the money has not yet been released.

In Mobile County, over 11,000 single-family homes and 10,000 rental units were damaged or destroyed. Housing advocates and experts estimate that repair costs for these losses equals \$370 million. All of Mobile County has thus far secured only \$8.4 million for housing rehabilitation. It is estimated that this amount will leave up to 90% of its Katrina victims without assistance.

Texas

Texas is home to the largest population of hurricane survivors outside of Louisiana, where half of the households still receiving federal disaster rent assistance are located.

As of June 2007, 107,000 hurricane survivors are still living in Houston. Of those, 12,025 families in the Greater Houston area continue to receive assistance from FEMA. Approximately 2200 families are receiving housing assistance from HUD through the Houston Housing Authority or the Harris County Housing Authority.

Most of the remaining evacuees have extremely low incomes. However, 80% - approximately 44,000 families - are no longer receiving housing assistance.

All of the Gulf Coast states affected by Hurricanes Katrina and Rita will benefit from the additional vouchers authorized in S.1668 and the funds reimbursing cities and states for local dollars used to meet the housing needs of evacuees. Still more resources, beyond what is authorized in the bill, will need to be directed to these states if they are to achieve full recovery.

Public Housing

Public housing in New Orleans remains a divisive and critical issue. Because of recent developments, the tenant protection provisions included in S. 1668 are more important now than ever.

You will recall that HUD issued a press release in June 2006, announcing their intent to demolish four large public housing complexes in New Orleans. Not surprisingly, tenants and others in the city mobilized against this plan. The mobilization grew and hardened, despite the fact that the developers of one planned site committed to many of the protections that tenants were advocating for – most importantly a right to return for all previous residents in good standing, and a one for one replacement of all units affordable to low income people.

The most unfortunate result of the deeply adversarial relationship that developed between people on the ground and HUD is the lack of attention to the other damaged public housing developments, for which no commitments to tenant protections during redevelopment exist. At the same time, redevelopment that would have ensured such protections and allowed tenants to return to New Orleans was halted.

A long and protracted lawsuit, *Anderson V. HUD*, ensued, as both sides dug deeper into their positions, and negotiations with advocates, lawyers and even members of Congress were fruitless.

The National Low Income Housing Coalition and many of its national and local partners developed a set of principles to guide redevelopment of public and assisted housing in the affected areas. We are very pleased to see that much of the principles is reflected in S.1668. 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.

Last week, the judge in the *Anderson* case ruled against almost every substantive claim made by the plaintiffs. While attorneys are working on appeals to this ruling, it means that redevelopment can begin not only at the site where tenant protections are assured, but also that HUD can allow for demolitions to occur at other developments, without any guaranteed tenant protections.

The protections offered to public housing tenants in S.1668 are essential to ensure that the rebuilding and repair of New Orleans public housing does not result in yet another displacement of the city's poorest citizens. These protections must be enacted with all due speed.

Fair Housing

S. 1668 proposes significant funding exclusively for enforcement and outreach activity by mostly private fair housing organizations located in the Gulf Coast Region. This is particularly important because private fair housing organizations are some of the most important advocates for equal opportunity in the Gulf Coast rebuilding process.

The Greater New Orleans Fair Housing Action Center (GNOFHAC) audited the New Orleans metro area rental market for housing discrimination based on race and found discrimination against African-Americans in 57.5% of transactions. The agency partnered with the National Fair Housing Alliance in 2005 in a report titled, "No Home for the Holidays," and found that black evacuees seeking housing encountered housing discrimination in 66% of their attempts to locate housing.

In one investigation by GNOFHAC, the agency uncovered discriminatory housing advertisements on the internet. The ads contained phrases like: “ I would love to house a single mom with one child, not racist but white only,” and “not to sound racist...to make things more understandable for our younger child, we would like to house white children.”

The Greater New Orleans Fair Housing Action Center, the Gulf Coast Fair Housing Center in Mississippi, the Greater Houston Fair Housing Center in Texas and the Mobile Fair Housing Center in Alabama have consistently been on the forefront of the fight against housing discrimination using the Nation’s fair housing laws to cause equitable rebuilding in the region. The groups have fielded hundreds of complaints of housing discrimination by housing providers. The major limitation in tackling these issues has been financial resources. Funding authorized in S. 1668 will allow these groups to better shoulder the burden of combating housing discrimination.

FHA Insurance Provisions

Relief of some strict FHA credit and insurance requirements through S. 1668’s will be extremely helpful for Gulf Coast homeowners. The National Fair Housing Alliance, working with the Greater New Orleans Fair Housing Action Center, the Gulf Coast Fair Housing Center in Mississippi, the Greater Houston Fair Housing Center in Texas and the Mobile Fair Housing Center in Alabama has managed the Hurricane Relief Program designed to assist homeowners in dealing with lending and insurance issues in the post-Katrina environment. Through the program we have seen hundreds of homeowners suffering and unable to negotiate complex lending and insurance regulations. S. 1668 will be a tool in helping to preserve the homeowner status of many of our clients.

Additional Recommendations

Although S.1668 represents a big step towards ensuring that rebuilding is done more equitably, and that displaced households can retain needed housing assistance, it cannot ensure that all of the damaged affordable housing on the Gulf Coast is rebuilt. Substantial additional funds, targeted towards the lowest income households, are needed.

To date, no federal 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 Reform Act of 2007. The House passed H.R. 1427 on May 22. For the first year the fund will be directed to Louisiana and Mississippi to replenish their low income housing supply.

We urge the Senate to 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.

Thank you for the invitation to come before you today and for your consideration of my remarks. I look forward to answering your questions.



Written Testimony of Mr. Alan Brown, COO Mississippi Methodist Senior Services

**Hearing Before the Senate Banking Committee
"Two Years After the Storm: Housing Needs in the Gulf Coast"
September 25, 2007 at 9:30 AM**

Introduction

Chairman Dodd, Ranking Member Shelby and members of the Committee, I want to thank you for the opportunity to testify today. I am Alan Brown, the Vice President of Operations and Chief Operating Officer of Mississippi Methodist Senior Services (MMSS). Mississippi Methodist Senior Services has 11 campuses across the state of Mississippi and we serve 1,800 seniors on a daily basis. Our organization was one of the first in Mississippi to provide HUD housing for seniors and have been for 40 years. Currently, seven of our campuses have HUD subsidized housing communities, serving very low-income seniors.

Our organization is a member of the American Association of Homes and Services for the Aging (AAHSA), a 5,700 member association representing not-for-profit providers throughout the continuum of senior care: adult day services, home health, community services, senior housing, assisted living residences, continuing care retirement communities, and nursing homes. AAHSA members serve as many as two million people every day through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the place they call home.



Demographics and Need of Seniors in the Gulf

A Congressional Research Service report from November 2005 found that the "the aged may have been especially affected by Katrina" and estimated that 88,000 persons age 65 or older were displaced by the storm and of those, 45,000 were 75 and older. Almost 15% of all displaced seniors had incomes below the poverty line. Approximately 48% of the displaced seniors reported having at least one disability, and 26 % reported two or more types of disabilities, including those that require an array of supportive and health services.

An estimated 70% of seniors throughout the Gulf owned their own homes and most had lived in their homes for 20 or more years. Among the elderly renters that were living in unsubsidized housing, 55% had lived in their rental properties over 20 years. According to HUD there are 1,054 assisted properties, over 47,000 units, in the areas affected by the hurricanes. Of the assisted properties, 228 are Section 202 elderly housing communities with almost 11,000 units. Among those, one hundred properties, with 12,559 units suffered severe damage. Seniors need these affordable, supportive housing communities to be restored and functional before they can return to the Gulf.

Mississippi Methodist Senior Services' Experience

On August 29, 2005, five of our campuses were damaged by Hurricane Katrina. Our Seashore Retirement Community campus in Biloxi, MS received the most damage. Seashore was located on Beach Blvd. (Hwy 90) and consisted of 124 market rate apartments, 42 assisted living units



and a 65 unit HUD 202 project with project based Section 8 rental subsidies. All of the buildings had substantial damage but none more so than the HUD building, Gulf Oaks Manor. In addition to significant wind damage, Gulf Oaks had 2 feet of gulf water on the first floor. Fifty-five of our residents refused to leave the campus and rode out the storm with the campus Executive Director who refused to leave them. We were able to evacuate them on August 31, 2005 and provided housing on our other campuses in North Mississippi.

MMSS had what we considered to be good, comprehensive insurance coverage, including flood coverage. We immediately began the process of restoring the campus. We deployed resources from across the state and within three weeks had a complete damage assessment of the property. We were able to restore the market rate buildings and assisted living units by mid October. Little did we know that our challenges with our HUD 202 project were just beginning.

Inspections of the HUD building revealed that there was water damage on the upper floors in addition to the flood damage on the first floor. The heat and humidity following the hurricane coupled with days of no utilities and air flow had created a major mold problem. After weeks of inspections and professional opinions, our insurance carrier determined that the damage on the upper floors was pre-existing, not related to the hurricane and would not be a covered loss. Our insurance coverage would only cover the repairs to the first floor. MMSS was left with an uninhabitable building and a \$1 million dollar gap between what the insurance covered and what it would take to repair the building. In our initial conversations with HUD representatives about how we could solve this problem, we were told that:



- HUD would not loan MMSS the money to cover the insurance gap
- MMSS would not be permitted to borrow money from any other source
- HUD would not forgive any of the debt in our original Section 202 loan
- HUD would not allow MMSS to prepay the mortgage

In spite of these restrictions, HUD informed us that they did not want to lose the assisted housing units. The Department recommended that MMSS find a buyer for the damaged property and stated that any new buyer must continue the property as a 202 project.

In addition, to our discussions with HUD to save the property, MMSS researched additional resources to meet the funding gap to repair the property. Our FEMA request for help was denied because we were classified as a “non-essential service.” With that status, we were advised to seek a Small Business Administration loan, an option that was not available to us because of our HUD financing. Essentially, we had no options.

Eventually, we contacted the American Association of Homes and Services for the Aging (AAHSA) and asked for help. AAHSA immediately contacted senior HUD officials who made us aware of a provision in the FY2006 appropriations legislation, Section 318, which allowed for the relocation of project based Section 8 contracts from non-viable, obsolete HUD projects that had been damaged to new buildings. It seemed to us that the provision was tailor made for our situation and many other hurricane damaged properties. In March 2006, I met with Hank Williams, Deputy Assistant Secretary for Multifamily Housing and he encouraged us to apply for a Section 318 transfer.



On March 31, 2006, we notified our Mississippi HUD office that we would be requesting a Section 318 transfer of the project-based Section 8 contract and provided our initial responses to the Section 318 requirements. About this time, we received an unsolicited offer from a local developer to purchase the entire campus. We accepted, contingent upon our being able to obtain a relocation or release for the property from HUD. We believed it was in the best interest of our residents to build a new campus further inland that would not be affected by future hurricanes. This offer would also give us the opportunity to rebuild the HUD building in a safer location at no additional cost to HUD. We planned to have a new campus with a new HUD building and we could restore 65 subsidized apartments for seniors on the Gulf Coast which had been in existence since 1984.

On July 5, 2006, we submitted our formal Section 318 request to HUD headquarters, outlining our plan and asked HUD for dialogue on how we could make this happen. Weeks passed and we heard nothing from HUD. On August 8, 2006, we once again contacted AAHSA staff and asked for their help. On August 17, 2006 AAHSA had a series of conversations with a senior HUD staff member who assured them they were going to make this happen. On August 29, 2006, after no contact from HUD, we contacted Senator Thad Cochran's office and asked for help. Our business interruption insurance coverage was ending and financially we were fading fast. We needed to complete this process to save the HUD project as well as the entire campus. Senator Cochran's staff responded immediately and HUD assured them that we were a priority. Weeks passed with no response from HUD. At times when MMSS would request an update from HUD,



we were told that they were not sure what desk it was on. On one occasion we were told they were waiting because we did not send a hard copy of our paperwork and they only had an electronic copy. We had submitted a hard copy and it was electronically elevated by HUD staff according to their own protocol. Senator Cochran's staff intervened again in mid-September. They were assured our application was in process.

On October 2, 2007, more than six months after our notification of intent to pursue a Section 318 project based Section 8 transfer and almost three months after our formal request was submitted to HUD headquarters, we received a letter from HUD notifying us that our Section 318 request had been denied. I have attached correspondence outlining things that would have to be done for the request to be reconsidered. The items had not been communicated to us previously and were either economically infeasible or incapable of being completed for many months. At this point our request had been denied, our insurance coverage was exhausted and we were in jeopardy of losing the sale of the entire property.

Throughout this process the Jackson, Mississippi HUD office was very helpful. Thanks to that office we learned that our contract, a pre-1984 HUD 202 contract, could actually be pre-paid with 30 days notice and without HUD approval. After much consideration, we felt this was our only option to continue providing senior housing on the Gulf Coast. However, we wanted to make one last effort to save the 65 Section 8 rent subsidies and transfer them to a new building. We notified HUD of our intent to pay-off the 202 mortgage and they gave us the process to follow, including the notification letter that we needed to send former residents to notify them of



the sale. In numerous phone conversations with HUD officials in Washington, D.C., we repeatedly asked for permission to transfer the Section 8 rental subsidies to a new building so we could preserve those subsidies and continue serving low-income residents at the new property. HUD informed us that it had never been done before and despite having the legal authority, they would have to get a legal opinion and call us back. The next day they called back and told us the Section 8 subsidies could be moved and they would let us know the process. We were ecstatic that this would allow us to restore the low income units on the Gulf Coast and most importantly, offer our previous residents a chance to return to MMSS on the new campus.

As we got closer to closing on the sale, HUD notified us that the letter used to notify residents of the property sale did not use the correct language. We reminded HUD that we had used the exact letter that they had provided. Just before closing, we inquired again about the process for moving the Section 8 subsidies to a new building as HUD had said we could do. We were told that HUD never agreed to that and that the subsidies had to stay with the damaged building. In the end, despite their insistence that HUD was committed to preserving units and having the authority to transfer the contract to a new, safer building, HUD essentially forced USSM to give up project based Section 8 contract to complete the sale of the campus. More disturbing, HUD had done what the hurricane had not even been able to do, permanently displace those residents that rode out the storm in their homes.



The Impact of S. 1668, the “Gulf Coast Recovery Act of 2007”

The “Gulf Coast Housing Recovery Act of 2007”, S.1688, is an important step in rebuilding the Gulf for low income seniors. There are several provisions within this legislation that would benefit seniors and the not-for-profit housing providers that serve them. This bill will provide much needed direction to HUD on the transfer of existing contracts and more supportive housing options for seniors. Seniors rely disproportionately on federally assisted housing. The state of HUD programming and funding are essential to addressing their needs and to prevent premature institutionalization. Seniors make up one half of the Section 8 voucher holders, one third of public housing residents and there are over 300,000 seniors living in Section 202 supportive elderly housing throughout the country. Under S.1668 the existing federal housing programs will be strengthened and housing options for the Gulf’s displaced senior population will increased.

Transfer Authority for Project Based Section 8 Contracts

First and foremost, based on our experience, I strongly encourage this committee, and Congress to approve Section 306, to make sure that HUD is not able to allow the loss of another project based Section 8 contract. While it may not seem necessary to require HUD preserve affordable housing, it is clear that despite having the existing authority to transfer existing project based Section 8 contracts to new sites, they are unable to do so.

Under this provision, Congress can promote flexibility in transfers by permitting contracts to be divided between new buildings, and making it clear that contracts do not



need to be transferred to buildings that are identical to the old buildings, an all but impossible task. In addition this provision tolls the expiration dates of contracts on damaged properties and imposes a deadline for HUD to authorize the requested transfers.

While I have provided you with one example of how difficult it is to try to work with the Department on project based Section 8 contract transfers, I assure you that MMSS is not alone. Providers throughout the Gulf Coast have had similarly difficult times getting their properties rebuilt and re-housing their residents. Mississippi Methodist and others are committed to rebuild our communities, maintaining our missions and maximizing efficiency by using existing assistance contracts to assist seniors in new buildings where the original building is destroyed. But we need Congress' and HUD's help.

Waiver of Limitation on Project Basing Section 8 Vouchers

Under Section 305 of this legislation, the existing limit on the authority of public housing agencies (PHAs), to increase the number of Section 8 vouchers committed to specific projects that serve the elderly or disabled is waived. This would provide another resource to housing providers that have lost project based Section 8 properties and been unable to successfully transfer assistance contracts them to new buildings. MMSS strongly supports this provision.



Creation of New Project Based Vouchers for Supportive Housing

Under Section 304 of this bill, 4,500 new vouchers would be made available for project-based rental assistance for supportive housing in the Gulf area. This would help organizations such as ours serve those displaced seniors still struggling to find adequate, affordable, supportive housing. It would also provide MMSS an option for recovering those units that were lost due to HUD's refusal to transfer our existing contract. In addition, the authorization for 1,000 additional Shelter Plus Care units, under the McKinney-Vento Homeless Assistance Act will help serve those low-income frail seniors, to include those that lost their homes in the disaster. Many of these seniors were left homeless, without the resources or ability to rebuild their homes. I encourage you to support this important provision.

GAO Report and Replacement of Erroneously Lost Project Based Section 8 Contracts

I realize that Congress often requests studies to inform their decision making. I also realize that many times these studies can end up on a back shelf somewhere with little value in shaping meaningful, useful policy. I strongly encourage you to request from GAO a study of erroneously terminated federal assistance, outlined in Section 307, to include any and all project based assistance lost in the Gulf. This committee's responsibility for oversight and housing policy must identify any departmental errors made during hurricanes Katrina and Rita. Our federal agencies and programs must operate efficiently before the next disaster strikes, whether it's a hurricane in the Gulf, a tornado in the Midwest, a flood in the East or an earthquake on the West Coast. Our



residents and assisted housing providers will certainly fall victim to the same impenetrable barriers of confusing procedures, unclear goals and ineffective policies. Furthermore, I urge you to hold a hearing next year on the results of this study and restore those project-based contracts found to be wrongfully terminated.

Conclusion

The Section 318 transfer provision seemed perfect for addressing the plight of hurricane damaged properties. Legislation to restore these units became hopelessly entangled in HUD rules and regulations and no one seemed to have the authority to overcome the bureaucracy to meet the needs of our seniors in real time. Still, despite the best intentions of local officials and our Congressional delegation, low income senior housing units have been forever lost on the Mississippi Gulf Coast. S. 1668 offers us a chance to stream line the process in order that senior housing can be restored and I am certain that we would have succeeded in our efforts had the transfer requirements laid out in Section 306 been in place.

Mississippi Methodist Senior Services is committed to continuing our 40-year old mission of providing housing to seniors regardless of their financial resources. We are disheartened those 65 low income apartments have been lost in our community, that the Gulf Oaks residents have permanently lost their homes and that the 20 seniors that were on the waitlist for that building will never have the option to move into that community. MMSS is committed to restoring these units through private funding sources if possible but that remains a long term endeavor. We appreciate that the Jackson, Mississippi HUD office understood the plight of our residents and



did everything within their power to help them and make the preservation of the community happen. Once again, on behalf of Mississippi Methodist Senior Services, our communities and the residents we serve, I thank you for the opportunity to provide testimony on this critical problem. The restoration of housing in the Gulf area must be a comprehensive solution, excluding no one and returning as many seniors as possible to safe, decent, supportive housing.



U.S. Department of Housing and Urban Development

RECEIVED
OCT 02 2006

September 28, 2006

Mr. John P. Nail
Vice President for Finance
Mississippi Methodist Senior Services, Inc.
109 South Broadway
P.O. Box 1567
Tupelo, MS 38802

RE: Transfer of HAP Contract request
Gulf Oaks Methodist Manor, Inc.
Biloxi, Mississippi
Section 8 Project Number: MS26T811015
Section 202 Project Number: 065-EH068

Dear Mr. Nail:

This is in follow-up to your request on behalf of Gulf Oaks Methodist Manor (Owner) to transfer the referenced project-based Section 8 Housing Assistance Payments (HAP) Contract from the property located on Beach Boulevard (Project) to another property located approximately 13 miles from the current project located in Biloxi, Mississippi.

The Department has reviewed your request and supporting documentation in accordance with Section 318 of the HUD 2006 Appropriations Act and other applicable HUD requirements and cannot approve the request at this time. However the Department understands the need to move this Project to another location due to its proximity to the coast for the safety of the residents and would like to continue to work with the Owner to address the Section 318 criteria in a satisfactory manner. Please find below the Department's comments on the transaction and for each requirement under Section 318:

In regard to the prepayment of the Section 202 loan, the Owner will be required to request and obtain approval in accordance with all of the Department's statutes, regulations, policies and procedures regarding a prepayment of a Section 202 loan.

The Owner will also be required to contribute all insurance proceeds and sales proceeds (after the payoff of the Section 202 loan) to the benefit of the new project and its residents.

It is our understanding that the new project will be owned by a limited partnership of which the Owner will be a general partner to utilize the Low Income Housing Tax Credits to fund the development. An assignment of the existing project-based Section 8 HAP contract to the new ownership entity should be requested in accordance with all of the Department's statutes, regulations, policies and procedures regarding such approval of an assignment of the contract.

The Owner must continue to renew the Section 8 HAP contract while the new project is being built. The payments under this contract are suspended and no increases in rent will be permissible during this interim period.

The Department will require that a "right to return" policy be given to all the Project's existing residents at the time of the hurricane to relocate to the new project. Please note that if the existing Project is going to be demolished, any resident that is not willing to move to the new project will be eligible for Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs (URA) consideration. The Owner must show how it intends to provide for those residents within the URA criteria. This must be outlined and a budget with sources and uses of funds needs to be included within the application when submitted to the field office. Further, no vouchers can be made available for residents under this action, so the Owner must make every effort to show how it intends to provide for housing for all residents under their application.

Prior to any final approval of the proposal in the future, the HUD Jackson Office shall perform the Environmental review on the project pursuant to 24 CFR Part 50, including, as applicable, NEPA and the other Federal Laws and Authorities cited at 24 CFR50.4.

- 1) *the number of low-income and very low-income units and the net dollar amount of Federal Assistance provided by the transferring project shall remain the same in the receiving project*

The proposal indicates that there will be the same number of units but does not indicate whether the number of low-income and very low-income units in the new building will remain the same as in the existing Project. The Owner must agree that the number of low-income and very low-income that currently exists at the Project will be the same at the new project. An operating pro-forma must be submitted for the new project to make that determination.

The Department assumes if the Low Income Housing Tax Credits are utilized that the Owner would want an increase in the Section 8 rents to the new tax credit limits for the new project. Please note that based on the documentation submitted, there would appear to be a decreased net amount of Federal assistance if the Section 202 loan is paid off which could potentially provide the ability to increase the Section 8 rents on the receiving project if needed.

ability to increase the Section 8 rents on the receiving project if needed. However, any such increase would have to be in accordance with all of the Department's statutes, regulations, policies and procedures regarding such an increase. To the extent that the new project can use the existing statutes, regulations, policies and procedures to increase the Section 8 rents and the net dollar amount of Federal assistance from the existing Project remains the same, the rents can be increased. However, we do not believe that there is a statutory program that would allow the Section 8 rents at the receiving project to be increased up to the tax credit rents.

- 2) *the transferring project shall, as determined by the Secretary, be either physically obsolete or economically non-viable*

The Department cannot make the determination that the Project is economically unviable at this time as there has been no settlement on the insurance proceeds. Upon receipt of the insurance proceeds settlement, the Department is willing to review a financial analysis and supporting documentation prepared by the Owner to determine whether or not the Project is economically non-viable. As an alternative, the Department would suggest that the Owner also look at the physically obsolete criterion and ascertain whether the Project can meet that test.

- 3) *the receiving project shall meet or exceed applicable physical standards established by the Secretary*

As the final architectural plans have not been submitted, the Department cannot make this determination at this time. Prior to any final approval of the proposal in the future, the HUD Jackson Office will be required to review the plans to ensure that the proposed building would meet the Department's FHA minimum property standards for new construction and Uniform Physical Standards as well as all current accessibility standards before a final determination can be made.

- 4) *the owner or mortgagor of the transferring project shall notify and consult with the tenants residing in the transferring project and provide a certification of approval by all appropriate local government officials*

Please be advised that prior to any approval of the transfer by the Department, the Owner must show that it has given written notification by regular and certified mail to all residents at their last known address of the proposed HAP contract transfer. The notification must provide a comment period for the residents. In addition, since a resident meeting is not feasible, the Owner must also advertise the written notification in the local newspaper and request comments. The owner must submit to the Department a copy of the newspaper notification and copies of all written resident responses.

Also, the Owner did not provide any certifications of approval from local government entities in the proposal. A certification of approval from the Mayor or Mayor's office is deemed the "appropriate local government" and appropriate

zoning approvals also must be submitted as part of the supporting documentation for the request.

- 5) *the tenants of the transferring project who remain eligible for assistance to be provided by the receiving project shall not be required to vacate their units in the transferring project until the new units in the receiving project are available for occupancy*

As all the residents are currently relocated and the Project is uninhabitable, the residents of the Project who remain eligible for assistance at the new project are unable to relocate back to the project prior to the new project being constructed. However, the Department will require that "right to return" policy be given to all the Project's existing residents to relocate to the new project. In the event a resident decides not move to the new project, the limited partnership will be required to meet all provisions of the Uniform Relocation Act for permanent relocation of that resident. The Department will not provide a Section 8 voucher to the resident.

- 6) *the Secretary determines that this transfer is in the best interest of the residents*

The Department cannot make this determination at this time. In order to make the determination, in part, the Department will need to review the documentation that has been requested in item #4 above. However, please note that the Department has concerns regarding the moving of the Section 8 HAP contract and Use Agreement to a site 13 miles from the Project. The Owner will be required to submit the proposed plans for the new Seashore Retirement Community to ensure that the supportive services (transportation, shopping, medical) and amenities that were available at the current Project are at a minimum the same or better at the new project.

- 7) *if either the transferring project or the receiving project meets the condition specified in subsection (c)(2)(A), any lien on the receiving project resulting from additional financing obtained by the owner shall be subordinate to any FHA-insured mortgage lien transferred to, or placed on, such project by the Secretary*

It is our understanding that the Section 202 mortgage will be paid off and that the limited partnership will not be seeking FHA insurance for the new building. Therefore, there will be no FHA-insured mortgage transferred to, or placed on, such project by the Secretary.

- 8) *if the transferring project meets the requirements of subsection (c)(2)(E), the owner or mortgagor of the receiving project shall execute and record either a continuation of the existing use agreement for the project where, in either case, any use restrictions in such agreement are of no lesser duration than the existing use restrictions*

Based on the Section 202 prepayment requirements, there will no Use Agreement as a result of the prepayment. However the Department will require

as a condition of any approval of this transaction in the future that a Use Agreement for 30 years be executed and recorded by the Limited Partnership on the new project.

- 9) *any financial risk to the FHA General and Special Risk Insurance Fund, as determined by the Secretary, will be reduced as a result of a transfer completed under this section*

Since there is no FHA mortgage, there is no financial risk to the FHA General and Special Risk Insurance Fund as a result of a transfer completed under Section 318.

- 10) *the Secretary determines that Federal liability with regard to this project will not be increased.*

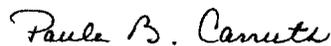
In regards to the Section 202 mortgage liability, the Section 202 mortgage is being paid off; therefore, the Federal liability with this project will be reduced. However, the request to increase the Section 8 HAP contract rents to current tax credit levels would be considered an increase in Federal liability and would not be permissible.

Please note if the Section 202 loan is not going to be paid off, the requirements will change from what is stated above regarding some of the criteria. If that will be the case, please advise the Department and we will provide those requirements.

We appreciate the efforts of the Owner to provide affordable housing and look forward to working with them for a successful outcome. As stated earlier, the Department understands the need to move this Project to another location due to its proximity to the coast for the safety of the residents and would like to continue to work with the Owner to address the Section 318 criteria in a satisfactory manner.

Please submit the additional requested documentation that addresses the comments and concerns mentioned above to my attention at the above letterhead address. We also are willing to meet with you to further discuss the proposal and the statutory requirements as well as we are willing to provide any additional assistance that is necessary. Please feel free to contact me at (601) 965-5122, extension 2801.

Sincerely,



Paula B. Carruth
Director
Jackson Multifamily Program Center

Cc: Ferdinand Juluke
Janet Golrick


Providence
 COMMUNITY HOUSING

Fostering healthy, diverse and vibrant communities in south Louisiana

James R. Kelly
Chief Executive Officer
Providence Community Housing
Catholic Charities Archdiocese of New Orleans

Senate Committee on Banking, Housing and Urban Affairs Hearing
“Two Years After the Storm: Housing Needs in the Gulf”
Washington, DC
September 25, 2007

I would like to thank Chairman Dodd, Ranking Member Shelby and the members of the Senate Committee on Banking, Housing, and Urban Affairs for the opportunity to appear before you. I am Jim Kelly, CEO of Catholic Charities and CEO of a new, independent non-profit, Providence Community Housing.

Since 1727, faith based groups have been providing care to the poor of our city and our nation – tracing their roots back to the Ursuline nuns and the 9th ward of New Orleans. In the past twenty-four months, Catholic Charities has delivered 120 million pounds of food and water, provided counseling and information to more than a half million people, and through our emergency centers distributed millions of dollars in direct assistance to families in need.

Shortly after the storm, a group of faith based non-profits came together to form Providence Community Housing with the mission of bringing home 20,000 victims of Katrina by repairing, rebuilding and/or developing 7,000 homes and apartments.

In partnership with Catholic Charities, and with assistance from 13,000 volunteers, we have gutted and cleaned out more than 1,100 homes and 800 apartments. Now we are assisting low-income seniors and people with disabilities to navigate a severely underfunded Road Home Program. We are also helping to repair their homes – often fronting the money – to those in most need.

Providence, in collaboration with other community development organizations such as UJAMAA CDC, Tulane/Canal CDC, Reconcile New Orleans, Mary Queen of Vietnam CDC and the recently formed Puentes CDC, is exploring any and all options to rebuild our housing stock, our homes, and our communities for our families, friends and neighbors. Just recently, Providence and UJAMAA finished renovating a flooded apartment building and will soon welcome 43 displaced seniors back to their Treme community.

Since the hurricanes, we have been attempting to refinance, repair and rebuild 901 HUD Section 202 apartments for low-income seniors who desperately want to come home. Complicating our efforts, however, are a 135 percent increase in construction costs, and a tripling in the cost of insurance coverage. Another key factor is the requirement to

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finance the original owner's defaulted mortgage payments that date back to March 2006. This requirement increases our costs of funding and limits our ability to maximize needed repairs and critical services for this vulnerable population. We appreciate that HUD is attempting to assist us to work through these archaic and bureaucratic policies that just don't make sense when dealing with the largest resettlement of citizens in our country's history. As we spend an inordinate amount of time and effort working through these policies, our senior citizens wait in trailers, or overpriced and overcrowded apartments, wondering if they will ever get to return to their children and grandchildren.

Last summer, HUD asked Providence and Enterprise Community Partners to oversee the redevelopment of the Lafitte public housing complex in the Treme neighborhood. From the very beginning of our planning process we have worked closely with the residents' council and former residents to plan a vibrant mixed-income community that is equitable, affordable and sustainable. The cornerstone of our rebuilding efforts began with the following commitments: the absolute opportunity for all 865 families to return as soon as possible; the one-for-one replacement of all 900 units on and around the site; and critically needed resident participation in the homebuilding and community service planning. In addition to the replacement of the 900 apartments, we plan to build 600 new homes for working families.

We have successfully advocated for a phased redevelopment, meaning the repair of temporary units for those who need to come home right now while also building new homes and apartments on the remaining blocks of the site. We have also raised \$2.5 million to help former residents – both here and in other states – and now offer counseling, direct assistance, job placement and health care in New Orleans, Baton Rouge and Houston. A successful community will also need good schools, healthcare, Headstart, senior centers, playgrounds and parks, as well as literacy, job training and women and minority small business development programs.

We pray each day for resolutions and laws that respect the dignity and the rights of the flood victims of Katrina. We thank you for the Gulf Coast Housing Recovery Act of 2007, the sound legislation before us today. We are humbled and grateful that the principles serving as the foundation of our Lafitte redevelopment plans are key components of the public housing section, especially the replacement of affordable housing and public housing units and/or vouchers for residents. These options provide a sound menu of choices for returning residents as well as developers. I would like to ask the Chairman to include for the record an editorial from the Washington Post on August 27th that lauds your legislation and the redevelopment plans for Lafitte.

To ensure the success of these new, vibrant mixed-income communities, please consider increasing the number of project-based, on-site Section 8 vouchers and increasing funding for soft second home mortgages available to residents.

Louisiana faces a crisis of 200,000 severely damaged homes and apartments. We are grateful that this legislation recognizes that this is the decisive time for the federal government to assist not only our poor and vulnerable, but also our working and middle

class families. In addition to improvements to public housing, the bill rightly addresses the need for full funding of the Road Home program. This bill would provide 4,500 permanent and supportive housing vouchers, extend disaster vouchers through June 2008 and promote new flexible redevelopment pilot programs, all of which is sorely needed.

We expect the rebuilding of New Orleans and other Gulf Coast communities will take ten years. We sincerely appreciate all the resources Congress and the Administration have provided to date, but this is only the beginning of our shared work. To meet our goal of bringing home 20,000 hurricane victims, we will need additional Go Zone housing tax credits for the Gulf Coast and additional funding for second mortgages to provide homeownership opportunities for moderate-income and working class families. The complexities associated with blending federal, state and local funding and related regulations mean that we will need timeline extensions to use these resources.

With the passage of this legislation, our neighbors, our friends, and our families – who all have suffered greatly – will be able to come home to the communities they so love.

Katrina has taught us that to be successful will take a spirit of humility and collaboration. We pray for God's grace and God's speed in the passing of this legislation.

Please know of our prayers of gratitude to this Committee and its staff for all you have done, and will do, for the good and brave people of Louisiana and the Gulf Coast.

**Testimony of Emelda Paul
President, Lafitte Resident Council
Resident of Lafitte**

**Senate Committee on Banking, Housing and Urban Affairs Hearing
“Two Years After the Storm: Housing Needs in the Gulf”
Washington, DC**

September 25, 2007

Thank you for the opportunity to speak to you today. My name is Emelda Paul. I was a 30-year resident of Lafitte and I am the president of the Lafitte Residents Council. I am here because I want our people, our families to return home to New Orleans. I want to thank Congress for creating this legislation which will improve our housing and make our community better. We can't wait any longer. The longer the situation drags out, the harder it will be to get people to come home.

To make Lafitte a stronger community and better place to live I believe that there are several commitments that must be made:

- Every resident should be able to come home.
- Every unit that was taken down should be replaced with a unit that would be affordable to the residents.
- Counseling should be available to those who need it.
- And most importantly, redevelopment groups should work with the residents like Providence has with us from the very beginning.
- They have listened to our needs and asked questions like how many bedrooms do we need? What kind of assistance or help do we need - do we need child care, job counseling or supportive services?

When I see and hear some of these people who are fighting the redevelopment, I ask myself, “Who the heck are these people and where were they when we really needed them?” They're saying we should save the buildings. They're talking about bricks and mortar and we're talking about peoples' lives. We're the ones who have to live in there under these conditions. I can't say for sure how many, but I can say that there are a lot of people who think like me who want something better than what they have now.

I've been back to see Lafitte and from what I've seen I don't want to go back there anymore. I don't want to live like that anymore. I'm living in the new Fischer senior village in New Orleans now. It's nice, clean, and safe. When I go from my apartment at Fischer to see my old apartment at Lafitte it's depressing.

When you get up close to the buildings you see that the ground is sinking. I had mold in my bedroom way before Katrina and now I have mold growing up the walls on both sides. If people are going to come back, I want to see them coming back to something decent, something healthy, something safe. I took photos of the flooding and of what I saw from the window of my apartment after Katrina.

People are under a lot of stress and want to come home. They want to come home to a NEW Lafitte with new apartments and new homes. They want something better for their families. So why can't we allow those who want to come home to come now and also take down and rebuild part of the site in the meantime. While we're sitting here bickering about what should be done, the people are the ones who are suffering. Some of them are dying.

I think there are about 200-250 individuals and families who want to come back right now. And probably 100-200 would want to come back in a couple of years because they're happy with where they're living right now. They have a decent apartment, their kids are in school, they have jobs, and medical care where they are. We have to give them something to come back to that is better than before - something that includes an emphasis on the children like good schools, safe places to play, and medical care.

I like the idea of phasing and I know that more and more people are excited about it. People can come home in apartments temporarily and participate in the planning for the redevelopment. We want new larger apartments for our children and our grandchildren where people can move around.

People want to come home, but we can't have people living in the same conditions they were living in before Katrina. We need and want up to date kitchens and bathrooms. We're tired of the patch jobs on buildings from the 1940s. If we bring people back we want to make sure they have a safe environment. We want a New Jerusalem. The time is now. We've got to bring our residents home. And build something better here for our children and grandchildren.

“Two Years After the Storm: Housing Needs in the Gulf Coast”

Congressional Testimony of
Amy Liu
Deputy Director, Metropolitan Policy Program
The Brookings Institution

Presented before
Senate Committee on Banking, Housing and Urban Affairs
United States Senate
September 25, 2007

Chairman Dodd, Senator Landrieu, members of the Committee, I am pleased to appear before you this morning and very much appreciate your invitation.

The purpose of my testimony today will be to provide an overview of the population, housing and economic recovery of New Orleans and its larger region, based on the wide array of data we at Brookings have been collecting since Hurricane Katrina hit the Gulf Coast in 2005. The hope is that this overview will help provide the basic context for current legislation to provide affordable housing in the region and any future legislation aimed to accelerate the recovery of New Orleans and other Gulf Coast communities.

Overall, the good news is that, two years after Katrina and the levee collapse, greater New Orleans has recovered the majority of its population and economic base. Yet, the region-wide trends mask the lag in recovery of the two most hard-hit parishes, Orleans and St. Bernard.

Although the population in New Orleans region continues to rebound, most of the growth has been occurring in the outlying parishes. Furthermore, demographic shifts have been

occurring, with fewer black residents in the city, a larger share of Hispanic students in the outlying parishes and many former low-income and minority New Orleanians remaining dispersed across the country in metropolitan areas like Houston, Dallas, and Atlanta.

Background

Since the fall of 2005, the Brookings Institution Metropolitan Policy Program has been tracking the recovery trends in post-Katrina New Orleans and evaluating the federal, state and local response to date.

The main resource we provided was a publication called *The Katrina Index*, which relied on 40 indicators to track the population, housing, and economic recovery of the New Orleans region. For two years, we issued *The Katrina Index* on a monthly basis to members of the media, key decision makers, nonprofit and private sector groups, and researchers. The *Index* served as an independent, fact-based, one-stop resource to monitor and evaluate the progress of on-the-ground recovery in New Orleans, Louisiana and some of Mississippi.

In 2007, *The Katrina Index* was renamed *The New Orleans Index* and is now a joint collaboration between the Greater New Orleans Community Data Center and the Brookings Institution in order to bring an even better, more tailored assessment of recovery of the New Orleans region.

The following overview derives from the new quarterly *New Orleans Index* and our recent analysis of latest Census trends. These and other Katrina-related studies can be found on the website at www.brookings.edu/metro/katrina.htm.

Overview of the Recovery Trends in New Orleans

1. Who is back in the city? And who has yet returned?

Just a few weeks ago, Brookings released a study entitled, “Resettling New Orleans, The First Full Picture from the Census.” The study analyzes new data from the Census Bureau as well as data from the IRS to determine, for the first time, who lives in the city and region and who moved in, stayed, or remain displaced approximately one year after the 2005 hurricane.

First, the population of New Orleans is smaller. By July 2006, Census estimated that the city had recovered just half of its 2005 population, declining from 452,000 to 223,000 residents. The metro area as a whole lost about 22 percent of its pre-Katrina population.

Second, the city lost over 173,000 of its black residents, a 57 percent decline from 2005. Prior to Katrina, blacks made up 67 percent of the city’s population. But even with the losses, the city remained a majority minority city one year after the storm, with blacks making up 58 percent of its population and whites about one-third. Meanwhile, the racial

and ethnic composition of the surrounding parishes, as a whole, essentially stayed the same.

Third, the population living in New Orleans one year after Katrina was older, more educated, less poor, with fewer renters, and fewer households with children than was recorded in Census 2000. For instance, the share of residents in the city with a college degree jumped 6 percentage points, from 26 percent in 2000 to 32 percent in 2006. The loss of families with children in the city was more dramatic. Pre-Katrina, 30 percent of households in the city were families with children. Post-Katrina, that share dropped to just 17 percent. The share of single moms dropped by half, from 14 percent in 2000 to 7 percent in 2006. And finally, the share of persons living below poverty in New Orleans after the storm dropped by 6 percentage points to 22 percent.

Fourth, who has yet returned to the city? Of the approximately 197,000 residents who have moved out or remain displaced from the city of New Orleans one year after Katrina, 70 percent were African American. Further, the households who had not yet returned to the city were younger, poorer, more likely to be black, and more likely to have children, compared to those who “stayed” in New Orleans after the storm.

Approximately 10 percent of the residents in the city one year after the storm were returnees or new in-migrants. Since the storm, approximately 23,700 have returned or moved into the city. Of these, 10 percent are Hispanic, and the rest are equally split between blacks and whites. Further, the largest shares of those moving back or coming

into the city are middle- to- upper income households – 41 percent. But, more than one-quarter of the returnees—approximately 27 percent—were low-income residents.

Thus, we know that many low-income and African American families have yet returned to the city. But this latest Census data also gives us one additional sense of the nature of the diaspora, how widely dispersed were the households? One year after the storm, black New Orleanians were most likely to have moved or be relocated to the Houston metro area and other parts of Louisiana and the South. Whereas whites were most likely to stay nearby, relocating elsewhere in the New Orleans metropolitan area. If you look at the trends by income, low-income “displaced” residents were living in far flung metropolitan areas like Houston, Dallas, and Atlanta one year after Katrina, while wealthier households stayed in the New Orleans metro area. In-migrants to New Orleans were more likely to arrive from suburban parishes, which were also home to higher-income New Orleanians right after the storm.

2. Two years after Katrina, the population of New Orleans and the region continues to rebound, but demographic shifts continue, with fewer minority families in the city and greater diversity in the suburbs.

To track population and demographic shifts in the region on a more regular and current basis than the Census, we looked at U.S. Postal Service delivery data and public school enrollment data.

As of July 2007 postal estimates, the city of New Orleans has regained 68 percent of its pre-storm households.

However, the city's population now makes up less than one-third of the region's population, pointing to a dramatic shift toward a more regional economy in the two years since Katrina with increasing populations in the northern and western suburbs.

The outlying parishes of St. Charles, St. John the Baptist and St. Tammany all have more households today than they did before Hurricane Katrina (St. Charles – 104 percent; St. John – 106 percent; St. Tammany – 103 percent). Jefferson Parish has also recovered 98 percent of its pre-Katrina population.

The recovery in Orleans and St. Bernard Parish has been much slower. While Orleans Parish has restored 68 percent of its pre-storm households, many of those living in zip codes that cover heavily flooded areas have yet returned. St. Bernard has had the most trouble reviving its pre-Katrina population, reaching 37 percent.

Data on student populations in the public schools can also give us a sense of who has returned to the city. According to the latest figures, 17,000 more students returned to public schools in New Orleans between the spring semester of 2006 and spring semester of 2007, up from just 9,000 students last year (we don't have the latest data for this fall semester). This represents 40 percent of pre-Katrina levels in Orleans Parish. Across the

New Orleans metro area, total enrollment in public schools reached 70 percent of pre-Katrina levels in the spring semester of 2007, up from 59 percent one year ago.

While the overall socioeconomic composition of the student body in the New Orleans region has not changed dramatically since the storm, there are two notable trends—a smaller share of black students are attending public schools in New Orleans while Jefferson and St. Tammany have seen increasing shares and numbers of Hispanic students.

To start, the make-up of the student body served by public schools in Orleans has not changed dramatically since the storm suggesting that these children come from returning families rather than newcomers to the area. The post-Katrina student body is predominantly African American (89 percent) and low income (76 percent free/reduced lunch). However, the share of black students has dropped by 4 percentage points since the storm, in part explaining the increasing shares of white, Hispanic, and Asian students now in the school system. This may indicate that black students have been disproportionately challenged to return to the area and/or to enroll in school.

The public schools in the surrounding parishes are serving a smaller and slightly more diverse student body. Jefferson Parish has seen its public school enrollment drop by almost 8,000 students, yet there are 300 new Hispanic students in that parish. Accompanying that shift is a nearly 60 percent increase in the share of the student population that has limited English proficiency, and a five percentage point increase in

low-income students. St Tammany is also dealing with more than 200 Hispanic students in its public schools. This confirms that there are more Hispanic families in the New Orleans region and that many are bypassing the city and directly settling in the suburbs.

3. The cost of housing and rent levels remain high two years after Katrina, meanwhile, housing demolitions and new construction are picking up pace while state aid remains slow.

We currently do not collect data on the status of the public- and assisted-housing stock but are looking into doing so for future analyses. In the meantime, we can provide a picture of the health of the overall housing market and the state of the housing recovery.

First, home prices and rent levels in the New Orleans region have remained high between 2006 and 2007, but the increases have leveled off.

One year after Hurricane Katrina, the limited housing supply in the hard-hit parishes led to a flurry of home-buying in surrounding parishes, such as west Jefferson and St. Tammany. The result was that both home prices and rent levels spiked dramatically in the region in the first year. By the second year after the storm, those home sale values and rent levels have remained high, staying the same or increasing only slightly between 2006 and 2007.

For example, the typical home purchase price in west St. Tammany has increased by 25 percent over the last two years. In west Jefferson, the jump was 22 percent.

Fair market rents rose an astounding 39 percent from 2005 to 2006 as renters and displaced homeowners scrambled for the little available rental housing in the New Orleans area. By 2007, rents began to stabilize at these higher levels, increasing just 4 percent from 2006 to 2007. A two-bedroom apartment in the region now rents for \$978 per month, up from \$676 in 2005.

Meanwhile, home prices have dropped in Orleans and St. Bernard parishes. Average home sales prices in St. Bernard have dropped 40 percent from pre-Katrina levels (although they did improve slightly from one year ago), and in the east bank of New Orleans, the drop was 20 percent in value—likely reflecting the large number of flooded homes sold as-is in recent months.

Second, there is a glut of homes on the market and many appear to not be adding to the housing supply, and therefore help ease the growth in home prices. Two years after Katrina, there are over 11,300 homes for sale in the region, far surpassing the 962 homes purchased, on average per month, in 2007. A high number of property owners are selling their homes, and many of these homes appear to be in serious need of repair and thus not quickly inhabitable, or they may come with high insurance rates, discouraging their purchase.

Bottomline: The overall cost of living is increasing in the city and the region. Home and rent prices are generally still rising, with an insufficient supply of habitable homes to meet demand. And this is occurring on top of the increasing cost of insurance premiums and the increasing cost of home repairs, supplies, and contractors.

Third, while the housing market is tight, there are signs that the overall pace of rebuilding and replacing homes is picking up steam. Housing demolitions and new construction of homes, in particular, are well underway, and has accelerated since the first year after Hurricane Katrina.

For instance, the total number of Army Corps demolitions in the past year, at more than 3,100, has exceeded that in the first year following the storm. In total, more than 5,500 homes have been demolished, 74 percent of which took place in the city of New Orleans.

The pace of approvals to build new housing units has also picked up pace over the last year. By August 2006, only 205 new housing units had been authorized for new construction in New Orleans. But by June 2007 an additional 2,200 new housing units had been approved.

In the metro area as a whole, approximately 9,600 units of housing have been approved for construction. Of these, the vast majority—7,200 units—are single family homes.

Where the housing recovery appears to have slowed down is in the residential repairs. The issuance of residential building permits in New Orleans has slowed dramatically in the past year, despite the availability of Road Home funds. In the first year post-Katrina, the city issued almost 46,000 residential building permits. In the following 10 months, only an additional 14,000 permits were issued. The high number of permits issued in the first year after Katrina likely reflects the number of homeowners who rushed to meet an August 29, 2006 deadline to receive free permits, and to ensure that their properties could be repaired without being subject to new elevation standards

Finally, the renovations and new constructions of homes appear to be happening in spite of the Road Home program. The state's Road Home program primarily aims to help homeowners repair their severely damaged homes, with greater incentives provided to those who keep their homes or stay in the state. However, the program, launched in the summer of 2006, has been off to a slow start, frustrating many homeowners. As of August 6, 2007, more than 180,000 households had applied for assistance, far higher than the 123,000 the program was originally designed for. Of the total applicants, only 22 percent had gone to closing, and the average benefit per applicant had fallen by more than \$12,000 to about \$68,700.

4. The New Orleans region has recovered the bulk of its economic base, but the thin provision of basic infrastructure and services may be slowing down the economic recovery in the city.

The economy in the New Orleans metro area took a major hit after Hurricane Katrina. Two years later, many aspects of the economy are nearly restored to pre-Katrina levels.

For instance, the city of New Orleans' fiscal base is stronger today, with revenues from sales taxes reaching 84 percent of pre-Katrina levels, despite having two-thirds of the pre-Katrina population. Much of that fiscal recovery has been buoyed by visitors but also from existing residents' need for basic goods—such as the massive replacements of household and personal items and for supplies and materials to gut and rehab homes—began to fuel the economy.

According to the most recent estimates, by fall of 2006, the city and the metro area had reached 72 percent and 85 percent of its pre-Katrina employer base. As a whole, the New Orleans region has lost 4,000 firms since the storm. All parishes across the five-parish area have lost a net number of employers since the storm. The exception is St. Tammany, which has seen a net gain of 44 employers in this time period.

One bright spot: All parishes saw new business start-ups. New Orleans has had 1,014 employers move in or open new businesses; St. Tammany, 1,094; Jefferson, 1,644. Even St. Bernard Parish welcomed 70 new employers that moved in or began new businesses since Katrina.

The New Orleans region has recovered 79 percent of its labor force since Hurricane Katrina, making minimal gains in the past year; but, the unemployment rate has worsened

since August 2006. The unemployment rate in the New Orleans metro area fell from 5.3 percent pre-Katrina to as low as 3.8 percent in April 2007, but has climbed back up to 5.1 percent in June 2007, still below pre-Katrina levels.

Since Hurricane Katrina, the region has lost 118,500 jobs, primarily in health and education, and leisure and hospitality. Both of these sectors are still missing one-quarter of their pre-Katrina workers, which are needed to bolster the tourism industry and to ensure that all schools, colleges and health care facilities are properly staffed for families and children.

The two sectors that have seen slight job gains over the two year period since Hurricane Katrina are the construction industry (2,700 new jobs) and mining and natural resources (approximately new 400 jobs). The former experienced the bulk of the job gains in the first year since the storm, holding steady in the second 10 months. The growth in mining and natural resources jobs mirrors the trend in the nation as a whole.

Finally, critical to the economy is a functioning city with the basic delivery of services and infrastructure. Without decent schools, safe streets, and overall quality public services, many families and businesses may not stay and vote with their feet.

At the two year anniversary of Katrina, basic essential services and infrastructure have not been significantly restored and the level of services has barely improved in the past year.

Less than two-thirds of the original public schools have re-opened in New Orleans; and, student achievement has declined across the region, likely reflecting stresses and learning interruptions related to the disaster. St. Tammany, Jefferson, and Plaquemines parishes have re-opened all or almost all of their public schools since Katrina, while St. Bernard still has only three of 15 schools in operation. In Orleans Parish, 80 public schools are now open as of September 2007, representing 62.5 percent of the original number.

A large portion of the other key public services, like public transportation and health care facilities, remain closed two years after Katrina—with very little capacity added in the past year. The level of public transportation services in New Orleans has remained virtually the same since August 2006 when only 17 percent of buses were back in operation on 45 percent of pre-Katrina routes. As of July 2007, only 19 percent of buses are running on 50 percent of the pre-Katrina routes.

As of July 2007, 10 acute care hospitals, psychiatric hospitals, long-term disability and rehabilitation facilities remain closed, out of the original 23 in New Orleans. St. Bernard Parish remains without a hospital.

Shortage of childcare services continues to serve as an obstacle for working families. Approximately 36 percent of the 276 childcare facilities in New Orleans were open as of August 2007.

Finally, the lack of repairs on public facilities is undermining the effectiveness of policing. The violent crime rate in New Orleans is higher now than in pre-Katrina New Orleans, eliciting legitimate concerns from residents and business owners. The solutions to increase safety are broad and multi-faceted, not just limited to the level of policing. But, one critical aspect hampering law enforcement's ability to provide for public safety is the lack of repairs to essential criminal justice buildings in New Orleans. As of July 2007, no repairs have been completed on damaged police stations, and two police stations plus police headquarters continue to operate out of FEMA trailers. Further, the police have only a partially functional crime lab, and Special Operations, Traffic, Recruiting, Juvenile, Compliance and Auto Theft Divisions continue to work out of FEMA trailers.

Implications for Federal Housing Proposals and Other Responses

Two years after Hurricane Katrina and the subsequent levee failures, the New Orleans area is on the mend, with many residents back and the economy humming at near pre-Katrina levels. But behind those regional trends are stark disparities between the recovery of the Orleans and St. Bernard parishes and the rest of the region. Further, other serious challenges remain.

These trends and other facts point to several implications related to federal action, particularly as it relates to affordable housing.

First, the limited supply of housing, especially rental housing, has pushed up the cost of housing in the New Orleans area. Home prices are up and rents in the region are approximately 45 percent higher than two years ago. Housing affordability is a real challenge.

Second, while important, the strong focus on the Road Home program in the past year has overshadowed the need to better serve renters, including public housing residents. According to FEMA estimates, more than 48,000 units of rental housing in the region were severely damaged by the storm. Yet, just 2,400 units of new multifamily housing have been approved for construction. No doubt, a small portion of the 7,200 new single family housing units may be used for rental. Either way, the supply of rental housing is clearly constrained. So, strategies to boost the supply of affordable housing is critical. This includes, in the absence of new hard units, the need for the federal government to recruit existing apartment owners to accept households using federal housing vouchers.

Third, the school composition data point to the fact that a greater share of low-income families and immigrants are living in the suburbs, where the home prices have risen the most. With population and job growth continuing to shift away from the city and into the suburban parishes, especially after Katrina, it is important for leaders to consider making affordable housing, and workforce housing, available in the job centers outside of the city.

Fourth, there are still many low-income and African American families in the diaspora that must not be forgotten. According to the most recent Census data, as of 2006, there were approximately 197,000 New Orleanians who remain displaced or have yet moved back to the city. Of these approximately 70 percent were black, and 38 percent lived below poverty. And many live in Houston, Atlanta, or other far-flung parts of the country. The need for affordable housing options should not be limited to just the greater New Orleans area but to many of these new destinations.

Finally, the recovery trends affirm that this nation stands at the beginning of a long-term recovery process for New Orleans and the Gulf Coast. A strong federal, state, and local partnership is still needed. Areas of additional attention include: affordable and rental housing, adequate public services and infrastructure, the redevelopment of vacant land and properties, and targeted investments in workforce development, small business growth, and diverse industries. Further, future recovery efforts must go beyond the simple focus on speed of recovery to one of quality outcomes. Prior to the storm, New Orleans was plagued with high concentrations of poverty, a stagnant economy with a weak workforce, and a region that was growing in unsustainable ways. No doubt, the city had enormous assets. But federal investments and taxpayer dollars must not replicate the same city and metro area as before. These efforts must help greater New Orleans rebound from Katrina as a better version of itself: safe, economically robust, with opportunities for all.

I very much appreciate the opportunity to appear before you, and would be pleased to answer any questions you might have.



Statement of

**Edgar A.G. Bright, III, CMB
President, Standard Mortgage Corporation
Member of the Residential Board of Governors of the
Mortgage Bankers Association**

Before the

Committee on Banking, Housing and Urban Affairs

United States Senate

On

September 25, 2007

Senator Reed, Ranking Member Shelby and members of the committee, my name is Edgar Bright and I am President of Standard Mortgage Corporation in New Orleans. I also serve on the Residential Board of Governors of the Mortgage Bankers Association (MBA), the national trade association for the real estate finance industry, and am testifying on its behalf today.¹

It has been two years since Hurricanes Katrina and Rita made landfall. The events of August and September 2005 are still vividly etched into my mind, and the aftermath of those storms is still apparent everywhere you turn, especially in my home town of New Orleans, which suffered the most significant losses.

Immediately after Katrina hit, we began to assess our mortgage loan portfolio and instituted a policy of forbearance on all loans in the Katrina area. The entire real estate finance industry quickly followed suit. Many homeowners continue to receive forbearance on their loans more than two years after Katrina. Our forbearance policies have worked. Data collected and released by the MBA show that immediately after the storm, at the end of the fourth quarter of 2005, there were nearly 50,000 loans over 90 days past due in Louisiana. By June 2007, that number had fallen to fewer than 10,000, and foreclosures were initiated on fewer than 2,600 properties in the state up to that point in 2007, with most of these located outside the storm area.² For comparison purposes, in the first quarter of 2003, long before the storm, about 4,000 loans were over 90 days past due and there were about 2,000 new foreclosures. The comparable figures for Mississippi are: over 18,000 loans were 90 or more days past due in the fourth quarter of 2005. That number dropped to approximately 6,200 by June 2007. In the second quarter of 2007, foreclosure began on less than 1,700 properties in Mississippi. In the first quarter of 2003 about 2,000 loans were at least 90 days past due, and there were about 800 new foreclosures in Mississippi.

While the industry continues to offer forbearance from foreclosure to homeowners who are expecting Road Home³ funds, a serious issue is developing. It is our understanding that The Road Home program will be out of funds by the end of October. To date, less than 50 percent of eligible homeowners have received Road Home assistance, that translates to over 50 percent of families whose applications are pending or who have

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 3,000 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

² "Foreclosure begun" means the loans have started the process of foreclosure but have not been sold at foreclosure sale. Loans are classified "in foreclosure" according to investors' or local requirements. Investor standards define "in foreclosure" as meaning the loan has been referred to a foreclosure attorney or first legal action has occurred. Mortgage Bankers Association, *National Delinquency Survey*.

³ *The Road Home* program is the largest single housing recovery program in U.S. history. The program's objective is to help Louisiana residents get back into a home or apartment as quickly and fairly as possible. For more information, see <http://www.road2la.org/>.

obtained commitments from The Road Home will not receive funds unless additional federal assistance is provided. Clearly failing to get such a significant number of homeowners the funds necessary to rebuild their homes or sell their properties to the state will mean that communities will not recover. We therefore strongly support S. 1668, The Gulf Coast Housing Recovery Act of 2007, which, among other things, authorizes funds to cover the shortfall that exists in The Road Home program.

Suggested Improvements or Additions to S. 1668

Our experience with these storms and their aftermath has given us a template for action in the event of another catastrophe. While the homeownership segment of this tragedy was better addressed than many other parts in the response to the storm, there are significant lessons that can be learned. Congress and federal regulators should act now to resolve the following issues before another big storm hits the U.S.

A. Environmental Assessments

In Section 105, S. 1668 provides a beneficial provision that if a federal agency performs an environmental review, the review is considered sufficient for receipt and use of all federal funds. We believe this provision is well-intentioned and has great potential to avoid significant delays in responding to large natural catastrophes. However, it is unclear exactly how this will apply to the Community Development Block Grant (CDBG) program. Moreover, this provision fails to strengthen or clarify the application of existing exemptions to avoid environmental reviews altogether.

MBA found the environmental reviews or assessments required by the National Environmental Policy Act (NEPA) as one of the greatest challenges when working with the states in their development of plans to implement the disbursement of CDBG funds. NEPA effectively hamstringed the states as to how they could design their grant programs. NEPA requires "every federal agency evaluate the potential environmental impacts of major federal actions significantly affecting the quality of the human environment."⁴ CDBG grants are subject to NEPA and other environmental laws contained therein, including historic preservation, floodplain management and wetland protection, coastal zone management, sole source aquifers, endangered species, wild and scenic rivers, air quality, farmland protection, HUD environmental criteria and standards and environmental justice.

According to HUD, HUD or its "designee" (the state) cannot specify the use of CDBG funds specifically for rebuilding, for example, without performing environmental assessments on each and every property indicating any impact of rebuilding (the "federal action") on historic preservation, floodplain management and wetland protection, coastal zone management, sole source aquifers, endangered species, wild and scenic rivers, air quality, farmland protection, HUD environmental criteria and standards and environmental justice. NEPA, however, provides exemptions from this general policy in the event of a natural disaster. Such exemptions should have been

⁴ (42 U.S.C. § 4332(2)(C))

considered and adopted by HUD in its review of state plans, but were not. Instead of invoking the exemption, HUD determined that it could avoid NEPA if no controls or rebuilding requirements were placed on the funds.

Given the significant ramifications of the HUD policy, the industry imposed certain private controls over the use of funds as a condition to subordinating its interest to The Road Home covenant. The process of establishing repair escrows ensured funds selected for home repair were used for that purpose. Unfortunately, those controls were eliminated when HUD failed to understand the private nature of these actions and demanded the state revise its plan. The state was left with no other choice but to provide funds directly to homeowners with no strings attached. We continue to think this is bad public policy and substantially increases the likelihood that funds dedicated to the State of Louisiana are not being used for their intended purpose or are not remaining in the state.

It is important to note the industry does not want to "police" the use of federal funds. That should be the role of the government. However, confusion over NEPA made any government-imposed controls nearly impossible. To correct this situation, we believe Congress should clarify existing NEPA exemptions and require HUD and other government agencies or their designees avail themselves of NEPA exemptions when such actions would protect the interests of the federal government. Alternatively, Congress could create a mechanism to allow the President of the United States or another appropriate government entity to "activate" the NEPA exemptions and exclusions or otherwise waive NEPA for the purpose of rebuilding pre-existing housing after a disaster.

B. Treatment of Federal Housing Administration (FHA) Non-Conveyable Properties

One of the biggest challenges the real estate finance industry faces is FHA's current policy not to pay insurance claims on single-family properties when those properties are damaged. In general, FHA pays an insurance claim when it takes title (conveyance) to a property as a result of foreclosure. The amount of the claim is 100 percent of the outstanding principal balance plus reimbursable interest and expenses. However, if the property is damaged due to fire, flood, earthquake, tornado or hurricane (or the lender's failure to preserve and protect), FHA will not pay a claim or take title to the property unless the property is repaired. This policy effectively renders the loan uninsured.

This policy is extremely damaging to the mortgage lending and servicing industry, especially those companies with a high concentration of loans in the hurricanes' hardest hit areas and who have extended forbearance for over two years. Servicers should not have to take principal losses on FHA-insured loans when servicers are following federal flood insurance laws and FHA requirements. This policy has made FHA lending and servicing very unattractive in the Gulf States.

To exacerbate matters, in distributing the CDBG funds, HUD forced the State of Louisiana to terminate its original Road Home plan that recognized servicers' rights to establish repair escrows. Such repair escrows ensured grant funds would have been used to repair the collateral when the "repair/rebuild" grant option was selected by the borrower. The original plan would have reduced the number of damaged "conveyances" servicers now face.

Given the grave situation of uninsured losses on FHA loans, MBA supports S. 1668, which provides fairness to lenders in connection with Katrina- or Rita-damaged or destroyed homes financed with an FHA-insured loan. Specifically, the bill provides, in connection with Rita and Katrina, if there was no failure on the part of the mortgagee or servicer to provide hazard or flood insurance for the property in accordance with federal law and requirements, the Secretary of HUD:

- may not deny conveyance of title to the property to the Secretary and payment of the benefits of such insurance on the basis of the condition of the property or any failure to repair the property;
- may not reduce the amount of such insurance benefits to take into consideration any costs of repairing the property; and
- with respect to a property that is destroyed, condemned, demolished, or otherwise not available for conveyance of title, may pay the full benefits of such insurance to the mortgagee notwithstanding that such title is not conveyed.

Without a change in existing FHA policies, lenders and servicers are faced with significant uninsured losses. These losses are straining the already tight financial resources of mortgage lenders and restricting their ability to forebear and lend in these communities.

C. FHA Multifamily Insurance

In redeveloping affordable rental housing in the Gulf Coast states, FHA insurance has become an important component of financing both new construction and rehabilitation of properties. Particularly in the current environment of market uncertainty, the ability of FHA insurance and Ginnie Mae mortgage backed securities (MBS) to access the capital markets is critical to assuring affordable financing. Issues have arisen, however, with FHA's environmental standards which are significantly more restrictive than those of the Environmental Protection Agency (EPA) and the state agencies administering environmental policies. FHA's additional requirements are preventing much-needed housing from moving forward. We recommend that a provision be added to S. 1668 which would prohibit FHA from adding requirements that are above and beyond those determined acceptable by EPA and the appropriate state department of environmental quality. Certainly, the environmental professionals at EPA and state agencies administering environmental policies are well-qualified to determine what standards should be set to assure a property is safe for rental housing and that all environmental issues are appropriately mitigated. FHA should not be unnecessarily hindering the production of multifamily housing through the imposition of excessive requirements.

D. Duplication of Benefits

S. 1668 waives the current duplication of benefits problem with regard to Small Business Administration (SBA) loans and Federal Emergency Management Agency (FEMA) disaster assistance, provided there are no windfall profits. MBA fully supports this provision.

One of the continuing obstacles homeowners face is receiving the proper amount of funding to make the necessary property repairs. Under the Stafford Disaster Relief and Emergency Assistance Act,⁵ federal agencies are not permitted to give recipients of federal assistance duplicate benefits. While in theory this statutory requirement makes sense, in practice, with this particular disaster, it is causing some deficiencies in funding.

In the case of residential homeowners, duplicate benefits are those federal benefits obtained by homeowners for the same purpose as those provided by another source, i.e., private insurance, FEMA, or SBA benefits to repair the home. As an example, a "duplication of benefit" will occur when CDBG funds, combined with a SBA loan for structural repair (and other sources of funds for repair), exceed the SBA's estimate of damage. Unfortunately comparing the SBA loan and a CDBG grant is like comparing apples to oranges because they use different valuations of damage and often cover different damaged items. This situation results in the state paying on the SBA loan with CDBG grant funds, but it leaves the homeowner with insufficient funds to repair the property. In many situations, homeowners were awarded CDBG grants or a Road Home grant, but received no funds or had significant deductions because the money went to pay down another government loan or pay back grants. While paying down SBA loans with grant funds can be advantageous if all property repairs are completed, it is problematic when CDBG money is still needed to complete the rebuilding. Likewise, repayment of FEMA grants should not be triggered upon mere receipt of CDBG funds. Moreover, given the SBA loan is a liability, rather than an asset, eliminating SBA loans from the duplication of benefits calculation makes good sense.

E. Coordinate Valuations Among All Government Entities

As was the case after Katrina, valuations and appraisals of damaged properties after natural disasters are often conducted numerous times by numerous agencies. There should be some mechanism to share this information among agencies. Coordination among all government agencies, and with the private sector, would significantly reduce the number of valuations being performed, thus saving taxpayers money and speeding up delivery of disaster assistance. One component that is critical to achieving this objective is a common electronic language that ensures data is entered and stored

⁵ 42 USC 5155

consistently, and with the same definitions by all, so that computers “can talk to each other” and data can be sorted and manipulated as desired.

F. VA No-bids

Unlike FHA, the Department of Veterans Affairs' (VA) Loan Guaranty Program does not provide 100 percent insurance against default losses. The VA is unique in passing risk of declining market prices to servicers because it provides only a limited guaranty. The guaranty varies, but generally covers 25 percent of the original loan balance. In the event of a liquidation sale (i.e., foreclosure), the VA uses a statutory formula to determine if it will pay only the guaranty or pay the servicer the outstanding debt (called “total indebtedness”) and take title to the property. When the latter occurs, the VA sells the real estate owned to recoup the amount paid to the servicer.

When the former occurs and the VA determines not to take title to the property, it will issue a “no-bid” advice letter. A no-bid occurs, by statute, when the net value (fair market value minus a statutory VA “holding cost” factor) is less than the un-guaranteed portion of the total indebtedness (unpaid principal balance, allowable interest and advances less any credits). When this occurs, VA will pay the amount of the guaranty, but will not take title to the property. The servicer thus takes any loss after the resale of the property. These losses can be substantial, and in the wake of Hurricane Katrina, could be catastrophic.

Most VA loans are in Ginnie Mae MBS and, thus, servicers do not get the benefit of the principal and interest payments. The principal and interest is passed through to security holders, who are protected 100 percent against principal loss by Ginnie Mae’s guaranty. The servicer takes the principal, interest and even out-of-pocket loss exposure to a large degree, despite the fact that they receive only a small administration fee per loan as income. Servicers are not equipped nor are they compensated to absorb catastrophic principal, interest and other losses.

In an effort to provide the VA with flexibility in this area and to assist mortgage companies in containing total losses, we ask Congress to consider providing the VA authority to waive the statutory requirement to declare no-bids. We ask that VA be permitted to take conveyance to a property and pay the total indebtedness and out-of-pocket expenses in cases of federally declared disaster areas without having to abide by the no-bid calculation. We also suggest allowing the VA to pay a claim even when conveyance does not occur due to unique circumstances, such as a declaration of hazardous waste contamination on the property.

We believe, by making the necessary statutory changes to these programs, the VA will have more comprehensive authority to manage the issue of damaged properties and claims after a catastrophic disaster. The changes will demonstrate the federal government’s commitment to the VA program. Without these changes, many lenders are likely to abandon these products as foreclosure losses begin to mount, thus

affecting the future viability of programs specifically designed to assist low- to moderate-income veterans and their families.

Conclusion

We applaud Senators Dodd and Landrieu for their introduction of S. 1668. Enactment of this bill, with the modifications discussed in this statement, would be an important step to provide the tools to ensure recovery in Louisiana and other local economies affected by Hurricanes Rita and Katrina. Housing is the cornerstone to rebuilding neighborhoods and communities. I commend this Committee's attention to it.

MBA appreciates the opportunity to testify today and offer our thoughts and considerations as you monitor the recovery and deliberate S. 1668. We look forward to working with you on this important legislation.

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD



To: Honorable Members of the Senate Banking Committee
219 Dirksen U.S. Senate Office Building

From: Kalima Rose, Director, Louisiana Initiative, PolicyLink

Re: SB 1668, The Gulf Coast Recovery Act

September 25, 2007

Thank you for the opportunity to submit written testimony for the record on Senate Bill 1668, The Gulf Coast Recovery Act.

PolicyLink is a national research and action institute that works collaboratively to develop and implement local, state, and federal policies to achieve economic and social equity. As an organization that seeks to promote equitable redevelopment during the Gulf Coast recovery process and ensure that households at the lowest income levels receive sufficient opportunities to renew themselves as communities recover and rebuild, we are submitting testimony to your committee on the tremendous unmet housing needs that persist in Louisiana and that warrant the immediate passage of Senate Bill 1668.

Rebuilding the Gulf Coast successfully will not happen without the federal government's resources, expertise, and leadership for years to come. The magnitude of the devastation will require a long-term commitment from the federal government and the political will to deliver on promises made. Senate Bill 1668 is one of the many essential steps on the road to a full recovery for all of our impacted citizens.

We write to enjoin your support of Senate bill 1668 that Senators Dodd and Landrieu introduced, to address the housing needs of low income people affected by Hurricanes Katrina and Rita that remain largely unmet these 24 months after the disaster. While everyone has suffered with the slow pace of recovery, it is the people who had the fewest resources before the storms for whom rebuilding their lives and reestablishing permanent homes has been the most difficult. And while vulnerable residents of all of the impacted Gulf states—Louisiana, Mississippi, Alabama and Texas—deserve support through this bill, our comments today will address the residents of Louisiana, where our work has focused since the 2005 hurricanes.

Two years later, the continued loss of housing stock and increasing costs associated with construction, rehabilitation, and insurance have meant extremely high rents and ownership costs, making it difficult if not impossible for many low-income residents to return. In particular, insufficient resources to repair and replace rental housing affordable to low income people has received insufficient attention in the rebuilding plans to date, and meant a broken rental housing market in New Orleans. While 45,000 Louisiana families are still residing in FEMA trailers, now shown to have unsafe levels of formaldehyde toxicity, 13,000 of these households are isolated in group trailer camps far from home. The vast majority of those living in these camps make less than \$15,000 and cannot afford apartments in New Orleans at current market rates. Additionally over 96,000 displaced families across the country still on FEMA temporary rental assistance. Of currently displaced citizens who said in a recent Louisiana Family Recovery Corps survey that they want to return to Louisiana, half of them earn less than \$20,000 annually. The two most frequently cited barriers to returning were difficulty finding housing they could afford, and the inability to pay for the move home.

The provisions of Senate Bill 1668 that expand Section 8 housing vouchers will help address the affordability and housing supply issues affecting the tens of thousands of displaced low income families who were living in private, unsubsidized rental housing before the storms—bringing the stability of the program’s established rules and local administration.

In Louisiana, although 40 percent of the damaged homes were rental housing, 85 percent of the federal funds to repair housing are going to homeowners. Fifteen percent of funds are going to restore rental housing, but no funds are directed to renters themselves. By way of example, in New Orleans, Katrina severely damaged or destroyed 51,700 of the 100,000 rental units. Current allocations from federally funded state rebuilding programs will restore only 25 percent of these units, and projected funding another 18 percent of units, leaving 57 percent of destroyed rental units to be rehabbed by other means.

New Orleans had a low homeownership rate prior to Katrina compared to national figures. Over half (53 percent) of pre-Katrina households were renters, compared to 32 percent nationally. Before Katrina, 58 percent of all rental units rented for under \$500; a recent survey of 2,800 units found few rentals available today for under \$500. Although rents have stabilized in recent months, a survey of rental units leased in 2007 by the New Orleans Metropolitan Association of Realtors found the average two-bedroom unit rent to be over \$1,300. With families struggling with affordability of rental units, homelessness has doubled in Orleans and Jefferson parishes, from 6,000 pre-Katrina to at least 12,000 now.

One way of addressing this gap in funding for restoring rental housing and creating new homeownership opportunities is through the pilot program for the redevelopment agencies of damaged parishes funded by Senate Bill 1668 (\$30 million for the New Orleans Redevelopment Authority and \$25 million for other parishes). This program will help parishes recover and restore abandoned properties. This program, coupled with the FHA-New Orleans Disaster Housing Initiative, offers an innovative approach to focus resources for restoring damaged housing while fostering both first time homeownership and repaired rental housing in New Orleans, the parish that sustained the greatest loss of affordable rental housing of the affected areas.

Intensifying the housing shortage, 80% of public housing units in New Orleans remain closed despite minimal damage from Katrina. Before Katrina, about 14,000 families lived in either HUD-assisted or public housing in New Orleans. About 9,000 of those families were in HUD-assisted units scattered throughout the city’s neighborhoods. These units have been slow to come back and continue to create blight and unsafe conditions in neighborhoods. As of July 2007, 5,800 units of HUD-assisted stock were not open in the Gulf Coast, the vast majority in New Orleans. More than 4,000 families formerly in public housing remain in limbo as plans and financing for their homes remain unresolved.

The Gulf Coast Recovery Act will help bring public housing residents back to New Orleans and develop a process for next steps. The bill will open 3,000 units or as many as needed by former residents who responded affirmatively to surveys asking about their desire to return by October 30, 2007; make available housing in the same neighborhood for all residents who wish to return; provide housing vouchers that can be used elsewhere when neighborhood units are unavailable; replace any pre-Katrina occupied housing unit with a housing unit or project-based voucher and replace all vacant pre-Katrina public housing units with a voucher to be used in low-poverty neighborhoods in the Gulf; and ensure that former residents are included in any redevelopment planning.

The provision in Senate Bill 1668 to replace formerly HUD assisted housing will ensure that communities will retain desperately needed affordable housing units and that all residents in good standing prior to the storms will have the right to return to a broader range of housing choices than previously available. Displaced public and assisted housing residents who are trying to rebuild their lives in new communities will also be able to do so without threat of losing housing assistance that makes their new homes affordable.

To restore affordable housing options that will allow those with low incomes to return to decent housing in neighborhoods that are safe and that connect them to opportunity will require all hands—government, nonprofits, the private sector, and community members. With continued national support through Senate Bill 1668, local and state leaders can provide more attractive, affordable rental properties and more affordable opportunities for homeownership in a city that has among the lowest homeownership rates—while restoring the housing stock.

Senate Bill 1668 will mean the difference between hope and despair for tens of thousands of families, and it will mean the difference between restoration and blight for the damaged neighborhoods of the hardest hit parishes. Among its many important provisions is a plan for helping jumpstart the redevelopment agencies of the most damaged parishes, for repairing and redeveloping public and assisted housing, and helping address the rental housing shortfall in the Road Home program.

While this bill puts forth many necessary changes, we ask that you consider the following amendments:

- Expand the voucher provision to authorize 25,000 new vouchers, to be proportionally allocated to serve all the affected Gulf states;
- Provide for direct financial assistance to displaced renters, just as has been provided to homeowners;
- Require the immediate opening of no less than 2,000 units of housing the homeless population in the Greater New Orleans metropolitan area.

Two years ago, millions sat horrified before television images of women, men, and children on rooftops, on makeshift rafts, on sweltering highways, and in the Superdome, waiting for help that seemed not to be coming. Americans were appalled and ashamed by the poverty and despair they saw, and the slow response of government. Across the country, people responded. Individually and through faith institutions, aid organizations, and community groups, they sent food, clothing, and water. Many invited homeless families they had never met into their homes. Still others rushed to help in the recovery effort.

Perhaps most importantly, the United States committed to rebuild a better New Orleans and Gulf Coast, to turn tragedy into an opportunity to address poverty and racism, and to create vital, safe communities that could serve as models for the rest of the nation.

Unfortunately, we are at risk of rebuilding even more inequity in the Gulf Coast. Despite its unique heritage and vibrant culture, the Gulf was deeply marred by economic and racial inequality. Now, the Gulf's troubled history seems to be repeating itself: residents with resources are rebuilding their lives, while residents without resources are in danger of being left behind. This difference is due in part to the policies and resource decisions that are being made during the recovery, which have an inequitable impact on poor people and people of color. We must renew our commitment to a better Gulf Coast. For more information on the uneven progress of recovery two years after the storm, please see the attached PolicyLink report, *Hope Needs Help*, which can also be found at www.hopeneedshelp.org.

Senate Bill 1668 will help people who have been decimated by the 2005 storms and floods, and bring us one step closer to ensuring that all of those affected by the storms have an opportunity to return to their former communities and rebuild them stronger than before.



✿ *The devastating storms and floods of 2005 presented the United States with a unique opportunity: to create a stronger New Orleans in which all people, no matter their race or income, have opportunities to thrive. Two years later, we are at risk of rebuilding a divided city, one with persistent poverty and inequality. As a nation, we must pause and recommit ourselves to creating a city with quality housing, jobs, and education for all families. New Orleans residents are engaged at unprecedented levels to rebuild their city, and they deserve the federal government's support.*

INTRODUCTION

America cared. Two years ago, millions sat mesmerized before television images of women, men, and children on rooftops, on makeshift rafts, on sweltering highways, and in the Superdome, waiting for help that seemed not to be coming. Americans were appalled and ashamed by the extreme poverty and despair they saw. They were angered by the government's shockingly slow response.

Across the country, people responded. Individually and through faith institutions, aid organizations, and community groups, they sent food, clothing, and water. Many invited homeless families they had never met into their homes. Still others rushed to help in the recovery effort. Millions of people contributed nearly \$4.25 billion¹ in aid.

Perhaps most importantly, **the United States committed to rebuild a better New Orleans**, to turn tragedy into an opportunity to address poverty and racism, and to create vital, safe communities that could serve as models for the rest of the nation.

Unfortunately, we are at risk of rebuilding an even more unequal city than the old New Orleans. Despite its unique heritage and often vibrant culture, New Orleans traditionally was a city deeply marred by economic and racial inequality. Now, New Orleans' troubled history

When communities are rebuilt, they must be even better and stronger than before the storm. . . So let us restore all that we have cherished from yesterday, and let us rise above the legacy of inequality.

— President George W. Bush | September 15, 2005
17 days after Hurricane Katrina

seems to be repeating itself: Residents with resources are rebuilding their lives, while residents without resources are in danger of being left behind. This difference is due in part to the policies and resource decisions that are being made during the recovery, which have an inequitable impact on poor people and people of color.

We must renew our commitment to a better New Orleans. We are one nation, and we must work together to ensure that the less fortunate are protected and included, and that no one is left out. We must put special emphasis on housing, jobs, and education to give people the essential support they need to lead successful, rewarding lives.

There are stories of hope that should inspire continued commitment. With the assistance of local organizations,

PolicyLink is a national research and action institute advancing economic and social equity by Lifting Up What Works. For nearly two years, PolicyLink has worked with national, state, and local partners to apply equitable development principles to the Louisiana rebuilding process. This briefing paper reflects much of this work and a July 2007 convening of 20 nonprofit leaders as well as interviews with 135 individuals affected by Katrina, nonprofit and philanthropic executives, and local and state public sector leaders. For more information about this report please contact Billy Hawk Daniel, 212-629-9570, ext. 212, bdaniel@policylink.org

Lifting Up What Works
PolicyLink



the efforts of low-income New Orleanians to help themselves and each other have been heroic. The stories of individuals struggling against the odds to return home and rebuild their lives are inspiring. So too are the numerous examples of community organizations, nonprofit developers, faith leaders and their congregations, labor unions, organizing networks, and local governments working creatively to ensure that all who want to return can come back to a better life.

But this hope needs help. New Orleans will not be a stronger city unless we take additional steps to ensure quality housing, jobs, and education are available for everyone, including poor and vulnerable people. A safe, affordable place to live, a good school to educate children, and a job to support a family are the basics necessary for people to be contributing members to their communities—and our society.

This report presents promising examples of what can be achieved with a determined, concerted effort. Rebuilding New Orleans successfully will not happen without the federal government's resources, expertise, and leadership for years to come. The magnitude of the devastation will require a long-term commitment from the federal government and the political will to deliver on promises made.

Local and state governments, the private sector, nonprofit and faith-based communities, philanthropies, and private citizens have roles to play, working in partnership with the federal government and with each other. As neighborhoods continue on the path to recovery, leaders and organizations throughout the city must unite not only to strengthen their efforts and resolve, but also to secure the assistance they need to effect substantive change.

There is hope in New Orleans—hope that the nation can recreate a city in which the less fortunate are protected and included and in which no one is left behind. It's now time to give that hope the help that it needs. ◊

Recovery for some . . .

Today, there are visible signs of recovery in New Orleans. The city's population has returned to nearly two-thirds of its size before the hurricane, and revenues from tax sales are almost 85 percent of their pre-Katrina levels.

- Personal savings, insurance companies, and The Road Home program will help many homeowners rebuild. More than 60,000 residential building permits have been issued, and 57,521 homeowners have applied to The Road Home program. One-quarter of the city's 51,700 destroyed rental housing units are slated to be rebuilt.
- Many people have returned to their old jobs or have found new ones that support their families comfortably. The size of the New Orleans labor force has reached 78 percent of pre-hurricane levels.
- Children enrolled in private and parochial schools and those in magnet, charter, or traditional public schools are being educated once again. Twenty-five new public charter schools have opened in New Orleans, and an additional 11 are expected to open this fall. Almost 60 percent of the private schools in New Orleans have reopened.

...but not for all.

Unfortunately, the differences between post-Katrina progress for New Orleanians with many resources and those with few are stark.

- Little has been done to assist low-income renters and owners of small rental housing units. Only 8 percent of Road Home resources will be used to bring back rental housing in New Orleans. Of the 57,521 Road Home applications in Orleans Parish, only one-third are from low- to moderate-income households.
- Employment remains elusive for low-income people with few skills and fewer connections to the new employers. African-American evacuees were almost five times as likely to be unemployed compared to white evacuees in 2006.
- Many low-income families dependent on public schools are still waiting for an adequate supply of safe, high-quality schools where all children can learn to open across the city. Only 40 percent of the students have returned to New Orleans public schools, with 76 percent of the students in free- / reduced-lunch programs. Since Katrina, test scores have plummeted. From 2005 to 2006, the number of fourth and eighth graders passing the LEAP exam dropped 12 and 21 percent respectively. But early results in 2007 suggest these scores are improving.

Data: New Orleans Index, the Division of Administration, Office of Community Development, State of Louisiana, and the Bureau of Labor Statistics, except for the test data, called from Darrin Simon, "Charter Schools Lead the Way on LEAP," *The Times-Picayune*, August 1, 2007.



HOUSING

Create Safe and Affordable Places to Live



Hurricane Katrina and the breached levees pushed hundreds of thousands of New Orleanians far from their homes. While the prevailing aspiration of the recovery was to rebuild housing quickly, that hope has not been realized. Two years later, the continued loss of housing stock and increasing costs associated with construction, rehabilitation, and insurance have meant extremely high rents and ownership costs, making it difficult if not impossible for many low-income residents to return.

SIGNS OF HOPE

Though many challenges exist, nonprofits and other community groups are on the upswing in creating affordable housing to help these residents return home. While the outcomes are extremely modest relative to the need, the grit and determination of their efforts reveal how the productive interaction of federal, state, local, private, and nonprofit resources can meet the need of vulnerable residents.

- Civic engagement in planning is at a historic high: 160 neighborhood associations and scores of community organizing groups are actively pressing for the recovery of their neighborhoods. Over 2,500 residents participated in Community Congresses from 20 cities that led to the Unified New Orleans Plan adopted in June 2007 by the city and the state.
- Investment and redevelopment efforts are more focused, due in part to the city's designation of 17 "Recovery Zones." Many groups are focusing their redevelopment resources in these zones.
- Groundbreakings have started on several of the 71 projects that received federal financing to repair or build more than 8,400 affordable apartments. New and growing nonprofit developers are leading these efforts: NHP Foundation broke ground on a 209-unit, mixed-income complex in New Orleans East, and Providence Community Housing has 114 rental units under construction and 1,818 more on the way.

Homebuyers Programs Help a Single Mom Buy Her First Home

After spending nine months in exile in Georgia after the storm, New Orleans native Nicole North decided it was time to come back and rebuild her life and her community. The single mom and nursing student trolled the Internet for rental opportunities, but there were no affordable places for her and her daughter. North decided to abandon the rental market altogether and explore the possibility of buying a home. However, the open market was a foreboding and unaffordable place, too. Without help, her dreams of coming back home to start anew would be unrealized. Working with two well-respected homebuyers programs—Jericho Road Episcopal Housing Initiative and Neighborhood Housing Services—North received the expertise and financial guidance she needed to buy a \$115,000 home and truly invest in the future of her community—and her daughter. More such homebuyer subsidies would transform a low homeownership-rate city to one of growing personal assets.

- Owners of damaged rental houses have been awarded forgivable Road Home loans to repair more than 2,724 homes in New Orleans under agreements to make the rents affordable.⁷
- First-time homeowner programs are helping former renters make an investment for the future. Through additional subsidy programs, the Neighborhood Development Foundation has enabled 33 families to become first-time homeowners and trained more than 530 families to prepare them for buying a home.
- "Sweat equity" groups are helping families with inadequate insurance and Road Home payments to rehabilitate their homes. Rebuilding Together has helped 70 low-income families and seniors return to their homes. Operation Helping Hands has gutted 1,925 homes and is now working with many of those same homeowners in

the next step of the rehabilitation process. ACORN has gutted over 1,800 homes through the help of volunteers. Habitat for Humanity has helped build over 120 homes to date.

- A public-private loan fund of \$47 million to help finance affordable housing development was launched in April.

IN NEED OF HELP

While such efforts show tremendous promise, providing housing opportunities at a greater scale will require help.

- Almost 96,000 displaced households are still receiving temporary housing assistance due to Katrina and Rita displacement.³
- Nearly 40,000 former New Orleans households still reside outside of Louisiana.⁴
- Almost 45,000 families in Louisiana are still in trailers⁵ now shown to have unsafe levels of formaldehyde toxicity.⁶
- The vast majority of those living in group trailer parks make less than \$15,000 and cannot afford apartments in New Orleans at current market rates.⁷
- Of currently displaced citizens who said in a recent Louisiana Family Recovery Corps survey that they want to return to Louisiana, half of them earn less than \$20,000 annually. The two most frequently cited barriers to returning were difficulty finding housing and inability to pay for the move home.⁸
- Though 40 percent of the damaged units were rental housing, 85 percent of the federal funds to repair housing are going to homeowners. Fifteen percent of funds are going to restore rental housing, but no funds are directed to renters themselves.
- Katrina severely damaged or destroyed 51,700 of the 100,000 rental units in New Orleans.⁹ Current allocations from federally funded state rebuilding programs will restore only 25 percent of these units,¹⁰ and projected funding another 18 percent of units,¹¹ leaving 57 percent of destroyed rental units to be rehabbed by other means.
- Over 4,000 families formerly in public housing remain in limbo as plans and financing for their homes are still unresolved.¹²
- An April 2007 investigation by the Greater New Orleans Fair Housing Action Center revealed that 57.5 percent of landlords discriminated against African-American testers searching for rental housing.¹³
- New Orleans had a low homeownership rate prior to Katrina compared to national figures. Over half (53 percent) of pre-Katrina households were renters, compared to 32 percent nationally.¹⁴
- Before Katrina, 58 percent of all rental units rented for under \$500¹⁵; a recent survey of 2,800 units found few rentals available today for under \$500.¹⁶
- Although rents have stabilized in recent months, a survey of rental units leased in 2007 by the New Orleans Metropolitan Association of Realtors found the average two-bedroom unit rent to be over \$1,300.¹⁷
- With families struggling with affordability of rental units, homelessness has doubled in Orleans and Jefferson parishes, from 6,000 pre-Katrina to at least 12,000 now.¹⁸

Local Foundation Helps Revitalize Urban Neighborhood

Where most people saw blighted, abandoned streets, Roz Psychaud of the Neighborhood Development Foundation saw potential. She realized that the Hoffman Triangle neighborhood in Central City could become a model for creating vital communities. Not only would the area offer affordable homes, it also was a slate on which new homeowners could draw renewed visions of an ideal neighborhood. By restoring long-abandoned recreation areas, recruiting new charter schools, and encouraging first-time homebuyers to anchor the community, Hoffman Triangle could be a beacon of hope to the rest of New Orleans. The Neighborhood Development Foundation is helping make that happen. In addition to providing support for potential homebuyers, the organization has helped develop 10 affordable, energy-efficient homes in the neighborhood. The dream of a revitalized Hoffman Triangle is coming true. Psychaud and the families who have followed her lead are making sure of it. Federal infusion of capital resources to invest in redevelopment of 17 target zones would leverage Psychaud's vision and other struggling neighborhoods in New Orleans.

Overcoming Storms, Floods, and Evacuation to Become Homeowners

Demetrius and Rhonda Pooler were ready to grab their piece of the American Dream. On August 29, 2005, they had appointments with bankers and lawyers to sign the final papers on their new home in the Hoffman Triangle neighborhood of Central City. Then Katrina hit. The Poolers wound up in limbo: The bank pulled out of their loan, and their dream home was flooded by two feet of water. The Poolers themselves were evacuated first to Florida and then to Texas. But they didn't give up—not on their home and not on their city. Within weeks of the storm, the Poolers turned once again to the Neighborhood Development Foundation, which had helped them to find their home in the first place. The foundation rehabilitated the house and sold it to them—without raising the price. By October 2006, the Poolers were in their new home, a little late, but just as sweet.

Faith Leaders Recommit to Developing Affordable Rental Housing

The property in Gert Town, off of Earhart Boulevard, was beyond repair even before Katrina hit. After the storm, the Louisiana Freedmen Missionary Baptist Association, a group of faith leaders who have been active in affordable housing work for 30 years, realized the land it owned could be the site of much-needed affordable housing. With support from the Louisiana Housing Finance Agency, Regions Bank, The Richman Group, the city of New Orleans, and Fannie Mae, the Freedmen are creating 29 new affordable rental modular housing units for single parents, seniors, and other residents of Gert Town. Through partnerships and federal funding, this piece of land may be the key to recovery for dozens of New Orleansians. Federal commitment of further tax credits and affordable housing subsidies could help restore half of the city's lost affordable rentals.

- Homeowners are struggling to find money to rebuild their homes. A \$4.3 billion statewide shortfall has limited the potential of The Road Home program. Out of 57,521 New Orleans households that applied for assistance, only one-third of the applications had closed by August 13, 2007, putting many of the 37,000 families who have not closed at risk of not receiving money to rebuild.¹⁹

MOVING FORWARD

To restore affordable housing options that will allow those with low incomes to return to decent housing in neighborhoods that are safe and that connect them to opportunity will require all hands—government, nonprofits, the private sector, and community members. With continued national support, local and state leaders can provide more attractive, affordable rental properties and more affordable opportunities for homeownership in a city that has among the lowest homeownership rates—while restoring the housing stock. It will mean increasing the supply of properties available for new housing development. It will mean focused neighborhood strategies for repairing all the houses in a block. It will require adept local government to permit, inspect, and enforce expeditiously. It will mean continuing to grow the expertise and capacity of affordable housing developers. And it will require creative financing by local, state, and private investors. But the federal government must now

recommit to help New Orleans focus on housing recovery at a more significant scale if the tragedies of this two-year aftermath of the storm are to transform into a story of hope worthy of American history.

Immediate steps for restoring affordable housing options at scale for a range of New Orleans households requires concerted federal action:

- Identify funding sources for The Road Home shortfall, to capitalize more rental housing resources for extremely low-income households and meet the claims of all eligible homeowners.
- Resolve the public housing impasse to assure rights of residents and accelerate the opening of new or repaired units.
- Appropriate the necessary capital to begin the city's investment in its identified 17 target neighborhoods.
- Capitalize a soft second loan pool for low-income homeowners and rental property owners.
- Establish a fund to repatriate renter households through moving subsidies, down payment assistance, and restoration of household furnishings.
- Create a public-private risk guarantee pool to make more home restoration loans available.



 Hurricane Katrina destroyed more than homes and schools. It attacked livelihoods—tearing at the socioeconomic fabric of New Orleans. The storm left workers, consumers, suppliers, and employers dispersed, often hundreds of miles from home. It damaged production systems and disrupted the business and social relationships vital to the economic health of this tightly knit community. After the storm, many businesses that had lost all of their assets were hesitant to reopen out of fear of another catastrophic levee failure, or they struggled to piece together new business models in an uncertain customer environment.

SIGNS OF HOPE

On the ground, though, each newly bright storefront and rehabilitated office in the midst of flood-ravaged neighborhoods demonstrates that progress is being made. By absolute measures, the economy has recovered faster than the population, the housing stock, and the school system.

- According to the New Orleans Index, tax receipts are at 84 percent of pre-Katrina levels. From January through May 2007, sales tax revenues averaged \$11.2 million a month compared to \$13.3 million per month during the same time period in 2005.²⁰
- Since the one-year anniversary, the New Orleans metro region has gained about 17,000 new jobs. The region has recovered about 79 percent of its pre-Katrina labor force.²¹
- The employment market is tight, driven in part by the housing shortage mentioned above. The unemployment rate has dipped slightly below pre-Katrina levels, from 5.3 percent in June 2005 to 5.1 percent in June 2007—down from a high of 15.8 percent in November 2005.²²
- A tight post-Katrina employment market has helped boost wages dramatically in high-demand fields. Professional and technical service wages climbed 55 percent, construction wages surged 41 percent, and healthcare wages rose 28 percent.²³

- The Department of Labor has opened over 400 investigations and recovered \$5.4 million in back wages for 6,000 Gulf Coast workers cheated by their construction employers since the storms.²⁴
- New businesses continue to be attracted to the region to directly support recovery efforts or to serve the needs of the populations that have returned. In the third quarter of 2006 (the most recent data available), Orleans Parish welcomed 1,014 new employers, either established businesses moving into the city or entrepreneurial start-ups.²⁵
- Innovative small business support groups have targeted industries critical to recovery, such as child care, and invested in clustering businesses in strategic corridors that can serve as a catalyst to further neighborhood recovery. The Idea Village has helped restore 164 local businesses employing 1,091 workers and generating \$68 million in revenue using this strategy. The Louisiana Disaster Recovery Foundation, channeling the donations of Americans after the storms, has made grants to support these efforts.

IN NEED OF HELP

Economic recovery has not been evenly spread. The benefits of the economic progress are passing by many of the most vulnerable current and displaced residents. African Americans have been among the hardest hit, facing tremendous obstacles to finding work and restarting businesses. Small companies throughout the city have faced significant challenges as well.

- Unemployment among low-income and African-American communities remains dramatically higher than for the rest of the city.
- African-American evacuees were almost five times as likely to be unemployed compared to white evacuees in 2006. Overall, almost 26 percent of evacuees were unemployed, compared to less than 6 percent of those able to go back home.²⁶

Small Businesses Help Communities Thrive through the Support of Entrepreneur Group

"The Belles of Bayou Road" are determined for their small stretch of New Orleans to breathe hope and inspiration into the city's dispersed and worried small business community. On the 2500 block of Bayou Road, these five African-American female business owners have brought their small businesses back after the storm—against all odds. Their shops form the very heart of a successful neighborhood: a book store, a day care center, two restaurants, and a beauty salon. They are the kinds of businesses that both employ and serve the city's most vulnerable and that typify the new pioneering spirit blowing through their hometown. Despite the Belles' personal dedication, though, they couldn't have succeeded without help from The Idea Village, a collection of business professionals, academics, investors, political leaders, and entrepreneurs that has supported business innovation in New Orleans since 2000. Since the 2005 tragedy, The Idea Village has helped provide start-up cash or triage loans to more than 160 businesses. Over 90 percent of the ventures it supported pre-Katrina remain open, and 37 percent of those have expanded. It is small businesses such as the Belles and organizations such as The Idea Village that are creating the vibrant and vital small business economy New Orleans needs. The Idea Village has been supported by grants from the Louisiana Disaster Recovery Foundation, which channels donations made by Americans after the storm to nonprofits helping with key recovery activities working to ensure more equitable recovery. Federal investment in similar loan products could help restore tens of thousands of similar businesses.

- The projected need for skilled workers in six critical recovery sectors—construction, manufacturing, cultural work, health care, transportation, and energy—is estimated at 27,000 new workers,²⁷ yet state programs funded through federal recovery resources are limited to train and place only 7,400.²⁸
- Small businesses in poor communities faced the hardest time reopening. By mid-2006, when the city conducted a detailed business survey, only 42 percent of establishments located in lower-income neighborhoods were open compared to 77 percent in medium-income neighborhoods and 94 percent in higher-income areas.²⁹
- Poor areas that experienced extensive flooding—such as the Lower Ninth Ward—had the lowest rate of reopening businesses, with 80 percent remaining closed.³⁰
- Small companies that depended on programs such as the Small Business Administration's Disaster Loan Program did not receive timely assistance. Several investigations and audits revealed that the SBA not only did not process applications in a timely fashion, it also canceled almost 8,000 loans without notice.³¹
- Small businesses have earned only 7.4 percent of Katrina contracts from the departments of Defense, Homeland Security, and Veterans' Affairs, and from the General Services Administration and the Small Business Administration.³²

MOVING FORWARD

A concerted focus on connecting people to jobs can simultaneously address the recovery of the city and lift workers into living-wage occupations. People, their neighborhoods, and local government revenues can rebound together by targeting the revival of small businesses and training workers in the skilled work of recovery. Access to capital and to recovery contracts and subcontracts for small firms is critical to this endeavor.



Training Workers in Recovery Industries

Following the storms, a boom in the construction industry was predicted as businesses, government, and individuals moved forward with rebuilding their homes and facilities. While the demand has tapered off because of the slow disbursement of recovery monies, a significant demand for skilled construction workers in many occupations remains. Enter Ronald James Washington into this gold-rush environment for all manners of construction contractors. A native of New Orleans East who was flooded out of his home, this African-American owner of a small construction company specializes in cement work. With this skill set, passed down to him from his father and other older-generation construction workers, he is able to sustain a good lifestyle, earning wages similar to highly demanded nursing professionals. His experience during his training years in New Orleans and in other places such as St. Louis and Memphis opened his eyes to the kinds of career and apprenticeship-based programs necessary to build the more highly skilled workforce that New Orleans needs to fully recover. In spite of the need for such workers, Washington had not heard of the many new federally funded programs such as the Pathways to Construction or the Recovery Workforce Training program; he feels there needs to be much more outreach to inform potential workers about how they can better their lives by obtaining skills and working at high-paying jobs. A spiritual person, he feels it is his mission to help members of his church get into good jobs and turn their lives around. Federal support for increasing job training programs and matching highest-need industries with residents most needing jobs could make the recovery both dynamic in physical progress and income-producing for lower-wage workers.

Immediate steps by the federal government can catalyze the state's and the city's efforts to provide employment opportunities for all New Orleanians and to ensure the long-term health of the local economy:

- Expand loans, grants, and debt relief to encourage the return or stabilization of small businesses. Coordinate with Community Development Financial Institutions, which are nimble, flexible, and know neighborhood businesses and their needs.
- Remove bureaucratic barriers to existing federal resources (Stafford Act, FEMA, and Community Development Block Grants) so major capital projects can start and employ willing workers.
- Structure recovery project bids to ensure small local firms can compete for subcontracts.
- Invest in short-term outreach, placement, and supports to match highest-need job sectors with people and communities that have the highest need for jobs.
- Develop sector-based strategies to cultivate long-term sustainable industries in the region.
- Invest in an integrated workforce development system to train and place 25,000 workers in key recovery sectors and new growth industries. These resources

would repair and expand community and technical colleges in the area; support teacher recruitment in key sectors; support wage subsidies to help retain skilled workers; invest in workforce support infrastructure (relocation expenses, child care, job readiness, employer-assisted housing incentives, literacy, substance abuse treatment); and align secondary schools with technical training and job pipelines that emphasize a career ladder approach.

- Improve the quality of the K-12 education system (see education, following).



***Work Training Gives Man Chance to Fulfill Dream . . .
and Give Back to New Orleans***

Tyronne Hayes had always wanted to work in the construction business. After returning to his native New Orleans from his evacuation to Houston, Hayes decided the post-storm construction was the perfect time to follow his dream. Soon after returning home, Hayes, 27, began working as a laborer at MR Pittman Group LLC. After realizing he could have more responsibility and earn more, he entered a union-based apprenticeship program to become a carpenter. This year, his work has centered on rebuilding the levees and pumps to protect New Orleans. For each year that Tyronne completes his apprenticeship he gets a 25 percent wage increase. Established in 2005, MR Pittman Group's total revenue for 2006 reached over \$90 million. As a union employer, MR Pittman knows that trained, skilled, and passionate workers like Hayes will be the key to rebuilding a truly vibrant and equitable New Orleans. Incentives for training are key programmatic supports the federal government can offer to grow newly skilled workers in diverse industries.

EDUCATION

Providing Access to a High-Quality Education for All Children



✦ Hurricane Katrina whipped a path of devastation across the New Orleans educational landscape. Literally overnight, an already struggling school system was suddenly forced to deal with communities in crisis—severely damaged schools, separated families, and uprooted lives.

In the 2005–2006 school year, only 12,103 students were enrolled in New Orleans Public Schools. That number more than doubled by the end of last year to 26,165 students, but enrollment remains just 40 percent of pre-Katrina levels.³³ The result is a challenging dynamic of rapid school growth, likely for years to come, taking place in the midst of city-wide rebuilding.

SIGNS OF HOPE

As students and their families return to New Orleans, they must have access to high-quality educational options. Though this is true for all students, it is particularly critical for those in low-income communities and communities of color—places not well-served by the public school system before the storm. Across the city, educators, parents, and community leaders are accepting this challenge.

- As of August 2007, 83 of the 128 pre-Katrina public schools (51 percent of which are public charter schools) are open, compared to just 56 schools during the 2006–2007 school year. More schools are expected to open this fall, and some of the openings have been in areas of the town hardest hit by the flooding.³⁴
- Principal recruitment and training programs are producing a cadre of talented educators to head schools throughout New Orleans. New Leaders for New Schools will place 40 new principals in both charter and traditional public schools over the next three years.³⁵
- School officials estimate that the influx of students could create upwards of 500 teacher vacancies in both existing and new public schools. Organizations such as TeachNOLA, Teach For America, and the New Teacher Project are attracting qualified teacher candidates from across the country and in local communities to help fill those positions.³⁶
- The new superintendent of the New Orleans Recovery School District, Paul Vallas, has established a strong track record in Chicago and Philadelphia schools and is determined to chart a bold course for reforming education in New Orleans.
- Families and communities are more engaged in the school system than ever before, with several planning their own charters or approaching developers to open high-quality charter schools in their neighborhoods.

New Orleans Native Returns to Train Next Generation of School Leaders

Tyra Newell, the Chicago Public Schools' budget director, was visiting her parents in her hometown of New Orleans the weekend before Katrina hit. Her trip wasn't going to be a big deal, she thought: it was just another hyped-up storm that fizzles out. But after the hurricane ripped through the city, Newell and her parents spent a week bouncing from Mississippi to Baton Rouge to Houston. She reluctantly returned to Chicago's South Side but couldn't shake her need to do what she could to help the suffering city she still considered home. When she got a call in January 2007 from New Leaders for New Schools, the 31-year-old knew that it would take a new generation of great school leaders to make a better, more inclusive, and higher-performing New Orleans school system. Under Newell's leadership, the program's first seven prospective New Orleans principals were recruited from within the region and around the country. Having completed their training, they began working in their schools in mid-August. Newell realizes leadership training is a crucial step in transforming education for the city's most vulnerable children. And it's a job that would be made significantly easier with more incentives from the federal government to help lure the nation's most dedicated teachers and school leaders.

Revival of Lower Ninth Ward Starts at New Charter School: Martin Luther King Elementary School

Martin Luther King Elementary School officially opened for classes this month. It is a milestone few would have thought possible in the days after Hurricane Katrina rumbled through this Lower Ninth Ward school. The parents, students, teachers, and the school itself were hit hard by the storm. Homes were destroyed. Families were displaced. Books and classrooms were flooded. But the tremendous community strength MLK had fostered prior to Katrina became its savior in the weeks and months following the storm. Led by a dedicated and an indomitable principal, the Lower Ninth community and more than 500 volunteers from around the country banded together to gut and rehabilitate the school. MLK is set to retake its place as one of the most successful schools serving New Orleans poor and "at-risk" students. The school's revival has been inspiring. But for Principal Doris Hicks, it hasn't been a surprise. "After Katrina," she said, "there were folks that wrote us off because we're in the 'Nine'—they didn't know our resolve. There were never any blinders on us about going back." Quality schools are a key anchor of every New Orleans neighborhood. Unable to leverage local revenues as most school districts do, timely federal facilities support can help other neighborhoods deliver quality schools, like what MLK's community has done.

IN NEED OF HELP

Despite the goodwill of many, income and race continue to dominate the on-the-ground realities of educational opportunity.

- Many of the schools that have opened are in need of significant physical improvements and new schools need to be built.
- The public school system remains the option of last resort for those who cannot afford alternatives. Eighty-nine percent of the students are black and three-quarters (76 percent) of current public school students are considered



low-income, qualifying for the free- and reduced-cost lunch program.³⁷ More than 40 percent of the city's white students attend either private or parochial schools—the highest rate in the country.³⁸

- The changing mix of new charter schools, old public schools, and magnet schools administered by different authorities are confusing to parents and increase the urgency for a comprehensive district-wide strategy.³⁹
- Test scores remain low. Immediately after the storm, test scores significantly declined: The number of fourth graders passing the LEAP exam fell from 61 percent pre-Katrina to 49 percent in 2006 and the number of eighth graders passing the LEAP exam fell from 64 percent to 43 percent in the same time period. But early results in 2007 suggest these scores are improving, at least among charter schools.⁴⁰
- Many of the students who are back remain traumatized by the Katrina and dislocation experience, and their anxiety is reemerging during the hurricane season. Mental health support is in short supply.

MOVING FORWARD

Ensuring that all students have stable learning environments—quality facilities, safe surroundings, adequate funding—and are exposed to quality instruction and challenging curricula will require the cooperation and engagement of students, parents, community leaders, and organizations, as well as support and leadership



from the local, state, and federal governments. School administrators, working in partnership with local leaders, will need to develop an efficient governing structure, provide tools to help parents navigate the evolving school system, recruit experienced teachers and principals, and provide the academic and mental health supports necessary to educate all of New Orleans' children. Additionally, local school leaders will need to focus on improving the quality of instruction in the classroom, including setting high standards and developing stronger accountability measures.

The current crisis also suggests specific investments by the federal government that can help the essential actors in New Orleans and Louisiana to provide quality education for all.

High School Students Want Focus on Learning, Not Security: FYRE Youth Squad

At a New Orleans school board meeting in October 2005, barely a month after Katrina hit, two McDonogh High School students had had enough. They wanted to tell the "real story" about their school—an 800-student school where the security guards (37) far outnumbered the teachers (23). When these students spoke up, the school board listened and promised to address the underlying security, overcrowding and funding issues that caused the shocking imbalance. Out of that experience grew the idea for the FYRE Youth Squad, a group formed in the summer of 2006 by and for inner-city youth to create a fair and just educational system. The 25 students ages 14-22 in FYRE continue pushing for more equitable school spending and an easing of the oppressive prison atmosphere in too many schools. The group is already getting results. Some victories include bringing the student-to-teacher ratio at the city's most troubled public school (McDonogh) down from about 70 to 1 in some classes to about 30/40 to 1; more textbooks; a decrease in the number of security guards and an increase in their sensitivity training; and a resumption of after-school activities. These victories are helping reshape the New Orleans school system into one that works for teachers, parents and students. The recruitment of teachers and school leaders is the linchpin of quality curriculum and welcoming school culture. Federal support to draw teachers back to New Orleans and develop their abilities to serve all students will transform tense post-catastrophe campuses into safe havens of learning.

A Refuge for Students—and the Community: James Singleton Charter Middle School

The Dryades YMCA James Singleton Charter School is a community-based school in the center of the neighborhood where murder spikes were the major reason for redeploying the National Guard to the city in 2006. Without selective admissions criteria, it takes all students and has had remarkable success at serving some of the most vulnerable students and their families. Singleton leaders have worked doggedly to raise outside funds to ensure state-of-the-art facilities. They have high levels of parental involvement, with over 200 parents being trained in literacy and computer skills—by the kids—in the school's state-of-the-art computer labs. With the school and community center serving as islands of calm in a stormy neighborhood while serving all kids, Singleton can show a district undergoing reform how the interaction of state-of-the-art facilities, strong educational pedagogy, and community engagement can yield better outcomes for both the kids and the neighborhood. With federal support for facilities, staff recruitment and development, and stabilization of operating budgets in transitional recovery years, other schools can replicate make kids' education the center of recovering neighborhoods.

Bringing Kids Hope After 20 Years Away from Home

Bridget Ramsey never thought she'd return to New Orleans. But after more than two decades away, she came home; Katrina changed her. A 16-year veteran teacher and administrator, who ran a charter high school in Denver, Ramsey was inspired by a chance to lead the Math and Science Charter High School. Its policy is to address the deep causes of behavior and performance problems rather than just discard hard-to-serve kids. The school has an interventionist, a social worker, and an on-site LSU health center. It also conducts a weekly roundtable discussion and creates an intervention plan for each student with learning or behavior problems. The four years of math and science, coupled with the expectation of college for every kid, give students the strong motivation they need. "We don't give up on any kids. And we are demanding things of them that haven't been demanded of them before," Ramsey explains. However, Ramsey's students and those across New Orleans will have a difficult time receiving the 21st century education they crave and deserve unless the federal government frees delayed funding for school facilities and addresses the rules that make it hard to not just restore the old buildings but also to build back better and smarter schools—ones that are ready for the 21st century.

RETHINK: Middle Schoolers *Join Together to Envision a Better School System*

RETHINK believes that many of the best ideas for reviving and remaking New Orleans education will come from those who see it every day from the inside—the students. Last summer, about 25 RETHINK students ages 8-13 came together to envision the ways—big and small—that the New Orleans school system could better serve the needs of kids. Some of their concerns are immediate, such as their call for cleaner bathrooms. Other concerns are more visionary: more funding for school counselors and more information on school admissions processes they say cut off too many students from true opportunity. By harnessing the ideas and passions of students, RETHINK seeks to create a New Orleans school system in which every student "receives a quality education no matter their parents' income, neighborhood, or skin color." Community engagement is a linchpin for creating equitable, systemic change in New Orleans schools. The calls from these youth focus on two key arenas where the federal government could lend support: providing resources for high quality facilities—both freeing FEMA funds already committed and committing new funds to rebuild a damaged infrastructure; and support for the counseling and mental health services young people with post-traumatic stress disorder need in order to be able to learn.

Immediate steps for the federal government to support local efforts to build back a better school system:

- Remove barriers (such as Stafford Act regulations requiring schools to be rebuilt in the same location to receive full reimbursement unless they are in a flood plain) that prevent money from efficiently flowing from the federal government to New Orleans; this would help to build safe and functional school facilities that will provide a 21st century education. Allocate additional capital to supplement FEMA damage funds.
- Provide additional resources to help meet post-disaster special needs, especially mental health needs of students.
- Help improve the quality of instruction by augmenting support for efforts to recruit and develop effective teachers and school leaders. ☺





 We now know, after two years of recovery, to create a New Orleans in which all can participate and thrive requires unprecedented leadership and cooperation from the people of New Orleans, government, nonprofits, and the private sector. To catalyze this response and to live up to the aspirations of the American people to address the poverty and despair they witnessed during the Katrina crisis, the federal government must set the tone for a recovery that is for everyone. This means committing money, expertise, and leadership to guarantee that the rebuilding of New Orleans will become a model for American inclusion. Specifically, we call on the federal government to act as a catalyst and to help New Orleans:

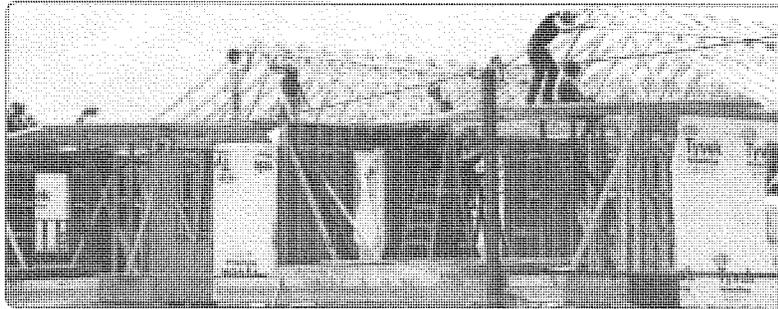
- Restore affordable **housing** options that will allow people with low incomes to be connected to opportunity—living in decent housing and in safe, vibrant neighborhoods connected to good schools and jobs;
- Bring back small business, a major source of employment in low-income neighborhoods, and connect the unemployed and underemployed to quality **jobs**—key for recovery—that pay wages that adequately support individuals and families; and
- Provide safe, stable learning environments and strengthen

classroom instruction and school leadership to provide all children with the high-quality **education** they deserve.

Many of the needs that are going unmet in New Orleans could be addressed with federal money already intended for New Orleans through FEMA. But inefficient and cumbersome Stafford Act rules prevent these resources from reaching the city. To unfetter billions of dollars to rebuild New Orleans, President Bush should immediately appoint a commission to examine the Stafford Act obstacles that prevent needed funds from flowing to New Orleans. This commission should report back findings and recommendations within 90 days.

Other needs can be addressed by Congress, such as housing supports and teacher recruitment. Congress must remain vigilant in ensuring the promise for New Orleans is translated into programs aimed at those currently being left behind.

By demonstrating how sufficient, effective investments in housing, jobs, and education can revitalize New Orleans and create opportunity for all, America will be proud of what has been done in New Orleans and will be prepared to apply those lessons across the nation. Tragedy will have been transformed into triumph. 



END NOTES

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Photos on pages 3, 4, 8-9, 13, and 15 courtesy of Dwayne S. Marsh.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-1000

OFFICE OF CONGRESSIONAL AND
INTERGOVERNMENTAL RELATIONS

SEP 24 2007

The Honorable Mary L. Landrieu
United States Senate
Washington, DC 20510-1804

Dear Senator Landrieu:

I am in receipt of your letter dated September 21, 2007 where you express concern over a number of issues, particularly HUD's recent approval of the disposition and demolition of four major public housing sites in the City of New Orleans. Rest assured your concerns are of utmost importance to us.

Both the demolition and disposition approvals that HUD granted this past Friday were critical not only to preserve the tenant protection vouchers, but also to retain more than \$300 million in low-income housing tax credit equity from the tax credit allocations already awarded by the Louisiana Housing Finance Agency (LHFA) and \$108 million in Community Development Block Grant (CDBG) piggyback funds awarded by the Louisiana Recovery Authority Office of Community Development (LRA - OCD). Absent the disposition approval granted by HUD, these projects would not be able to meet LHFA's carryover requirements, which would result in LHFA's recapture of the tax credit funding allocations. Moreover, unless demolition and redevelopment proceeds imminently, the Internal Revenue Service Section 42 federal tax credit requirements relative to deadlines for development completion (being placed-in-service) cannot be met.

Given the complexity of the issues involved, the Department will need additional time to provide you an appropriate response to the questions included in your letter of Friday. We intend to expedite to you a more detailed response.

We look forward to our continued communication with you on these important matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Studdert".

Mark A. Studdert
General Deputy Assistant Secretary
for Congressional and
Intergovernmental Relations



Louisiana Housing Finance Agency

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September 21, 2007

The Honorable Mary Landrieu, Senator
724 Hart Senate Building
United States Senate
Washington, DC 20510

The Honorable Alphonso Jackson,
Secretary
United States Department of Housing and
Urban Development
Office of the Secretary – Room 1000
451 7th Street, SW
Washington, DC 20410

Re: HANO Redevelopments

Dear Senator Landrieu and Secretary Jackson,

This communiqué memorializes elements of yesterday's conference call concerning the reservation of GO Zone Credits by the Louisiana Housing Finance Agency (the "Agency") under the GO Zone Qualified Allocation Plan (the "GO Zone QAP") to HANO's major and scattered site developments.

First, the Agency has been advised by HANO representatives that the each redevelopment will meet the September 30, 2007 deadline for meeting the ten percent (10%) carryover for the credits reserved to all HANO redevelopment projects. The Agency expects to receive (on or before October 1, 2007) from each taxpayer redeveloping HANO sites the documentation required of all taxpayers submitting carryover documentation. This documentation will include an opinion of a special tax counsel or an independent CPA that each taxpayer's basis is at least ten percent (10%) of the taxpayer's reasonably expected basis in the taxpayer's project as of the later of the date which is six (6) months after the date of allocation was made or the close of 2009.

Second, the Agency expects to receive from HANO or from each taxpayer redeveloping a HANO site an updated Project Schedule for each Project in accordance with the GO Zone QAP requirements that reflects the following benchmarks:

1. Date that expenditure of 10% of Project's Total Development Costs is to be achieved;
2. Date that final zoning will be approved;
3. Date that land and building are to be purchased;
4. Date that environmental clearance will be obtained;

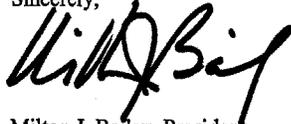
The Honorable Mary Landrieu, Senator
The Honorable Alphonso Jackson, Secretary
Re: HANO Redevelopments
September 21, 2007
Page Two

5. Date that Construction Contract will be executed;
6. Date that building permits will be obtained;
7. Date that construction will commence;
8. Date that 10% of construction will be complete;
9. Date that 50% of construction will be complete;
10. Date that 90% of construction will be complete;
11. Date that project will receive certificates of occupancy and be placed in service; and
12. Date for submitting cost certifications.

Third, HANO representative agreed to include in each Project Schedule for each of HANO's Projects the date that demolition at the major developments will commence so that construction may commence.

I trust that the foregoing fairly reflects a summary that makes sure that we are all on the same page regarding the redevelopment of HANO properties.

Sincerely,



Milton J. Bailey, President

Cc: Mr. Wayne Woods, Chairman
Board of Commissioners

MARY L. LANDRIEU
LOUISIANA

United States Senate

WASHINGTON, DC 20510-1804

September 21, 2007

The Honorable Alphonso Jackson,
Secretary
U.S. Department of Housing & Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Secretary Jackson:

As I indicated to you in our discussion this morning, I have deep reservations regarding your announcement today that the U.S. Department of Housing & Urban Development (HUD) plans to begin disposition/demolition of the four (4) major public housing sites in the City of New Orleans. Central to these concerns is the fact that HUD is moving forward with the demolition of public housing without adequate plans to ensure that replacement housing is developed in its place. To do so in the midst of an affordable housing crisis in the area, is both short-sighted and undermines comprehensive Congressional efforts to solve this issue.

You indicated in our discussion that this announcement is not being made not because HUD is required to start demolition by the Louisiana Housing Finance Agency. Instead, you told me that HUD is in danger of losing \$7 million of tenant replacement vouchers for these properties at the end of the fiscal year. I understand these concerns, but as a member of the Senate Appropriations Committee, I am worried that HUD did not contact my office or the Appropriations Committee regarding the loss of these vouchers. HUD neither requested an extension nor replacement of the vouchers. That said, given its stated importance to HANO, I commit to you to pursue an extension of these particular vouchers in the upcoming Continuing Resolution.

Prior to Hurricane Katrina and the subsequent Federal levee failures, the Housing Authority of New Orleans (HANO) operated over 7,000 units of public housing in New Orleans. 5,100 of these units were occupied by low-income households. HANO, as you well know, has long been a troubled agency. HANO mismanagement of these properties led in large part to their poor condition and the lack of sufficient opportunities for residents. It is my understanding that the current Administrative Receiver does not even reside in New Orleans but commutes there from Virginia each week. Likewise, the Chairman of the Board is a HUD official in Fort Worth, Texas. Therefore, the current management at HANO leaves my office with little certainty that - left on their own - that they will redevelop these properties in a responsible manner.

Furthermore, as my staff has indicated to you, to date I have only received information on one (1) of the four (4) redevelopment plans for public housing sites. This site, the Lafitte development, is a good model for developing a mixed-income community in a responsible manner. The developer worked closely with public housing residents to develop the project. Most importantly the Lafitte developer is ensuring affordable housing is not lost to the community. The Lafitte development would also meet the requirements set out in legislation currently pending in the Congress. However, there are no guarantees that developers at the other three sites will do the same. For example, it is my understanding that these other developers may replace only a fraction of the original units, making the current housing crisis in the city even worse. Rents in the area have increased at least 40 percent since the storms and our pre-Katrina

Page Two
September 21, 2007

homeless population of 6,300 has doubled to over 12,000 this year — further highlighting the need for affordable housing like these sites. In short, to announce demolition, which could begin as early as November, without sufficient planning in place seems irresponsible. This action will only serve to deepen the ongoing affordable housing crisis for my constituents most in need and further increase distrust in the community with HANO/HUD.

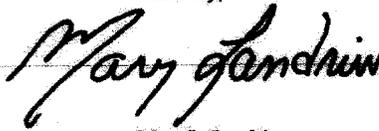
As you know, I co-authored a bill, S.1668, the "Gulf Coast Housing Recovery Act," with Senate Banking Committee Chairman Christopher Dodd which ensures that public housing is replaced, not lost. In doing this, the bill also provides needed flexibility so that the housing authority and developers can create mixed income communities. This bill, which I am scheduled to testify on in committee on Tuesday, September 25, would allow demolition to move forward in New Orleans. S. 1668 would also provide sufficient guarantees for public housing residents. In particular, the bill requires that all units occupied prior to the storm be replaced with public housing or other affordable housing units on or off site. Our bill also requires that unoccupied units be replaced with housing vouchers so there is no net loss of affordable housing in the city. Your announcement today would not provide similar guarantees. I urge you to only move forward with demolition if you can meet these replacement housing requirements. The House of Representatives has already passed these requirements and they are within reach of passing the Senate Banking Committee in the coming weeks.

In closing, I respectfully request that not later than September 24, 2007, HUD provide in writing the following:

- **The complete redevelopment plans for the other three (3) public housing sites in New Orleans**
- **A commitment that HUD will meet the requirements for demolition/redevelopment set out in S. 1668**
- **A response as to whether HUD will formally ask for an extension of the tenant replacement vouchers from the Senate Appropriations Committee**
- **Clarification on whether your announcement is due to LHFA requirements or tenant replacement vouchers**

Thank you for your attention to this important matter.

Sincerely,



Mary L. Landrieu
United States Senator

Cc: The Honorable Christopher Dodd
The Honorable Robert Byrd
The Honorable Thad Cochran

CITY OF NEW ORLEANS
C. RAY NAGIN, MAYOR



July 19, 2007

The Honorable Christopher Dodd
Chairman
Committee on Banking, Housing and Urban Affairs
U.S. Senate
Washington, D.C. 20510

The Honorable Mary Landrieu
U.S. Senate
Washington, D.C. 20510

Dear Chairman Dodd and Senator Landrieu:

Thank you for all you have done since August of 2005 to help New Orleans and the Gulf Coast recover from the devastating effects of the hurricanes of that season. We have all come a long way in our efforts to rebuild and bring our citizens home, but there is much still to be done, and your efforts are critical to our recovery.

We applaud and support your initiatives in the realm of housing, particularly in light of the over 200,000 housing units damaged or destroyed by the storms and subsequent flooding in Louisiana alone. We support S.1668, the Gulf Coast Recovery Act of 2007, for the many provisions that work toward the goal of rebuilding the homes and lives of so many of our citizens.

There are many facets of this bill that deserve special attention for the critical time sensitivity of the problems they attempt to solve. The bill provides flexibility for the use of previously allocated funds needed to assist homeowners in rebuilding more safely. It authorizes funding to fill a substantial gap in the program to assist homeowners to rebuild their storm and flood damaged homes. It also fixes a punitive duplication of benefits issue requiring repayment of SBA loans with their homeowner grants needed for repairs.

By reinforcing the need to provide public housing options and expand voucher options, the bill creates a pathway to opportunity and economic stability for many of our working families struggling to make ends meet. It also provides for the participation of public housing residents in the policies and decisions that affect their lives. These efforts to provide housing and ensure accountability on the process of demolition, conversion and reconstruction in disaster-impacted areas are to be commended.

This bill also supports the partnership between the City of New Orleans and the New Orleans Redevelopment Authority (NORA) with a pilot program to acquire and redevelop property in

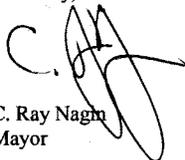
Page 2

accordance with the city's recovery plan. Additionally, NORA would be the recipient of HUD controlled FHA property to provide home-ownership opportunities for low-income families.

Finally, we would be remiss not to thank the authors of this legislation for including the call for a GAO review of how federal dollars were distributed to support housing needs following the 2005 disaster. While we can not turn back the clock for our citizens along the Gulf Coast, we know that there is much to be learned by our nation in the event that Americans fall victim to a disaster of this magnitude, natural or man-made, in the future.

Thank you again for your dedication to our recovery. Your efforts combined with those of House Financial Services Chairman Barney Frank and Housing and Community Opportunity Chair Maxine Waters in passing the House version of this legislation, and the entire Louisiana Delegation, will provide vital assistance to our community and help us to bring our citizens home.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Nagin', is written over the typed name. The signature is stylized and somewhat illegible.

C. Ray Nagin
Mayor



**Banking, Housing, and Urban Affairs Committee Hearing on
The Gulf Coast Housing Recovery Act (S. 1668)**

**Written Testimony of
Judith A. Browne-Dianis, Esq.
Co-Director, Advancement Project
September 25, 2007**

**Advancement Project
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Washington, DC 20036
www.AdvancementProject.org
www.JustDemocracyblorg.org**

Banking, Housing, and Urban Affairs Committee Hearing on the Gulf Coast Housing Recovery Act (S. 1668)

**Written Testimony of
Judith A. Browne-Dianis, Esq.,
Co-Director, Advancement Project
September 25, 2007**

Prior to Hurricane Katrina, there were 5,146 families living in public housing.¹ On August 29, 2005, these families were among those ordered to evacuate New Orleans in the immediate wake of Hurricane Katrina. Like the other predominately vulnerable – elderly, children, and disabled – evacuees, they took only what they could carry and were stranded for days before government assistance found its way to them. Like thousands of other evacuees, public housing residents expected to return when the mandatory evacuation order was lifted six weeks later. The basis for their expectation was eminently reasonable: Most of their homes sustained little or no damage. Over two years later, most of these families are still waiting to come home.

In the context of a humanitarian crisis unseen before on United States soil, the U.S. Department of Housing and Urban Development's (HUD) response was to shutter habitable public housing and to shut citizens out of their homes. In the backdrop of a colossal crisis of affordable housing in New Orleans, HUD's response is to move forward with demolition, replace only a fraction of the original units, and ignore the urgent need for an interim plan to bring residents back home.

But as Congress recognized right after the storm, this is a crisis, not an opportunity. Congress mandated that HUD preserve all public housing to the extent possible and made available funds that HUD could and should have used to re-open undamaged or minimally damaged units immediately. HUD, however, ignored Congress' mandate. Most of New Orleans' public housing continues to be locked up. On September 21, 2007, HUD reiterated a plan unveiled by Secretary Alphonso Jackson in June 2006 to demolish four of the biggest developments – approximately 5,000 units in total – and to create far fewer housing units for low-income families in New Orleans. Under this plan, most residents will remain displaced for another three to five years, if not forever.

For months prior to that announcement, Advancement Project heard from public housing residents that they wanted to return home but have not received an answer to their repeated inquires as to the status of their units. Thus in late June 2006, along with attorneys Bill Quigley of Loyola Law School, Tracie Washington, and the law firm of Jenner & Block, LLP, we filed a federal class action lawsuit to secure their right to return. This action, *Anderson v. Jackson*, has been stalled by a recent decision by the district court judge, and we anticipate that both parties will seek review by the appellate court imminently.

We cannot ignore the role that race has played in the overall federal response to Hurricane Katrina. For days, tens of thousands of African Americans were left stranded by all levels of government as the floodwaters in New Orleans rose. Many public housing residents were among those left behind. Many of them stayed in the sturdy, elevated, brick buildings of

¹There were an additional 3,000 units that the Housing Authority of New Orleans (HANO) kept vacant, despite having a waiting list of more than 8,000 families, who had applied but did not yet receive public housing, and despite the fact that many families were not even able to get placed on the waiting list. See Exhibit A, *HANO Annual Plan for Fiscal Year Beginning 10/2003*, pgs. 8-9.

Lafitte, St. Bernard, C.J. Peete, and B.W. Cooper, where they felt safe. Days passed and the federal government slowly came to the rescue. As many Americans watched this tragedy unfold, they could not deny that race still matters. On the one-month anniversary of the storm, HUD Secretary Alphonso Jackson wrote the script for what was to come when he stated that New Orleans "is not going to be as black as it was for a long time, if ever again."² Congressman Richard Baker (R-LA) all but applauded the tragedy, stating that "[w]e finally cleaned up public housing in New Orleans. We couldn't do it, but God did."³ No one expected that they would not be welcomed home quickly after the trauma they suffered. But race, unfortunately, has been front and center in the federal response to the housing crisis in New Orleans.

Our clients want to return to their homes now. The cruel, unjust, and illegal actions of federal and local housing agencies are incomprehensible. Residents of public housing want to return to work, their communities, and be reunited with their families. They want to have a voice in discussions about the future of their homes and their neighborhoods. These families have a right to return and should be able to do so immediately.

The Congressional Housing Response

Congress' mandate concerning affordable housing in New Orleans after Hurricane Katrina was responsive to the magnitude of the crisis. Hundreds of thousands were displaced in the aftermath of the storm. New Orleans' affordable housing stock took a huge hit from Hurricane Katrina. Of the city's approximately 142,000 units that were damaged or lost, an estimated 112,000 – 79 percent – were affordable to low-income households.⁴

In this context, Congress directed HUD to preserve, to the extent possible, all public housing in areas affected by Hurricanes Katrina and Rita.⁵ Moreover, Congress appropriated funds for this mandate, permitting fungibility between public housing and voucher funds through Section 901 of the December 2005 supplemental bill (and by extending fungibility every year since). The key purpose of Section 901 was to give agencies the funding and flexibility needed to make these immediate repairs to public housing units that had not been severely damaged or destroyed. Congressional intent was clear: to allow as many families as possible to return home quickly.

HUD has, for the most part, not only ignored this mandate in the context of New Orleans but has in fact done the exact opposite. The Housing Authority of New Orleans (HANO), whose recovery and redevelopment plan is directed by a HUD receivership team,⁶ has not made repairs to and has not reopened most of the units that they had deemed after the storm

²Lori Rodriguez, et al., *New Orleans' Racial Making in the Air: Some Black Areas May Not be Rebuilt HUD Chief Says*, THE HOUSTON CHRONICLE (Sept. 29, 2005) at B1, available at <http://www.chron.com/disp/story.mpl/front/3374480.htm>.

³Charles Babington, *Some GOP Legislators Hit Jarring Notes in Addressing Katrina*, THE WASHINGTON POST (Sept. 10, 2005), at A04, available at <http://www.washingtonpost.com/wp-dyn/content/article/2005/09/09/AR2005090901930.html>.

⁴NLIHC *Estimates 71% of Units Lost in Gulf Coast Were Low Income*, National Low Income Housing Coalition, available at http://www.nlihc.org/detail/article.cfm?article_id=2670&id=48.

⁵Act of Dec. 30, 2005, P.L. 148; 119 Stat. 2680.

⁶In 2002, HUD placed HANO in receivership. As a result, through its management team, HUD is responsible for managing the day-to-day operations of the housing authority, including the assessment of damages to HANO's public housing units and redevelopment plans. *HUD Names New Recovery Advisor and Receiver to Advance Current HANO Hurricane Recovery Efforts* (Apr. 14, 2006), available at <http://www.hud.gov/news/release.cfm?content=pr06-043.cfm>. For this reason, this Statement refers to the actions taken by HANO as those taken by HUD.

habitable or repairable. Furthermore, HUD plans to start demolishing this habitable housing as early as November, an act, if allowed to move forward, will keep thousands of public housing families displaced for years, if not forever.

HUD's response to Hurricane Katrina In New Orleans

HUD's plans in New Orleans has transitioned over time from promises of welcoming families home quickly to plans of re-development over a period of several years, with no interim plan of bringing home all of the families who not only want to return but have a right to return.

In its initial assessment after the hurricane, HANO determined that most developments had units that could be reopened with some work. Specifically, HANO found that:

- St. Thomas and Fischer developments experienced only minor damage;
- Iberville, Guste, C.J. Peete, Lafitte, and BW Cooper experienced minor to moderate damage (though around 300 units in BW Cooper experienced no flooding and little wind damage); and
- St. Bernard, Florida, and Desire sustained some severe damage.⁷ (But even in these cases, the presence of damage often was restricted to first floors, not upper floors where the flooding did not reach.)⁸

HANO announced that they intended to clean, repair and open Iberville first, followed by C.J. Peete, then a quadrant of about 300 units at B.W. Cooper, and finally, Lafitte.⁹

As the one-year anniversary of Hurricane Katrina approached, these promises remained unfulfilled and appeared to be retracted. During the months following the storm, HANO boarded up and fenced off several developments. Steel plates were mounted on the doors and windows of Lafitte. Fences were erected, topped with razor wire, around St. Bernard, Florida, and B.W. Cooper. Although HANO claimed they were securing the buildings, residents accurately perceived that they were being kept out of their homes. Moreover, the buildings were not uniformly secured; C.J. Peete, for example, was left wide open and therefore the homes and infrastructure in that development were damaged from vandalism.

Then HUD made known its objective. On June 14, 2006, Secretary Jackson announced a plan to demolish four of New Orleans' largest developments, with more than 5,000 units among them: C.J. Peete, B.W. Cooper, Lafitte, and St. Bernard.¹⁰ The plan would constitute the largest demolition in the city's history,¹¹ destroying more than 70 percent of New Orleans public housing stock, which totaled 7,100 units.

⁷Housing Authority of New Orleans Post-Katrina Frequently Asked Questions, available at <http://www.hano.org>.

⁸Bill Sasser, *Locking Out New Orleans' Poor* (June 12, 2006), available at http://www.salon.com/news/feature/2006/06/12/inola_housing/index_np.html.

⁹See Exhibit B, *Housing Authority of New Orleans Post-Katrina Frequently Asked Questions* (Apr. 2006).

¹⁰See Exhibit C, *HUD Outlines Aggressive Plan to Bring Families Back to New Orleans' Public Housing* (June 14, 2006).

¹¹Susan Saulny, *5,000 Public Housing Units in New Orleans Are to Be Razed*, THE NEW YORK TIMES (June 15, 2006), available at <http://www.nytimes.com/2006/06/15/us/15housing.html?ex=1308024000&en=7e1599e4112fed5d&ei=5088&partner=rssnyt&>.

HUD rationalized its decision to raze these affordable housing units by stating that they endured significant damage, despite the prior acknowledgment that some of these units suffered only minor water damage and many could be habitable again once repaired.¹²

Furthermore, HUD and HANO moved forward with plans for redevelopment despite the fact that it is much cheaper to repair units than to demolish and rebuild them. HUD estimated:

- The cost to repair Lafitte public housing development is \$20 million. The cost to completely overhaul the development \$85 million. The estimated cost for demolishing and rebuilding Lafitte is more than \$100 million.
- The cost to repair St. Bernard public housing development is \$41 million. The cost to substantially modernize the development is \$130 million. The estimated cost to demolish and rebuild St. Bernard is \$197 million.
- The cost of substantially renovating B.W. Cooper public housing development is \$135 million. The estimated cost to demolish the development is \$221 million.¹³

Even these estimates of demolition and redevelopment are questionable. Subsequent HUD documents indicate that HUD may not know how much redevelopment will cost.¹⁴

Furthermore, the current redevelopment plans will further exacerbate the affordable housing crisis by eliminating 3,200 public housing units:

- St. Bernard will go from 1,400 apartments to 465 apartments, only 160 of which will be public housing units for very low-income families. There will be 160 tax-credit, mixed-income and 145 market-rate units.
- C.J. Peete will go from 723 units to 410, 154 will be public housing eligible, 133 tax-credit, mixed-income and 123 market-rate units.
- B.W. Cooper will go from 1546 to 410, 154 will be public housing eligible, 133 tax-credit mixed-income, and 123 market-rate units.¹⁵

The justification proffered for the demolition is questionable. Documents obtained from HANO indicate that HUD and HANO misled the public to justify their plans. As officials were drafting talking points about their plan, William Thorson, the HANO receiver (a HUD employee appointed by HUD to run the day-to-day operations of HANO), recommended that staff "tak[e] photos of the worst of the worst ... Pictures are worth a 1,000 words," and to check for the presence of lead apparently not to evaluate safety, but to justify its demolition plans even

¹²Four N.O. Housing Developments Will Be Demolished, THE TIMES-PICAYUNE (June 15, 2006), available at <http://www.nola.com/news/t-pl/frontpage/index.ssf?base/news-5/1150356990188590.xml&col=1>.

¹³Exhibit D, *Housing Authority of New Orleans: Preliminary Recovery Plan for the Redevelopment and Repair of Public Housing Properties: Summary*, pgs. 18,22,24.

¹⁴See Exhibit E, Email from William C. Thorson to Kedrin T. Simms, copied to Kevin Gallagher, Patricia Arnaudo, Dominique G. Blom, Jeffrey Riddel, Donald Babers, Justin R. Ormsby, re: Public housing (Aug. 2, 2006) ("The issue of rebuilding costs is somewhat of a premature issue for HANO at the moment.")

¹⁵Requests for Qualifications for B.W. Cooper, C.J. Peete, and St. Bernard, available at <http://www.hano.org/contractors.htm>

though "the per unit cost [of repairs] is relatively low."¹⁶ Thorson also directed staff to use scare tactics by using news articles about murders at another development, "the idea being that reopening Lafite as before would create another Iberville."¹⁷ In another instance, HUD admits that the interior damage in C.J. Peete is minimal and overall it was moderate, but makes note that since Hurricane Katrina, the vacant property has "become a prime location for retail and residential development."¹⁸ HUD's plan is clearly not about habitability and cost of repairs. Nor is HUD concerned about the immediate affordable housing crisis or the despair of displaced survivors of Hurricane Katrina. Many observers believe this is about race, class and prime land.

To date, HUD has failed to make good on the little it has promised to residents. HUD promised to open 2,000 units by August 2006. Over a year after this target date, only 1,324 units have been reoccupied. HUD and HANO cannot be trusted to ensure the return of families. In fact, HANO falsely claimed to repair units and have them ready for reoccupancy. A HUD memorandum reveals that 250 units HANO claimed to repair but that remain unoccupied "never existed."¹⁹

While HUD and HANO have moved slowly to bring families home, they have aggressively pursued their plans for demolition. HANO did not want to consult with residents about the demolition plans,²⁰ as required by law, and in fact, did not. Instead, HANO held one public hearing regarding all developments, but only at the behest of the federal court. In the Spring of 2007, HUD awarded redevelopment contracts for the St. Bernard, C.J. Peete, and B.W. Cooper developments (HUD awarded the redevelopment contract for Lafite in August 2006). HANO recently submitted its complete demolition and disposition application to HUD for review. A mere two days later, on September 21, 2007, HUD announced the approval of HANO's application and stated its intent to begin demolition by November. The law requires HUD to consider evidence inconsistent with what is presented in the public housing authority's application before approving demolition.²¹ We are aware of two letters submitted to HUD's Special Application Center that provided evidence clearly inconsistent with HANO's demolition and disposition application.²² But HUD's extremely swift approval indicates that HUD failed to consider such evidence with due diligence, or at all.

Residents' Right to Return and Right to a Voice

For months after Hurricane Katrina, residents of public housing attempted to return home but were unsuccessful. When the mandatory evacuation was lifted, many public housing residents returned with the masses of other New Orleanians hoping to clean up and resume their lives. But residents of public housing were not welcomed. Residents reported being forced by police officers to leave their perfectly habitable units. Other residents, happy to find that their homes untouched by the flood waters, were told by HANO that they could not re-occupy them; HANO staff told them they would let them know when they could move back in but

¹⁶Exhibit F, Email from William C. Thorson to Jeffrey Riddell, copied to Dominique G. Blom, C. Donald Babers, and Justin Ormsby, re: working draft of talking points (Aug. 4, 2006).

¹⁷*Id.*

¹⁸Exhibit G, *HANO Preliminary Recovery Plan, C.J. Peete Housing Development* (Apr. 24, 2006).

¹⁹Exhibit H, Memo to C. Babers, HANO Chairman, from Alfred C. Jurison, Reoccupancy Team Principal, et al., Re: HANO Public Housing – Reoccupancy Team Debriefing Report (Dec. 13, 2006).

²⁰Exhibit I, Email from William C. Thorson to Shelley Smith, et al., Re: Demo Game Plan (July 21, 2006) ("The public/Resident portion of the process is the most controversial not to mention time consuming. It would be nice if we could by pass the public portion... [i]f there was a way to do that, it would be swell.")

²¹See 42 U.S.C. § 1437P(b)(1) (2007).

²²See Exhibit J, Letters from the Greater New Orleans Fair Action Housing Center and the National Housing Law Project, et al., to HUD's Special Application Center.

they heard nothing. Most public housing residents have lived in limbo in far away places, uncertain about their futures and never getting answers to which they are legally entitled.

Although time has passed, a majority of public housing residents still want to come home. In October 2006, HUD reported that an estimated 65 to 70 percent of the families want to return to New Orleans.²³ We believe the number is higher. In fact, according to a survey conducted by Providence, one of the agencies with whom HUD contracted to redevelop the Lafitte development, 90 percent of the Lafitte residents want to return. Because of the contradictory and unreliable data, the court ordered HANO to commission a survey of public housing resident to determine how many want to return. That survey currently is underway.

In our experience of talking with nearly 1,000 residents, many residents are, in fact, desperate to return home. The reasons are unsurprising. They have been separated from their homes and the surrounding communities and are dispersed throughout other parts of Louisiana, in Texas, Georgia, Florida and other states. For many of them, this is their first time outside of their beloved New Orleans. They have been separated from their families or forced to live in cramped and inadequate conditions in the homes of friends and family members. As displaced persons, many have encountered stigmatization and discrimination. Many have been unable to find employment in their new cities, a problem that the statistics have confirmed is pervasive: In September 2006, the Bureau of Labor Statistics estimated that the unemployment rate for Hurricane Katrina evacuees who remain displaced is triple that of those who have returned.²⁴ Most are falling deeper into poverty as they struggle to pay utilities and other expenses associated with displacement. Many public housing residents who have returned to New Orleans have become part of the city's homeless population, which has doubled since the hurricane to over 12,000 this year.²⁵ In addition to the trauma they underwent in the days and weeks after Katrina, the most vulnerable residents now suffer from the strain of displacement.²⁶ While the cause for their initial displacement may not have been avoidable, residents' continued suffering clearly is preventable.

Uncertain as to their future and suffering severely in their present circumstances, HUD's June 2006 demolition announcement came as another devastating blow to residents. On June 27, 2006, we filed *Anderson v. Jackson*, on behalf of all New Orleans public housing residents, all of whom are African American, who were displaced from their units in the aftermath of Hurricane Katrina and who want to return to their homes and to New Orleans. The action was filed against Secretary Alphonso Jackson, HUD, HANO, C. Donald Babers (HUD appointee as HANO Board of Commissioners), and William C. Thorson (HUD appointee as Executive Administrator), in the U.S. District Court for the Eastern District of Louisiana.

²³ See Exhibit K, Letter from Secretary Alphonso Jackson to the Honorable Barney Frank (Oct. 3, 2006), pg. 8.

²⁴ See Katy Reckdahl, *Razing a Community: Second in a two-part series*, GAMBIT WEEKLY, Oct. 31, 2006, available at http://www.bestofneworleans.com/dispatch/2006-10-31/news_feat.php

²⁵ According to the New Orleans Police Department spokesperson, this surge in homelessness is "draining resources." See John Moreno Gonzales, *Homeless on the Rise in New Orleans*, ASSOCIATED PRESS, August 19, 2007, available at

http://www.boston.com/news/nation/articles/2007/08/19/homelessness_on_the_rise_in_new_orleans/. See also Bill Sasser, *Surge in Homelessness Hits New Orleans*, CHRISTIAN SCIENCE MONITOR, March 28, 2007, available at <http://www.csmonitor.com/2007/0328/p03s03-ussc.html>.

²⁶ For a thorough discussion of the deleterious impact of displacement and community dismemberment, see Mindy Thompson Fullilove, *Root Shock: How Tearing Up City Neighborhoods Hurts America, and What We Can Do About It* (2004).

The *Anderson v. Jackson* lawsuit alleges that, by failing to re-open public housing and subsequently proceeding to destroy the residents' homes, the defendants have violated federal and state laws. First, defendants' refusal to permit the return of these 4,000 families has an adverse impact on African-Americans and thus is unlawful under the Fair Housing Act (Title VIII of the Civil Rights Act of 1968). Statements of officials such as Secretary Jackson and actions taken also violate the Fair Housing Act by denying housing on the basis of race. Second, the defendants' actions and inaction constitute violations of the U.S. Housing Act of 1937. By failing to repair units leaving them to further deterioration, defendants have effected a *de facto* demolition in violation of the U.S. Housing Act. In addition, defendants' failed to consult with residents about the demolition as legally required. Third, plaintiffs assert that by denying them their homes without notice or an opportunity to be heard, defendants' actions violate the Due Process Clause of the U.S. Constitution. Fourth, plaintiffs make various state claims derived from their rights under their valid leases.

Lastly, plaintiffs placed their right to return in the larger context of international human rights. For several years, the United States has been a co-sponsor of the United Nations' resolution that adopted the "Guiding Principles on Internal Displacement." According to this document, which has been endorsed and expounded upon by the U.S. State Department,²⁷ the victims of Katrina are "internally displaced persons" because they were displaced within their own country as a result of a natural disaster. By not permitting displaced residents to return, and by not making special efforts to ensure their full participation in the planning and management of their return or reintegration, HUD is violating international law.

Residents of public housing were marginalized and neglected by HUD and HANO prior to Hurricane Katrina – nothing has changed. Federal law requires that residents be consulted prior to demolition of public housing ostensibly so that they may participate in decisions about their homes and communities. HUD and HANO wanted to short-circuit this process. As HUD's appointed receiver to HANO, William Thorson, admitted: "The public/Resident portion of the process is the most controversial not to mention time consuming. It would be nice if we could by pass the public portion of the PHA plan process...if there was a way to do that, it would be swell."²⁸

Accordingly, HANO paid lip service to the consultation process by hosting one consultation meeting to address demolition of all four developments more than five months after HUD's June 14, 2006 demolition announcement. In fact, it was not until Judge Ivan Lemelle (E.D. LA) pressured the *Anderson* defendants to consult residents that they made a minimal attempt to do so. HANO finally convened one *en masse* resident consultation meeting on November 29, 2006. HANO held only one meeting in New Orleans (when the majority of residents are displaced outside of the city), addressed all developments at one time, provided no transportation, held the meeting on a week night when residents previously stated that a weekend was far better, and held it at a location that was not handicap accessible and where the public transportation stopped running before the meeting ended. Several residents reported that they never received notice of the meeting.

Despite these significant barriers, resident participation at the November 29, 2006 meeting was overwhelming, illustrating residents' profound interest in having input into decisions concerning their homes and city. An estimated 350 people attended the meeting, including

²⁷ See Exhibit L, Advocates for Environmental Human Rights, *Recommendations for Preventing Human Rights Abuses in the Reconstruction of the Hurricane-Damaged Gulf Coast Region of the United States*.

²⁸ See *supra* note 20.

residents who traveled from Texas, to oppose the demolition. About 50 individuals provided comments on HANO's demolition and disposition plans. Approximately 30 residents and four elected officials provided comments; the balance was community stakeholders. The residents who provided oral comments represented each public housing development and some scattered sites. Each and every speaker voiced opposition to HANO's plan. Not one person spoke in favor of demolition. Their message loud and clear – they do not want their homes demolished.²⁹

In addition to questioning the consultation process, the *Anderson* litigation challenges defendants' assertions that thousands of units of New Orleans public housing are uninhabitable. In October of 2006, we sent an architecture expert from MIT and a mold expert (who has conducted many post-Katrina reviews) to assess a sample of the units in each of the four developments. The experts found that:

- The "great majority of the units ha[ve] no visible mold growths" and the work necessary to remove mold "would be minimal consisting mainly of housecleaning and sanitizing the room surfaces."³⁰
- Damage at Lafitte is "minor" and "easily repaired."³¹
- C.J. Peete is "substantially intact and recoverable," and [m]any units are in good condition."³²
- First-floor units at B.W. Cooper received "minor damage commensurate with the level of flooding," and only minor repairs are required in the upper units.³³
- Second and third floor units at St. Bernard are also in good condition.³⁴

The architecture expert found no structural or nonstructural damage was found that would reasonably warrant any cost-effective building demolitions. He concluded that demolition is not supported by the evidence. He further stated:

"[R]eplacement with contemporary construction would yield buildings of lower quality and shorter lifetime duration, the original construction methods and materials of these projects are far superior in their resistance to hurricane conditions than typical new construction and, with renovation and regular maintenance, the lifetimes of the buildings in all four projects promise decades of continued service that may be extended indefinitely."³⁵

²⁹An official transcript of the November 29, 2006 HANO resident consultation meeting is available at <http://www.justiceforneworleans.org/index.php?module=article&view=71&c2ffc9a09089e409f6a701be34f2d1a3=a78f55e0dfe0ef647df64343e8324eb5>.

³⁰Exhibit N, Declaration of David Martinez, at ¶¶ 6-7.

³¹Exhibit O, Declaration of John Fernandez, at ¶ 7.

³²*Id.* at ¶ 8.

³³*Id.* at ¶ 9.

³⁴*Id.* at ¶ 10.

³⁵*Id.* at ¶ 12.

These expert assessments confirm what the residents themselves already knew: The New Orleans public housing developments are amongst the most valuable, durable, and solid buildings in New Orleans.³⁶

HUD Worsens Affordable Housing Crisis

Since 1996, the number of public housing units in New Orleans has been drastically reduced. In 1996 there were 13,600 units; only 7,100 units were left at the time of Hurricane Katrina, of which only 5,146 were occupied. Hundreds of units were vacant, slated for demolition prior to Hurricane Katrina but the need for affordable housing was immense. Approximately 18,000 families (approximately 8,000 for public housing and 10,000 for Section 8 vouchers) were on HANO's waiting list in 2005. Hurricane Katrina and HUD exacerbated this crisis of affordable housing.

As noted previously, out of the 142,000 units that were damaged or lost in New Orleans due to Katrina, 112,000 – 79 percent – were affordable to low income households. The rebuilding of these units or new affordable housing has been painstakingly slow. The Louisiana Hurricane Housing Task Force in December 2006 stated that there is an "urgent need" for 45,000 affordable rental units in Louisiana, 30,000 in New Orleans alone.³⁷ According to a June 2007 report by *PolicyLink*, Louisiana's plan for repairing rental homes damaged or destroyed will replace only two-fifths of this housing.³⁸ Rental rates continue to be at least 40 percent higher than the pre-Katrina rates, and the cost of insurance and construction continues to escalate. As of April 25, 2007, FEMA reported that 31,418 households continue to receive rental assistance, and 81,650 are still living in trailers.³⁹

In this stark scenario, it is nothing short of shocking that HUD would be opting for the least swift, most costly way to deal with public housing in New Orleans. A number of displaced public housing residents have been receiving vouchers through the Disaster Voucher Program, which provides up to \$1,490 a month for rental assistance. In the own words of HANO's counsel, this is "a very generous governmental housing benefit." But the residents are not looking for a generous government solution. What they need is an expeditious, effective solution that will help them return home to New Orleans.

Furthermore, these vouchers, and other housing vouchers, are useless in New Orleans. With an occupancy rate of nearly 100 percent, residents cannot find available housing upon which to utilize vouchers. In the rare instance in which a vacancy exists, landlords will not accept housing vouchers. For a snapshot assessment of housing available to voucher recipients, we conducted a survey in partnership with Common Ground Collective. Of the 238 apartment complexes called, five were immediately available to voucher recipients, of which one was exclusively for elderly renters. Approximately 16 apartments reported to accept vouchers

³⁶In addition to the issue of habitability, the historic preservation community has raised concerns about the demolition plans. See Exhibit P, Letter from the National Trust for Historic Preservation to the Honorable Alphonso Jackson (Dec. 6, 2006). See also Nicolai Ouroussoff, *All Fall Down*, THE NEW YORK TIMES (Nov. 19, 2006), available at <http://www.nytimes.com/2006/11/19/weekinreview/19ouroussoff.html?ei=5088&en=e2951eb8880134d5&ex=1321592400&partner=rssnyt&emc=rss&pagewanted=print>.

³⁷Deon Roberts, *Unaffordable Problem: N.O. Needs 30,000 Low-Income Rental Units*, NEW ORLEANS CITYBUSINESS (Dec. 4, 2006), available at <http://www.neworleanscitybusiness.com/viewStory.cfm?recID=17465>.

³⁸See PolicyLink, *Bringing Louisiana Renters Home: An Evaluation of the 2006-2007 Gulf Opportunity Zone Rental Housing Restoration Program*, available at www.policylink.org/documents/LRHC.pdf.

³⁹Exhibit P, FEMA, *Katrina and Rita: Direct Financial Housing Assistance Breakdown as of 04/25/2007*.

but were not accepting recipients at the time – these apartments had wait lists ranging from three months to two years; one apartment had 1,200 applicants on a waiting list; others reported that their waiting list was closed indefinitely.

HUD defends its plan to demolish most of New Orleans' public housing stock at a time when the city still cannot house the majority of its residents by claiming that its plan to replace the existing stock with privately-owned, mixed-income developments is a way to deconcentrate poverty and build better housing. But as a *New York Times* architecture reporter noted, "[t]his argument seems strangely disingenuous in New Orleans."⁴⁰ The reporter went on: "Built at the height of the New Deal, [New Orleans'] public housing projects have little in common with the dehumanizing superblocks and grim plazas that have long been an emblem of urban poverty. Modestly scaled, they include some of the best public housing built in the United States."⁴¹

Residents' Demands

New Orleans public housing residents want to return home. They are tired of living dispersed throughout the United States with no indication of when they can return. They want to resume their lives in New Orleans and to be a part of the rebuilding of their city, their communities, and their homes.

Residents want the immediate return of public housing families to their habitable pre-Katrina units. In addition, they seek to have a genuine consultation process regarding any redevelopment plans of their homes. They want to ensure that every family that resided in public housing pre-Katrina has the right to return to a public housing unit in New Orleans. Lastly, they seek to at minimum preserve the number of affordable housing units in New Orleans to accommodate the overwhelming need.⁴²

On behalf of displaced and locked out public housing families of New Orleans who want to return to New Orleans, I urge Congress to take all steps necessary to expeditiously return residents to their homes and to ensure that they may participate in decisions about the future of their communities.

⁴⁰See *supra* note 36 Nicolai Ouroussoff, *All Fall Down*, THE NEW YORK TIMES.

⁴¹*Id.*

⁴²As in the case of HUD's response in Mississippi, there must be a mandate of one-for-one replacement in New Orleans. See *Jackson Approves \$100 Million Program to Help Five Mississippi Public Housing Authorities to Recover from Hurricane Katrina* (Aug. 17, 2006) available at <http://www.hud.gov/news/release.cfm?content=pr06-098.cfm>



**“Two Years After the Storm: Housing Needs in the Gulf Coast”
Senate Committee on Banking, Housing and Urban Affairs**

**Statement Submitted for the Record by Amnesty International USA
September 25, 2007**

Introduction

Amnesty International USA commends the Senate Committee on Banking, Housing and Urban Affairs for examining conditions in the Gulf Coast related to Hurricane Katrina and urges all Senators to support passage of the Gulf Coast Housing Recovery Act of 2007 (S.1668). Amnesty International believes that the best and most effective way to secure and rebuild lives is by utilizing human rights laws, guidelines and structures.

Amnesty International’s 2.2 million worldwide members are dedicated to working on behalf of economic, cultural, social, civil, and political rights. For more than four decades, our work has been guided by the Universal Declaration of Human Rights and other international standards as these have evolved, including the Guiding Principles for Internally Displaced Persons. Our most recent annual report summarizes human rights concerns in 149 countries and territories. We are an independent and non-partisan organization and receive no funding from any government.

We are pleased and honored to provide a statement for the record for today’s hearing. Our statement demonstrates how adequate housing is a recognized human right under international standards and obligations, and describes the public housing situation in New Orleans before and after Hurricane Katrina, along with other related human rights concerns. It provides a brief background on the Guiding Principles and promotes their applicability to public housing concerns in New Orleans. We conclude with recommendations for Congressional action.

Adequate Housing as a Human Right

The right to adequate housing guarantees access to a safe, habitable, and affordable home with protection against forced eviction. Without adequate housing, an individual is vulnerable to human and natural forces, compromising other human rights including family life, health, education, employment and privacy. The right to adequate housing is clearly supported by international law, starting with the foundational Universal Declaration of Human Rights.

“Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care ...”
The Universal Declaration of Human Rights (UDHR), Article 25.

The Universal Declaration of Human Rights was adopted by the United Nations General Assembly in 1948, by a unanimous vote by all member countries, including the United States. The right to adequate housing has been reaffirmed in the International Convention on the Elimination of All Forms of Racial Discrimination, to which the USA is a party, states:

“States parties undertake to prohibit and eliminate racial discrimination in all of its forms and to guarantee the right of everyone, without distinction as to race, colour, or national or ethnic origin

to equality before the law, notably in the enjoyment of the following rights:...(e) in particular... (iii) the right to housing.”

International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), Article 5.

The right to adequate housing is also protected in Article 14(2)(h) of the Convention on the Elimination of Discrimination Against Women, Article 27(3) of the Convention on the Rights of the Child, and Article 11 of the International Covenant on Economic, Social and Cultural Rights, all of which have been signed, but not ratified, by the United States. The International Covenant on Civil and Political Rights (ICCPR), which the US has ratified, also includes “the right to participate in the conduct of public affairs”. The latter has been interpreted broadly: “the conduct of public affairs, referred to in paragraph (a), is a broad concept ... It covers all aspects of public administration, and the formulation and implementation of policy at international, national, regional and local levels.”¹

The status of the right to adequate housing in international human rights law and standards, including in conventions which the USA has signed and ratified is clear and unequivocal. States’ obligations related to the right to adequate housing include to respect that right through non-interference, to protect it from interference by third parties, and to fulfil the right through concrete, targeted and effective steps to achieve progressively the full realization of the right, including through prohibiting and eliminating discrimination in the realization of the right, and prioritizing the most vulnerable, including those affected by natural disasters.²

Despite the clear and unequivocal status of the right to adequate housing in international human rights law and standards, including in conventions which the USA has signed and ratified, it remains true that 100 million people in the world have no place to live and over a billion are inadequately housed, according to UN estimates.¹ Courts worldwide are increasingly acting to uphold housing rights where governments have failed to comply with their obligations to respect, protect and fulfill these human rights.²

New Orleans Housing Before August 2005

The significant risk of hurricane-induced flooding in New Orleans was experienced and understood after the 1965 Hurricane Betsy flooded 164,000 homes.³ Betsy’s rainfall and storm surge caused levees along the Industrial Canal and the Mississippi River Gulf Outlet to fail, leading to devastating flooding. When the levee system was rebuilt after Betty by the Army Corps of Engineers, it was engineered to only withstand a fast moving Category 3 Hurricane, despite the risk of future Category 4 or 5 hurricanes that could put parts of New Orleans under 20 feet of water.⁴ For fifty years, the United States employed a levee system that could not protect millions of New Orleans residents from the significant loss of life, housing, and well-being that would accompany a major hurricane.

Residents of public housing developments were forced to evacuate from Hurricane Katrina due to minor flooding and the lack of governmental services following the hurricane. The U.S. Department of Housing

¹ United Nations Press Release, “Commission on Human Rights Hears Reports from Special Rapporteurs on Rights to Housing, Health and Education,” 29 March 2005.

² The Constitutional Court of South Africa, for example, has upheld the right to adequate housing in a wide range of cases including *Government of the Republic of South Africa v Grootboom*, [2001] 4 SA 46 (CC); the Indian Supreme Court held that forced eviction would result in a deprivation of the ability to earn a livelihood. The Court further noted that the ability to earn a livelihood was essential to life and thus the forced evictions would result in a violation of the right to life as embodied in Article 21 of the Indian Constitution in the case of *Olga Tellis v. Bombay Municipal Corporation* (1985, 3 SCC 545).

³ PBS series, *Nova*, “Storm that Drowned a City”.

⁴ *Civil Engineering Magazine*, “The Creeping Storm,” June 2003.

and Urban Development (HUD) reportedly plans to demolish and rebuild these developments,⁵ however residents, advocates⁶ and some experts⁷ believe the existing public housing units could be renovated and reoccupied by the former residents.

The four main public housing developments currently closed to residents and being considered for demolition were built immediately following the passage of the U.S. Housing Act of 1937; this legislation instituted the U.S. Housing Authority and tasked it with providing public housing for low-income families. The projects now slated for demolition – CJ Peete/Magnolia, B.W. Cooper/Calliope, St. Bernard, and Lafitte – encompassed 4534 units and stand in the third, sixth and seventh wards.⁸

During the past twenty years, there has been growing pressure to demolish public housing developments as the buildings stood on centrally located and thus valuable land. By the time Hurricane Katrina made landfall, the number of existing public units had decreased from a high of 13,694 in 1996 to 7,600 in 2005, with only 5146 of those units occupied.⁹ An example of this reduction was the replacement of the 1,600 unit St. Thomas project with the mixed income River Garden development, with as of 2007 only approximately 247 units set aside for low-income tenants.¹⁰ This decrease of approximately 85% of affordable housing units in this particular case is of concern as reductions of this magnitude could be replicated if demolition of the four projects occurs.

The Department of Housing and Urban Development (HUD) defines its mission as “[increasing] access to affordable housing.” Yet HUD’s support of Hope VI¹¹ funding for demolition of low-income housing in favor of mixed-income units runs counter to the Department’s stated goal. This changed emphasis has accelerated a slow drumbeat of decreased access to affordable housing into a race to take advantage of the impact of Katrina.

⁵ Anne Hawke, *HUD To Demolish Four New Orleans Housing Projects*, NPR, June 18, 2006, <http://www.npr.org/templates/story/story.php?storyId=5493936>.

⁶ *A Storm Over New Orleans Public Housing in Katrina Wake*, Salt of the Earth, January 2007, available at: <http://salt.claretianpubs.org/sjnews/2007/01/sjn0701d.html>; Kari Lydersen, *New Orleans Public Housing Residents Set to Fight Off Developers*, The Newstandardnews.net, February 27, 2006, available at: <http://newstandardnews.net/content/index.cfm/items/2868> (Citing to Dr. Marty Rowland’s tour of St. Bernard, a civil engineer, told reporters that all of the first floor apartments which suffered water damage could be livable again with rewiring and restoration of utilities while second and third floor units were hardly damaged at all).

⁷ See Declaration of John E. Fernandez, *Anderson v. Jackson*, Civil Action No. 06-3298, available at: <http://www.justiceforneworleans.org/ifndocs/Declaration.pdf> (John Fernandez, an associate professor of Architecture at M.I.T. stating his inspection and assessment “did not find any conditions in which the integrity of the structure and exterior envelope of the buildings or the interior conditions of residential units themselves could not be brought to safe and livable conditions with relatively minor investment.”); Reckdahl, Katy, *Like a Ton of Bricks*, Best of New Orleans.com, October 24, 2006, available at: http://www.bestofneworleans.com/dispatch/2006-10-24/news_feat.php (noting that during a recent walk through of the Lafitte housing development, Katrina water lines were clearly below the top of the buildings’ foundations).

⁸ Policy Link, “Bringing Louisiana Renters Home: An Evaluation of the 2006-2007 Gulf Opportunity Zone Rental Housing Resoration Program”, June, 2007, Appendix 4, available at: <http://www.policylink.org/documents/LRHC.pdf>.

⁹ *Times Picayune*, “Activists Link Homelessness to Federal Spending Priorities,” Gwen Filosa, November 15, 2006.

¹⁰ There are currently 122 units available to low income residents, of which only 59 are occupied. However, 125 more units of the 310 that are planned to be constructed in the future are to be made available for low income residents via a settlement agreement between former St. Thomas residents and the Housing Authority of New Orleans (HANO). See, Finch, Susan, “Plan for Resettling Public Housing Residents Ok’d,” *The Times-Picayune*, July 10, 2007, available at: <http://www.nola.com/news/t-p/frontpage/index.ssf?/base/news-22/1184050828169470.xml&coll=1>. Bureau of Government Research, “Protecting New Orleans’ Tax Base” report, March, 2007; *Times Picayune*, “Nagin Asks to Take Over Road Home,” Gwen Filosa, February 22, 2007.

¹¹ HOPE VI program (Housing Opportunities for People Everywhere): combines Federal grants for physical revitalization with funding for management improvements and supportive services to promote resident self-sufficiency.

New Orleans Housing Post-August 2005

Two years after Hurricane Katrina, 865 units in the Lafitte Development that were occupied prior to Katrina are closed; 963 occupied units in the St. Bernard are closed; 712 of the 1,015 occupied units in the B.W. Cooper are closed; and 144 in the C.J. Peete are closed, totaling 2684 units of the 2987 occupied prior to Katrina.¹² Foundational to the right to return is housing, but with more than 52% (2684 of the 5146) of the total public housing units that were occupied prior to Katrina, currently closed and facing demolition¹³, HUD, (as controlling agent through receivership of the Housing Authority of New Orleans) has almost single-handedly eliminated affordable housing in New Orleans. Without public options, private rentable housing is difficult to obtain and rent has increased up to 35% for a two bedroom apartment in Orleans Parish since Katrina.¹⁴

Other Human Rights Considerations

Human rights affected in the immediate and long-term aftermath of the hurricane are diverse and significant, and do not just include economic and social rights, but also political and civil rights. The United States has ratified the International Covenant on Civil and Political Rights, yet has failed to uphold rights protected under the Covenant that include Articles 2 (discrimination), 6 (life), 12 (movement), and 26 (discrimination). After Katrina, thousands of mainly poor and African American residents were left stranded for days in increasingly desperate and unsafe circumstances, without adequate food, housing or access to even emergency health care. Many were left vulnerable to attack.¹⁵

The lack of housing opportunities for thousands of New Orleans residents is compounded by the absence of schooling, mental and physical health care opportunities and increased criminal and domestic violence. These challenges are most keenly felt in communities marginalized by race, ethnicity and class.¹⁶

There are also environmental concerns that must be taken into consideration when planning the return of those internally displaced as a result of Hurricane Katrina. For example, in soil samples collected by the Environmental Protection Agency (EPA) and analyzed by the Natural Resources Defense Council (NRDC), a non-profit environmental organization, over the five months immediately following Hurricane Katrina, the NRDC found levels of arsenic that "potentially pose a significant cancer risk, according to EPA Guidelines."¹⁷ Furthermore, according to the Federal Government Accountability Office (GAO),

¹² Policy Link, "Bringing Louisiana Renters Home: An Evaluation of the 2006-2007 Gulf Opportunity Zone Rental Housing Restoration Program", June, 2007, Appendix 4, available at: <http://www.policylink.org/documents/LRHC.pdf>.

¹³ *Times Picayune*, "Activists Link Homelessness to Federal Spending Priorities," Gwen Filosa, November 15, 2006, see also Policy Link, "Bringing Louisiana Renters Home: An Evaluation of the 2006-2007 Gulf Opportunity Zone Rental Housing Restoration Program", June, 2007, available at: <http://www.policylink.org/documents/LRHC.pdf>.

¹⁴ Thomas, Greg, "Rental Rates Fall With Demand," *The Times-Picayune*, September 9, 2007, available at: <http://www.nola.com/news/t-p/frontpage/index.ssf?base/news-9/118932170362670.xml&coll=1>; The Brookings Institution and Greater New Orleans Community Data Center, "The Katrina Index: Second Anniversary Edition", August, 2007.

¹⁵ Information Clearing House, "Second Amendment Nixed in New Orleans," Kurt Nimmo, Sep. 9, 2005.

¹⁶ Eisler, Peter, "New Orleans Feels Pain of Mental Health Crisis," *USA Today*, January 16, 2007, available at: http://www.usatoday.com/news/nation/2007-01-15-katrina-mental-health_x.htm; Bustillo, Miguel, "Violent Crime Engulfs New Orleans," *The Seattle Times*, August 3, 2007, available at:

http://seattletimes.nsource.com/html/nationworld/2003819309_nola03.html; Capochino, April, "Only Two Domestic Violence Shelters Have Reopened in New Orleans," *New Orleans CityBusiness*, available at: http://findarticles.com/p/articles/mi_qn4200/is_20060313/ai_n16161102; The Brookings Institution and Greater New Orleans Community Data Center, "The Katrina Index: Second Anniversary Edition", August, 2007.

¹⁷ See Solomon, Gina, *Contaminants in New Orleans Sediment: An Analysis of EPA Data*, Natural Resources Defense Council, February 2007, at 4, available at: <http://www.nrdc.org/health/effects/katrinadata/sedimentepa.pdf>. The average level of arsenic found by the EPA in the greater New Orleans area is 10.6 mg/kg of soil. In

"millions of gallons of oil and unknown quantities of potentially hazardous chemicals were released into the environment" in the wake of Hurricane Katrina.¹⁸ Sources of chemical spills included "tanks, barges, pipelines, rail cars, [and] industrial facilities."¹⁹ Environmental cleanup has been inadequate. Site specific mold remediation and treatment for heavy metal, arsenic, lead and asbestos should be administered as needed, per tests done by the EPA, the Louisiana Department of Environmental Quality (LDEQ) and the NRDC.²⁰

The right to health is the right to the "highest attainable standard of physical and mental health". It encompasses freedoms (such as the right to control one's health and body) and entitlements (for example, to equality of access to health care) and consists of two basic components: healthy living conditions and health care.ⁱⁱⁱ

The right to health is recognized in the constitution of the World Health Organization to which the U.S. is a party, and in Article 5(e)(iv) of the ICERD to which the U.S. is also a party. The latter states that "States Parties undertake to prohibit and to eliminate racial discrimination in all its forms and to guarantee the right of everyone, without distinction as to race, colour, or national or ethnic origin, to equality before the law, notably in the enjoyment of ... the right to public health, medical care, social security and social services."^{iv}

The Committee on Economic, Social and Cultural Rights (the body of independent experts which monitors implementation of the International Covenant on Economic, Social and Cultural Rights) has adopted a broad conception of the right to health, recognizing it as:

"an inclusive right extending not only to timely and appropriate health care but also to the underlying determinants of health, such as access to safe and potable water and adequate sanitation, an adequate supply of safe food, nutrition and housing, healthy occupational and environmental conditions, and access to health-related education and information ... A further important aspect is the participation of the population in all health-related decision making at the community, national and international levels."^v

Article 12(2)(b) of the ICESCR states that "steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right shall include those necessary for: ... The improvement of all aspects of environmental and industrial hygiene" which has been authoritatively interpreted by the Committee on Economic, Social and Cultural Rights (CESCR) (in General Comment 14) to incorporate "The right to a healthy natural environment comprising, " *inter alia*... the requirement to ensure an adequate supply of safe and potable water and basic sanitation; the prevention and reduction of the population's exposure to harmful substances such as ... harmful chemicals or other detrimental environmental conditions that directly or indirectly impact upon human health. ... Article 12.2 (b) also embraces adequate housing ..."

comparison, the Region 6 EPA health-based soil screening level for residential areas is set at 0.29 mg/kg of soil to protect against cancer. EPA Region 6 Human Health Medium-Specific Screening Levels. November 2005: http://www.epa.gov/earth1r6/6pd/rcra_c/pd-n/screen.htm.

¹⁸ See Government Accountability Office, Report to Congressional Committees, Hurricane Katrina: EPA's Current and Future Environmental Protection Efforts Could be Enhanced by Addressing Issues and Challenges Faced on the Gulf Coast, June 2007, at 1, available at: <http://www.gao.gov/new.items/d07651.pdf>.

¹⁹ Environmental Protection Agency, News Release, EPA and LDEQ Use Helicopters to Detect Chemical Spills in Katrina's Aftermath, September 16, 2005, available at: <http://yosemite.epa.gov/opa/admpress.nsf/7c02ca8c86062a0f85257018004118a6/96284005886c769d852570d6005e7f28!OpenDocument&Highlight=0.rail>.

²⁰ Housing Authority of New Orleans: Environmental Justice Studies of Lafitte, B. W. Cooper, C.J. Peete and St. Bernard developments

The United States has signed but not ratified the International Covenant on Economic, Social and Cultural Rights. As a signatory, the U.S. is obligated not to defeat the object and purpose of the Covenant.²¹

We would also like to draw attention to the recommendations of the United Nations (UN) Human Rights Committee (the expert body on implementation of the International Covenant on Civil and Political Rights) to the US Government, after considering the United States' second periodic report in 2006. The Committee urged the United States to review its practices and policies to ensure the full implementation of its obligation to protect life and of the prohibition of discrimination against IDPs, whether direct or indirect, as well as of the Guiding Principles on Internal Displacement, in the areas of disaster prevention and preparedness, emergency assistance and relief measures. It further urged the United States to increase its efforts to ensure that the rights of poor people and in particular African Americans, are fully taken into consideration in the post Katrina reconstruction plans with regard to access to housing, education and healthcare.²¹

Background on the Guiding Principles for Internally Displaced Persons

The United Nations General Assembly adopted the "UN Guiding Principles for Internally Displaced Persons," which are non-binding, but set out authoritative standards based on existing instruments of international human rights and humanitarian law. The Guiding Principles offer protection from forced displacement and protection to Internally Displaced Persons (IDPs) at all stages of displacement: during displacement (including humanitarian assistance) and in the return, resettlement and reintegration processes. These principles have been systematically undermined in New Orleans in the aftermath of Hurricane Katrina.

The Guiding Principles seek to address the gap in protecting the displaced that exists between international and domestic law. When individuals cross international borders to secure life and liberty, they may be protected as refugees if they fear persecution on return based on the factors delineated in the Convention. Refugees have legal rights, protection and assistance from the UN High Commissioner for Refugees (UNHCR) and are supported by national mechanisms including the United States' \$774 million Migration and Refugee Assistance account.²²

Internally Displaced Persons are typically among the most vulnerable populations, often coming from disadvantaged ethnic groups and poverty-stricken communities. They often enjoy no established resource stream, international body, or a formal system of rights and laws. As nationals within their own country, they are dependent on often antagonistic or non-responsive governments that allowed or enabled the conditions that created the displacement.

To help support this vulnerable population, the United Nations High Commissioner for Human Rights developed the non-binding Guiding Principles on Internal Displacement in a process organized by the Brookings Institution. These principles consider IDPs to be:

"Persons or groups of persons who have been forced or obliged to flee or to leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized State border."

The Principles note that national authorities have the primary duty to protect the public from experiencing conditions leading to displacement. When displacement occurs, national authorities are to provide

²¹ Human Rights Committee, 10-28 July 2006, Consideration of Reports Submitted by States Parties under Article 40 of the Covenant, Concluding Observations on the United States of America.

²² United States Institute of Peace, "Orphans of Conflict: Caring for the Internally Displaced," Donald Steinberg.

humanitarian assistance without discrimination. They are to ensure IDPs are accorded full equality in the exercise of all human rights as do other persons in that country. They also have the right to an adequate standard of living including adequate food, water, housing, as well as the right to education and to the highest attainable standard of health including access to adequate health services.

The United States has endorsed and called attention to the Principles on multiple occasions. The U.S. Agency for International Development (USAID) has noted: "Governing authorities in affected countries hold primary responsibility for IDPs; their wellbeing, security, safe return home and resettlement."²³ Betty King, former United States Ambassador to the Economic and Social Council of the United Nations, has noted, "All states should apply internationally recognized norms with regard to internally displaced persons" and support the Guiding Principles as the "normative standard for international treatment of internal displacement."²⁴ Department of Homeland Security Special Advisor Igor Timofeyev has noted, "The United States strongly supports these voluntary principles and recognizes that they provide a useful framework in addressing the numerous challenges posed by internal displacement. Indeed, they articulate multiple important protections that also find expression in the Covenant [on Civil and Political Rights] which is of course a legally binding treaty."²⁵

Applicability of the Principles to Housing in New Orleans

Principle 28 of the Guiding Principles calls for the domestic government to recognize the human right of displaced people to return home. Specifically, domestic governments must:

"[A]llow internally displaced persons to return voluntarily, in safety and with dignity, to their homes or places of habitual residence ...Such authorities shall facilitate the reintegration of returned or resettled internally displaced persons. Special efforts should be made to ensure the full participation of internally displaced persons in the planning and management of their return or resettlement and reintegration."

The United States government should therefore provide Katrina IDPs with the choice to return to their former homes or to resettle. IDPs should be informed about the true conditions and future plans of their neighborhoods and of resettlement options. If IDPs return, the government should provide assistance for reestablishing livelihoods and communities. IDPs should also be allowed to influence the future of housing and public facilities and infrastructure, and play an active part in the planning and management of their return and reintegration. If the government decides that reconstruction must be prohibited, that decision should be made in close consultation with IDPs, who should then have assistance in relocating and reestablishing their livelihoods and residences and/or compensation.

Recommendations

The United States government has the capacity and obligation to respond to the needs of internally displaced persons around the world, including within its own borders. It should act immediately for Gulf Coast IDPs, and in a manner that promotes their dignity and well-being. Consequently, Amnesty International USA recommends that the Senate Committee on Banking, Housing and Urban Development use its authority and influence to enact the following recommendations:

²³ USAID, *USAID Assistance to Internally Displaced Persons Policy*, Oct 2004

²⁴ US Mission Geneva Press Releases, Statement by Ambassador Betty King Of the United States of America To the Economic and Social Council On Special Economic, Humanitarian and Disaster Relief Assistance: Strengthening the Coordination of the Emergency Humanitarian Assistance of the United Nations, July 11, 2001.

²⁵ US Mission to the United Nations in Geneva Press Release, "U.S. Meeting with U.N. Human Rights Committee, U.S. Delegation Response to Oral Questions from the Members of the Committee," July 18, 2006.

- The United States Senate should pass the Gulf Coast Housing Recovery Act of 2007 (S.1668), which will ensure that all Internally Displaced Persons who previously resided in low income housing in the Katrina-affected areas be guaranteed their right to return to their former homes or a replacement dwelling as described in the bill.
- The United States government, through its agencies, should recognize that all Internally Displaced Persons have the right to return to their homes or places of origin; authorities should ensure the availability of housing for low income IDPs returning to the Gulf Coast.
- The Housing Authority of New Orleans HANO should provide public housing or other comparable housing, in the following order: in the same building, if available, same census tract, adjacent census tract, same neighborhood.
- Internally Displaced Persons should be able to participate in the planning and management of their return, resettlement and reintegration into their communities. Authorities should ensure that survivors have access to information to enable them to genuinely and effectively participate in shaping the administrative decisions which affect the exercise of their housing rights.
- All decisions regarding the future of existing public housing developments should be made in close consultation with former residents. In particular, demolition of any public housing development occupied prior to Hurricane Katrina should not take place without consultation with and the full participation of residents.
- The United States government should ensure the right to adequate housing and the right to the highest attainable standard of physical and mental health in ensuring that the public is protected from harmful environmental conditions created by the hurricane and subsequent flooding when returning to the Gulf Coast.
- The Environmental Protection Agency should make sure that the environment of New Orleans and the surrounding Gulf Coast communities are safe and habitable for returning residents according to EPA standards.
- The United States government, through its agencies, should ensure that the principles of equality and non-discrimination are applied to the resettlement and return of all Internally Displaced Persons and provide training for HUD and other federal, state and local officials on the human rights of Internally Displaced Persons.

ⁱ Human Rights Committee: General Comment 25. The right to participate in public affairs, voting rights and the right of equal access to public service.(Article 25) (UN Doc. CCPR/C/21/Rev.1/Add.7).

ⁱⁱ For more information see UN Committee on Economic, Social and Cultural Rights, General Comment no 4, the right to adequate housing, contained in UN Doc. E/1992/23; and Amnesty International, Human Rights for Human Dignity: a primer on economic, social and cultural rights, AI Index POL 34/009/2005

ⁱⁱⁱ The right to health: Article 12, ICESCR; 5 (e) (iv) ICERD; 11.1 (f), CEDAW among others.

^{iv} Article 5(e)(iv) ICERD

^v Committee on Economic, Social and Cultural Rights, General Comment 14, *The Right to Health*, UN Doc. e/C.12/2000/4, para 11. The scope of the right to health has also been clarified in the work of the UN Special Rapporteur on the right of everyone to the enjoyment of the highest attainable standard of physical and mental health (Special Rapporteur on the right to health).

^{vi} Vienna Convention on the Law of Treaties, Article 18.



September 21, 2007

The Honorable Christopher Dodd
 Chairman Senate Banking, Housing and Urban Affairs Committee
 228 Senate Russell Office Building
 Washington, DC 20510

Dear Chairman Dodd:

On behalf of the National Multi Housing Council (NMHC) and the National Apartment Association (NAA) I am requesting that you include the attached statement in the record for the September 25, hearing that the Senate Banking Committee is schedule to have on the aftermath of hurricane Katrina "Two Years After the Storm: Housing Needs in the Gulf Coast."

The attached testimony was presented by Kirk Tate, the Chief Executive Officer for Orion Real Estate Services based in Houston, Texas to the House Financial Services Committee in February of this year. The statement highlights the problems encountered when trying to house massive numbers of evacuees in the immediate aftermath of a disaster. The statement also focuses on lessons learned regarding the federal response in providing rental housing assistance to displaced families and individuals, as well as offering recommendations for housing long-term disaster evacuees in the future.

As you are aware, during the emergency, owners and evacuees were subject to provisions of the Robert T. Stafford Disaster Relief Emergency Assistance Act. Housing evacuees for the long-term had never occurred on this scale, which resulted in several starts and stops in the housing programs, resulting in confusion from both an owner and evacuee perspective. Thus, the business community absorbed costs that would normally have been a disaster expense. We are supportive of S. 1668, Gulf Coast Housing Recovery Act of 2007 and are delighted that the language in the House passed bill that will allow owners to be reimbursed for documented costs associated with housing evacuees is included in S. 1668. It is also important to note, that we remain supportive of utilizing the Section 8 voucher program to house evacuees as long as this is done on a voluntary basis and not mandatory. During the various Gulf Coast hurricanes and in previous disasters, apartment owners have repeatedly demonstrated their willingness to help evacuees find adequate housing. A voluntary Section 8 program is vital to efforts to find housing for disaster victims in the future.

When Katrina struck the nation, apartment owners did the right thing. They stepped forward and they worked with local communities to provide housing and other services to those in need. As an industry, we are very proud of our actions during that unprecedented time of national need. We look forward to working with Congress to ensure that future evacuees, and those cities that help them, are not burdened with confusion, debt and heartache.

Sincerely,

Jim Arbury
 Senior Vice President
 Government Affairs

The American apartment industry...working together for quality, accessible, affordable housing.



“Federal Housing Response to Hurricane Katrina”

Testimony of

Kirk H. Tate, CPM
Chief Executive Officer
Orion Real Estate Services
Houston, Texas

Before the
House Committee on Financial Services
Washington, DC

February 6, 2007

The American apartment industry...working together for quality, accessible, affordable housing.

SUITE 540 • 1850 M STREET, NW • WASHINGTON, DC 20036 • (202) 974-2300 • FAX (202) 775-0112 • WEB SITE: WWW.NMHC.ORG

Chairman Frank, Ranking Member Bachus and distinguished members of the Committee, my name is Kirk Tate and I am the Chief Executive Officer for Orion Real Estate Services based in Houston, Texas. Orion manages over 16,000 apartment homes throughout Texas and Colorado. I have over 30 years of experience in the apartment industry, and I am the past president of the Houston Apartment Association and the Texas Apartment Association. I served on Mayor Bill White's hurricane task force for the City of Houston. In the days, weeks and months following both Hurricanes Katrina and Rita I acted as a liaison between apartment owners and operators and the City of Houston.

I am here today on behalf of two trade associations that represent the private apartment industry—the National Multi Housing Council (NMHC) and the National Apartment Association (NAA). NMHC and NAA represent the nation's leading firms participating in the apartment industry. Their combined memberships include apartment owners, developers, managers, builders and lenders.

The National Multi Housing Council represents the apartment industry's largest and most prominent firms. NMHC members are the principal officers of these organizations. NAA is the largest national federation of state and local apartment associations, with 190 affiliates representing nearly 50,000 professionals who own and manage more than six million apartments. NMHC and NAA jointly operate a federal legislative program and provide a unified voice for the private apartment industry.

Before I discuss the housing issues related to Hurricane Katrina, I would like to offer some background on the apartment industry in general. Apartments account for about 14 percent of the entire housing stock, and house approximately 16 million American households. These households represent the full spectrum of America's population; they are young and old, single and married, wealthy and poor.

Rental housing is an important economic driver in the American economy. Apartment revenues total almost \$120 billion annually, and approximately 550,000 people are employed in apartment management. More than 210,000 new apartment homes have been added to the housing stock for the past five years at an average value of \$30 billion annually. New apartment construction provides jobs to more than 220,000 workers.

Apartments are owned by a wide range of investors, including individuals, partnerships, real estate investment trusts, publicly traded corporations and nonprofit organizations. They are financed by an array of lenders including commercial banks, thrift institutions, life insurance companies and government-sponsored enterprises. A growing share of the financing comes from publicly traded mortgage-backed securities.

We commend you, Chairman Frank, for your leadership, and we thank the Members of the Committee for your valuable work addressing the important issues surrounding the federal housing response and housing reconstruction efforts in the areas affected by Hurricane Katrina. We appreciate the dedication of the Committee on this issue.

NATIONAL IMPEDIMENTS TO HOUSING THE EVACUEES

Hurricane Katrina will go down in the record books as the nation's largest and most costly natural disaster ever. According to Red Cross estimates, at least 416,894 housing units across the Gulf region were destroyed, nearly ten times more physical damage than any previous U.S. natural disaster. In addition, 85,000 housing units suffered major damage and 130,000 suffered minor damage. Forty-seven percent of the units destroyed throughout the region were rental units; in New Orleans 55 percent were rental units.

The record-breaking 2005 hurricane season caused the largest mass migration of Americans in the past 150 years, leaving more than one million people homeless.

As our nation struggled to recover from this unprecedented disaster, one of the most pressing needs was to find safe and decent housing for hurricane victims. Moving displaced families from temporary shelters into more suitable housing is the first step in helping them rebuild their lives. These were extraordinary times that called for the private sector and the federal, state, and local governments to respond accordingly.

In the immediate aftermath of hurricanes Katrina and Rita, the apartment industry stepped up to the plate and took a leadership role in the relief efforts to house the displaced people of Louisiana, Mississippi and Alabama. The response was immediate, creative and generous.

In the early days following Katrina, federal officials reached out to the apartment industry, and the industry responded enthusiastically by submitting thousands of available units into a national database. They also answered FEMA's call for blocks of apartments that the agency could rent directly.

When it became clear that the federal government was not going to quickly offer official guidance or assistance to house the newly homeless evacuees, the apartment industry initiated several programs of its own. In Texas, where the largest number of evacuees were sent, many NMHC and NAA member firms forged relationships with local charities and created programs to award free rental units and other support services to needy families. In all, hundreds of free apartments were donated to the United Way and the Urban League.

Around the country, apartment owners submitted their available units into a national housing registry, www.hurricanehousing.net, complete with offers of waived security deposits, reduced rents, flexible leases and other concessions.

The first few months of the recovery effort were marked by a series of different FEMA assistance programs, nearly constant changes in rules and deadlines and a level of confusion and chaos. Three different government assistance programs were created to help move the evacuees out of shelters and hotels. Some people were eligible for housing assistance through a special Katrina voucher program created by the U.S. Department of Housing and Urban Development (HUD), others received housing assistance directly through the Federal Emergency Management Agency's (FEMA) Individuals and Households Program, and still others were helped by FEMA-funded city voucher programs through the FEMA public assistance programs.

The information provided to both the evacuee and the apartment owners was and remains inadequate and continues to lead to significant confusion. For example, many evacuees were unaware that their assistance checks could only be used for rent. Instead they used the money for pressing needs like food, clothing and medicine and found themselves unable to pay their rent at the end of the month. Even now, nearly a year and a half after the hurricane, confusion reigns. We look forward to working with the Administration, Congress, FEMA and HUD to resolve current problems and develop solutions for the future.

THE HOUSTON RESPONSE

Since I am from Houston, and my firm manages 48 properties throughout the Houston area, I thought my on-the-ground insight would be helpful as we begin to plan for future disasters. In all, the City of Houston worked with state and federal officials to assist more than 150,000 hurricane evacuees who were in the midst of a crisis. The city's response was an overwhelming success, with the majority of people being housed in a matter of weeks.

As with any endeavor on this scale, there were wonderful moments, and there were lessons to learn. Evacuees arrived in Houston homeless and confused, having just been through a life-threatening experience. But the City of Houston, the local apartment owners and the people of Houston did the right thing—we did not ask questions, we just housed people. We knew one of America's strongest traditions is to help our neighbors in need. And while our response did help those people, it is not a template that we would recommend for future disasters.

Emergency Housing—Lessons Learned

At the onset of any disaster FEMA should have a process to quickly determine, as best as it can, whether the need for post-disaster housing will be a short-term or a long-term event. While apartments are not an appropriate response for disasters where evacuees will be moving home to rebuild within a matter of days or weeks, hotels and cruise ships are not a cost-efficient mechanism to house people in the long term.

For the first several months after Katrina, FEMA relied heavily on hotels to house the evacuees. This inappropriate response to what was clearly a long-term housing crisis resulted in millions of wasted federal dollars. The average hotel/motel rate of \$59 per day works out to \$1,770 a month, which exceeds the median cost of rental housing even in some of the nation's most expensive housing markets. Moreover, moving people from hotels to apartments allowed them to begin rebuilding their lives by allowing them to enroll their children in school, find a job and return to some kind of normal routine while waiting for the rebuilding effort.

The lesson to be learned from this experience is that when long-term housing will be required, FEMA should have an apartment-based housing program, with clear guidelines in place and ready to implement.

In the case of Katrina, many apartment owners offered free housing to the neediest evacuees and many others lowered rents, waived security deposits and application fees and offered flexible lease terms. Although the apartment industry stepped forward to do what was asked of them when Katrina struck, our industry would not be as eager to assist in future disasters unless we learn from the many mistakes made at the federal level. Below are several issues that any future long-term housing plan will need to consider to be effective.

- **Clear Guidance**
From the beginning of the disaster, the lack of clear guidance was the single most frustrating and counterproductive issue experienced by the apartment sector. Despite the time that has passed, this remains the case today. As recently as January 20, FEMA granted a six-month housing extension to the evacuees, but it offered very few details in its announcement and no direct guidance for the evacuee, the City of Houston or the apartment owners. This ongoing haphazard approach to disaster housing is a major problem for everyone involved and should not be repeated in future disasters. The Administration should also be planning ahead for what will happen to these residents, many of whom are elderly and disabled, at the end of the six-month extension, given that there remains a critical shortage of rental housing in most of the hurricane-affected area.
- **Choice is Important**
In the initial phase of the hurricane housing program, the city attempted to contract for specific vacant apartment units with the idea of then assigning individual evacuee families to these units. This approach did not meet anyone's needs, though. Evacuees, naturally, wanted some choice in where they lived, particularly those looking to locate near friends and family. The pre-assignment process was slow and labor intensive.

Ultimately, city officials shifted to a voucher-based program, giving every evacuee family a voucher for a unit with a specified number of bedrooms. This voucher, which came with an accompanying instruction sheet, was good at any apartment property participating in the program. Once the participating apartment owner activated the voucher and signed a Housing Assistance Payments (HAP) contract with the city, the evacuee could move in. The city provided taxi vouchers and bus tokens to facilitate transportation, and the Red Cross had volunteers to help drive evacuees around.
- **Vacant Units Are Not Necessarily Ready Units**
Properties with vacant units do not keep them in move-in condition. Getting large numbers of units ready simultaneously takes money and, more importantly, time. It was difficult for officials to understand why thousands of families couldn't just move into vacant units during the first days after the storm.
- **Moving In Takes Time**
Officials also had a hard time understanding why they couldn't send a bus-load of evacuees to an apartment property to be handed keys and shown to their new homes. Officials need to understand the difference between an apartment property and a hotel. An apartment unit needs to be prepared for move-in, and federal officials need to understand that. In addition, under normal circumstances, the move-in process involves running credit and background checks and completing applications for utilities. Because the court systems in the affected areas were effectively shut down by the hurricane, it

was not possible to run background checks on most of the evacuees. Apartment owners did the right thing and housed people without this information because of the emergency situation, but we encourage any future disaster housing plan to allow an owner to evict criminals who pose a danger to other evacuees and residents.

- **Utilities**
Utilities were another problem. Although the evacuees clearly needed utilities, many were not in a position to file the appropriate papers required to set them up. This was complicated by the fact that only certain portions of federal programs cover utilities. The city solved this by establishing a master account with the local utilities and then transferred all the evacuees' individual accounts to that master account. In some cases the owners did the same. Nevertheless, future responses should anticipate the need to provide evacuees with necessary utilities and should address both the logistical (paperwork required for applications) and the financial (ensuring evacuees have the resources to pay for the utilities).
- **Furniture and Furnishings**
Initially, some officials did not understand that most apartments are unfurnished. At first, city officials and apartment firms wanted to outfit every evacuee apartment with furniture, linens, pots and pans and groceries before they moved in. Many apartment owners tried to at least have food in the refrigerator and provide options for furniture. This is a noble idea, but one that turned out to be very time consuming and logistically challenging. In the future, it would be better to have apartment firms concentrate on housing and have separate operations such as the Houston Food Bank handle groceries.

RECOMMENDATIONS FOR THE FUTURE

Many of the problems cited previously will hopefully be rectified with the passage of the FY 2007 Homeland Security Appropriations bill (P.L. 109-295). This new law requires the creation of a National Disaster Housing Strategy (NDHS), and it amends current law to explicitly allow disaster victims to use their cash assistance for security deposits and utility bills.

It also directs the FEMA Administrator to create a pilot program to make better use of existing rental housing located in disaster areas. As part of the pilot program, FEMA has said that it will enter into lease agreements directly with property owners and will make repairs to the damaged apartment properties. This is imperative for future disasters. With that in mind, we thought the following items should be highlighted:

- **Housing Programs**
We learned from this disaster that FEMA programs were not designed to handle long-term housing needs. There have been several different housing programs employed to deal with the Katrina disaster, including Section 403 Housing, Section 408 Housing, the HUD Disaster Voucher Program, and several programmatic changes and deadline extensions related to each. Many of these changes were implemented with little notice and few details. This caused unnecessary pain to the evacuees and confusion for the apartment owners participating in the programs. In the future, a single entity should administer the housing response to any disaster. There should also be a single communications path between the government, the evacuee and the owner with clear guidelines as to how the program will operate.
- **Rental Costs**
Although FEMA set no limits on the hotel rates it would reimburse, its housing program set a rent ceiling based on HUD's "Fair Market Rents" (FMR) – which can be below the true market rate. Officials should understand that FMRs are the market rent for Class C properties. These are properties that typically show some level of deferred maintenance and are located in less desirable areas. In other words, HUD's FMRs are not sufficient to cover the rent in the majority of housing located in any American city. By limiting FEMA's payments to Houston's FMR, the Agency severely restricted the number of apartment units available to evacuees, leaving more evacuees than eligible apartment units. It is also important that accommodations be made to allow an evacuee to "pay the difference"

between the FMR and the market rent, usually a modest amount. A large disaster requires the use of all available housing types. In future emergencies, FEMA should establish rent levels that more closely reflect the average rental cost in the affected cities.

- **Utilities**

As you know, FEMA operates under the Stafford Act. While Section 403 of that Act, which covers the Emergency Shelter program, allows FEMA funds to be used for utilities, Section 408, the Individuals and Households Program (IHP) does not. Congress ultimately did pass specific language to provide utility funding for the Katrina evacuees. Had it not stepped in, however, both the city and the apartment owners would have been left with utility payments. No evacuee should have to wonder about how they will get or pay for utilities. The Stafford Act should be permanently amended to allow for utility payments under all housing-related programs.

In addition, many apartment units with rents in the FMR category have a corresponding utility allotment. Unfortunately, in many cases the utility allowance does not cover actual utility costs. Government officials should ensure that rent levels are sufficient to cover actual utility costs.

- **Rental Payment Processing**

In addition to setting rent reimbursement levels too low, the time it took for FEMA to process these rent payments was unacceptable. In many cases it took more than 60 days, because FEMA money was routed through the state to the city—a task too large for a city in the midst of a crisis. Many apartment owners do not have sufficient cash flow to cover the operating costs and mortgage payments on units where no rent is received for two months. This problem was largely resolved when FEMA finally contracted with Corporate Lodging Consultants (CLC) to make rental payments to apartment owners. Therefore, we suggest that in the future FEMA rely on a direct payment system for housing assistance that can provide timely rental payments. Although we advocate that rental payments go directly from the federal government to the property owner (and not through the evacuee or local government), we strongly believe that there should be a written lease between the evacuee and the apartment owner.

- **Security Deposits**

Because FEMA's housing program did not provide evacuees with funding to cover security deposits, many Houston apartment owners generally agreed to waive security deposit requirements. As a result, these owners now have no way to recover the costs of the extensive damage done to their apartment units by many of the evacuees. Future federal housing efforts should ensure that mechanisms and funding exists to reimburse owners for damage caused by evacuees.

CONCLUSION

When Katrina struck the nation, apartment owners did the right thing. They stepped forward and they worked with local communities to provide housing and other services to those in need. As an industry, we are very proud of our actions during that unprecedented time of national need. We took on business risks and potential costs inherent in solving such a massive housing crisis. Would we do it again? We would certainly like to, but after the Katrina experience many apartment owners will be reluctant to accept a sizeable number of evacuees unless they are convinced that the government has learned from its mistakes and has created a better disaster housing program. We look forward to working with Congress to ensure that future evacuees, and those cities that help them, are not burdened with confusion, debt and heartache.

I thank you for the opportunity to testify on behalf of the National Multi Housing Council and the National Apartment Association, and wish to offer our assistance to the Committee as you continue your important work.

Statement Before the Senate Committee on Banking, Housing & Urban Affairs

Chairman Christopher J. Dodd, 110th Congress
Hearing "Two Years After the Storm: Housing Needs in the Gulf Coast"

Tuesday, October 1, 2007
Zack Carter, Organizer
Alabama Arise
207 Montgomery Street Suite 900
Montgomery, Alabama 36104-3535

Mr. Chairman and Members of the Committee on Banking, Housing, & Urban Affairs. I appreciate this opportunity to present written testimony to today's hearing.

I have worked the past four years as a community organizer for the nonprofit organization Alabama Arise, which is a coalition of 160 civic and faith-based member groups from Alabama. Our mission is to advocate for public policies that will benefit low and moderate income people in the state of Alabama. As an example of our work, last year we helped lead a successful legislative reform effort that removed the state's income tax burden from families who earn less than \$12,600 a year – which includes almost 20% of the income earners in our state. Even with this reform, Alabama still taxes those in poverty at the highest rate in the nation, and Katrina swelled the ranks of the impoverished in south Alabama, especially with regard to housing.

The \$10 million in Community Development Block Grants allocated for housing recovery in Mobile County have yet to be released. When they do become available, the grants will serve less than 10 % of the 1,200 families in Mobile County and the City of Mobile who applied last January. In addition, hundreds of eligible recipients were unable to meet the application deadline.

Mobile County Commissioner Mike Dean, CDBG Grant Program Administrator Kathy McHugh, and local residents and state and local grass roots advocates, including this writer, cited these facts in our July 2 letter to Senator Richard Shelby, which also requested that he support S 1668 and amend it to include funding for Alabama (this July 2 letter is attached below.)

For example, of the 726 homes inspected among these 1200 applicants, the referenced July 2 letter states: "81 of the 726 inspected Mobile County CDBG applicants had their homes completely destroyed or so severely damaged by Katrina that rebuilding is more cost effective than repair. If each of these applicants received the maximum grant of \$85,000, the total cost would be \$6.89 million, leaving only \$3.12 million for families who need repairs. Moreover, \$85,000 falls far short of the total cost to rebuild a modest two bedroom home given the expenses associated with current housing codes, elevation, a septic system, and insurance. (See attached 'Estimate and Itemization', compiled by community leaders and advocates last March. It is based on damage estimates provided by Mobile County Public Works and cited in the Woods study, and totaled estimated repair costs for Mobile County at \$370,180,000.)"

Furthermore, many of the 1200 CDBG applicants have not had their homes inspected, as the July 2 letter states: "The Mobile County Commission, acting through their grant program administrator, has currently suspended inspections for the remaining 474 applications citing the limited amount of CDBG funds available for housing assistance... If the same ratio of houses are totaled among the 474 not yet inspected as found among those already inspected (about 11%), then there could be another 52 homes that need the cap of \$85,000, for a total of **\$4.42 million.**"

Mobile County recently decided to raise the previous arbitrary low \$85,000 cap to \$130,000. Thus, the \$10 million would *partially* rebuild 77 of those homes found to be totaled.

Last summer I helped distribute brooms, soap, and bread to hundreds of Alabama Katrina Victims who lined up for hours at the Ralston Park in Coden, Alabama. When a severe thunderstorm rolled in from the Gulf we all took shelter under the sheds. Except for shrimper Michael Goleman and another community volunteer. They braved the dangerous lightning, jumped up on the distribution truck and covered the soap and bread with one of the big blue tarps that are still seen on many Alabama roofs. A few months ago, Mr. Goleman told FEMA to come get the camper that likely

had been making him, his wife and two teenage daughters sick. His family moved back into their Katrina damaged home that he had been patching together for nearly two years with insufficient assistance.

But the Golemans joy was short lived. A few weeks later, Mr. Goleman was struck in the back by a shrimp boat tow board. The severe injury knocked him out of work indefinitely. Coden Community leader Paul Nelson dropped by to check on him the day after the 4th of July. "I got there five minutes too late", Mr. Nelson sadly explained. "His wife draped her arms around me sobbing and screamed: 'Michael shot himself, what am I going to do? He's all we had.' "

Paul Nelson was already carrying the grief of his mother's sudden death, Hilda Nelson, who had lived for a year with her disabled son in a FEMA camper after the family 7 bedroom home and oyster processing plant was wiped away by Katrina. In an interview with The Nation magazine last February, Mr. Nelson explained that his mother was healthy before she moved in the camper, but after a couple of months began to have respiratory problems. A few weeks after her death on October 4, 2006, Mobile Bay Sierra Club gave Mr. Nelson the results from the formaldehyde tests they performed that summer – Mrs. Nelson's FEMA camper had excessive levels of formaldehyde fumes like almost all of the others tested in the area.

Paul Nelson who has lived for two years in a FEMA camper and now cares for his disabled brother was present at the Senate's September 25 hearing, along with several other Katrina Victims and from Alabama. They were all pleased to hear Senator Richard Shelby recognize that they have unmet needs in Alabama.

They are among the approximate 2,000 Mobile County residents, including children and elderly people, who remain in FEMA campers more than two years after the storm, and one year after environmental tests revealed dangerous levels of formaldehyde in the temporary housing. Hundreds more are doubled- and tripled-up in single-family homes.

In addition to the extreme shortage of CDBGs there are also arbitrary governmental new regulations that prevent Katrina Victims from getting back in their homes. For example, Nancy McCall, who is at the hearing today can't move back into her home that the Sierra Club repaired last summer because Mobile Board of Health won't let her grandfather her old septic tank – even though it has worked fine for the FEMA camper in which she has lived for two years.

Shortly after Mr. Goleman's suicide I interviewed Dr. Richard E. Powers, Associate Professor with the Departments of Neurology, Psychiatry, and Pathology and on the Clinical Faculty at the College of Community Health Sciences, University of Alabama. Dr. Powers told me that the cumulative stress faced by Katrina Victims is producing Post Traumatic Stress Disorder as that seen in our soldiers returning from Iraq. This highly respected psychiatrist gave the following clinical advice: the best therapy for Alabama Katrina Victims is to provide the assistance they need to rebuild their homes and remove arbitrary obstacles keeping them from getting back into their homes.

At Alabama Arise's annual meeting on Sept. 15, members who represent 160 faith-based and civic groups across the state voted to make fair and adequate Katrina relief an advocacy priority for the coming year. Alabama Arise members also specifically voted to ask that Senator Richard Shelby, as the Ranking Member of this committee offer an amendment to S. 1668 authorizing additional CDBG appropriations to meet their increasingly desperate needs.

In addition, our members voted to work for state legislation that would require comprehensive unmet needs assessments after major disasters. A detailed assessment based on concrete data, such as a grid survey, has been the missing link in South Mobile County's Katrina recovery.

Due to the lack of such a coherent assessment we can only (conservatively) estimate a range of between \$200 million and \$400 million, will be required to assist Alabama's Katrina survivors. (Please see attachment to July 2 letter to Senator Shelby.)

No one died during Hurricane Katrina in Alabama, but many are dying now, beginning with the elderly. I would like to close this letter with the same paragraph we wrote, along with Mobile County Commissioner Mike Dean and his CDBG grant administrator Kathy McHugh:

In addition to the current 1,200 CDBG applicants, there are likely hundreds of others who did not make the deadline for the CDBG applications that were distributed in January 2007. Currently about 400 families still exist in FEMA campers in Mobile County, providing shelter for as many as six people -- including children, elders, and the disabled. Many, especially since Katrina hit, also have to now exist at low levels of income. They continue to work hard and, as they have for generations, to provide the backbone of Alabama's vital seafood industry: They need a helping hand, and Alabama cannot afford to watch them pass from Katrina Survivors to Katrina Victims.

I would also like to offer for the record statements that I and Paul Nelson submitted to the U. S. House Committee on Oversight and Reform on July 19, 2007; and my testimony at the National Commission on Environmental Justice on the Gulf Coast sponsored by the Lawyers Committee on Civil Rights Under Law, March 10, 2007, which are all attached below.

Sincerely,
Zack Carter, Organizer
Alabama Arise

July 2, 2007

Honorable Senator Richard Shelby
110 Hart Senate Office Building
Washington, D.C. 20510-0103

Dear Senator Shelby,

At the Mobile County Commission this past Monday, June 25, the unmet needs of Mobile County Katrina Survivors were illustrated by figures derived from on-site inspections contracted by the Mobile County grant administrator for 726 of the current 1,200 CDBG applications.

It became clear that Alabama's \$16 million share of the second round of CDBG funds cannot even fulfill the unmet needs of Mobile County, much less the other Alabama counties impacted by Katrina. Therefore we ask that you, as the Ranking Member of the Senate Banking, Housing and Urban Affairs Committee, support the proposed Gulf Coast Recovery Act of 2007, S. 1668, and work with your colleagues to include funding for Alabama in this bill.

From the 726 applications, we know that:

- A conservative average cost to repair a home was approximately \$40,000. Moreover, considering the costs for elevation and a septic system for a significant number of houses, we conclude that the County's current CDBG allocation of approximately \$10 million would repair only 15 - 20 % of these homes.
- Even more compelling is the fact that 81 of the 726 inspected Mobile County CDBG applicants had their homes completely destroyed or so severely damaged by Katrina that rebuilding is more cost

effective than repair. If each of these applicants received the maximum grant of \$85,000, the total cost would be \$6.89 million, leaving only \$3.12 million for families who need repairs. Moreover, \$85,000 falls far short of the total cost to rebuild a modest two bedroom home given the expenses associated with current housing codes, elevation, a septic system, and insurance.¹

The Mobile County Commission, acting through their grant program administrator, has currently suspended inspections for the remaining 474 applications citing the limited amount of CDBG funds available for housing assistance.

In addition to the current 1,200 CDBG applicants, there are likely hundreds of others who did not make the deadline for the CDBG applications that were distributed in January 2007. Currently about 400 families still exist in FEMA campers in Mobile County, providing shelter for as many as six people -- including children, elders, and the disabled. Many, especially since Katrina hit, also have to now exist at low levels of income. They continue to work hard and, as they have for generations, to provide the backbone of Alabama's vital seafood industry: They need a helping hand, and Alabama cannot afford to watch them pass from Katrina Survivors to Katrina Victims.

Sincerely,

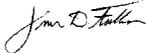
Teresa Bettis, Director, Center for Fair Housing Inc. (Mobile)

Zack Carter, Organizer, Alabama Arise

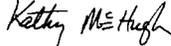


Commissioner Mike Dean, Mobile County Commission District 3

Jim Fuller, President, South Bay Communities Alliance



Kathy McHugh, Roth McHugh & Associates, LLC / CDBG DRF Grant Program Administrator under Contract with Mobile County Commission



Paul Nelson, Board Member, South Bay Communities Alliance



Further Details Regarding On-Site Housing Inspections of 726 Applications

¹ See attached "Estimate and Itemization", compiled by community leaders and advocates last March. It is based on damage estimates provided by Mobile County Public Works and cited in the Woods study, and totaled estimated repair costs for Mobile County at \$370,180,000.

- Of the 1,200 Mobile County households who are Katrina Survivors and who have CDBG applications on file with the Mobile County CDBG grant program administrator, 726 of these applications have received on-site housing inspections from qualified inspectors who have provided preliminary cost estimates to make necessary repairs for storm damage and code compliance.
- The Mobile County grant program administrator has determined from the inspection reports that a conservative average repair cost, (excluding elevation and septic systems) for these 726 applications is about \$40,000 per home, for a base total of about \$29.04 million. Conservative estimates for septic and elevation costs indicate: the average septic system costs about \$14,000; average elevation cost is about \$30,000. An undetermined percentage (possibly 33%) of homes needs elevation and septic systems: Thus, the total cost to rehabilitate 726 homes could range up to **\$39.6 million**.
- At the same average of \$40,000 per home, the cost to repair the other 474 would begin at \$18.96 million, and assuming 33% need elevation and septic systems, this repair bill could range up to **\$24.83 million**.
- If the same ratio of houses are totaled among the 474 not yet inspected as found among those already inspected (about 11%), then there could be another 52 homes that need the cap of \$85,000, for a total of **\$4.42 million**. (The Mobile County Commission has currently suspended further inspections due to concerns related to limited funding for housing assistance, i.e., \$10 million.)

Rough Estimate for Katrina Rebuilding Cost in Mobile County, by Paul Nelson, Jim Fuller, and Zack Carter

The attached itemized estimate, is based on aggregate figures provided by **Volume I: A Post-Katrina Housing & Needs Analysis For The Mobile, Alabama MSA , June 2006, For Alabama Department of Economic and Community Affairs Montgomery, AL.** by Woods Research, Inc., and shows that just Mobile County Alabama alone still likely needs over \$300 million in Hurricane Katrina relief (without even taking account of housing insurance and losses to small businesses.)

We want to first qualify this estimate, by stating that the authors are two Katrina survivors from the unincorporated area of south Mobile County, and a community organizer who has worked (a few hours a week) with the community since August. None of us have the expertise or access to information to be able to describe this estimate as a professional damage cost estimate, or an unmet needs assessment. Nevertheless, Paul Nelson is an experienced construction contractor and his detailed itemization brings validity to our estimate of the rebuilding costs of categories described in the Woods study, such as the .550 housing units were destroyed, in Mobile County.

In fact, as we pointed out in the main letter, since September of last year, we have been asking state, federal, and local officials for a housing needs assessment of unincorporated south Mobile County, the area hit hardest by Katrina. *Indeed*, Vol I of the Woods study, on p.1-50 quotes the Mobile County Long-Term Recovery Plan

of Spring of 2006, which called for the same assessment almost a year ago:

Unincorporated Mobile County

Develop a Comprehensive Housing Needs Assessment.

Conduct an in-depth housing needs analysis for Mobile County to provide guidance to local governments and non-profit agencies as they develop affordable housing programs.

Recovery Value: High

Estimated cost: \$100,000

16

Unincorporated South Mobile County

South Mobile County consists of eight distinctive communities: Alabama Port, Coden, Grand Bay, Fowl River, Hollingers Island, Irvington, Mon Luis Island and St. Elmo.

Increase Availability of Affordable Single-Family Housing in Unincorporated Areas

Focus available grant resources to promote meeting the single-family housing needs of low- and moderate-income households.

Recovery Value: Moderate

Estimated cost: To be determined

On the next page, the Woods study states:

City of Bayou La Batre

Develop and Affordable Housing Master Plan and Establish a Homeownership Program.

...Approximately 75 percent of the homes in Bayou La Batre were either destroyed or received damage greater than 50 percent...VOA will partner with the City to meet these housing goals.

Recovery Value: High

Estimated cost: \$2,566,500

So as we continue to advocate for a professional needs assessment, we can say with certainty that: likely more

than 75% of the homes in the town of Coden, which has a large minority population, received damage greater

than 50%; and many, such as Tommy and Faye Lee, and Paul Nelson's shop and home, were completely blown

away. *Coden (population 3,500) was hit the hardest by Katrina, it is between the Gulf of Mexico and Bayou La*

Batre -- bordering to the south and east of Bayou La Batre (population about 1200).

We can also say that probably most of the 554 families still having to survive life in unsafe FEMA campers and

trailers are in Coden and the other unincorporated hamlets along Mobile County's 12 mile Gulf Coast. (The number 554 cited in the main letter may be an underestimate, for example, one FEMA post states there were

897 mobile homes occupied by Alabama Katrina survivors as of Aug. 25, 2006.

http://www.fema.gov/hazard/hurricane/2005katrina/anniversary_factsheet.shtml. We also personally know many of these families who have not received rebuilding assistance, and when potential help finally arrived last

Jan. 25 in the form of Mobile County's CDBGs, they were again set back by the application process and basic

flaws in the grant administrator's policy and procedures.

The main objective of our estimate is to reasonably quantify the unmet needs of unincorporated Mobile County, thereby illustrating the need for more state funding, and a comprehensive housing needs assessment.

Regarding the state as a whole, page 1-8 of the Woods study states:a total of over \$500,000,000 in damages

were experienced from Hurricanes Katrina, Rita and Wilma. Source: .Current Housing Unit Damage Estimates.. This study, however, cautions on page 1-9 that: .There is no central point that has all of the data.

The assessment and recovery process is extremely fragmented..

Thus, another reason we our limit our estimate to Mobile County, because according to the Woods study, the

Mobile County aggregate figures are based on *actual data*, i.e., .from the Mobile County Public Works Dept..

The following is quoted from page 1-9 of the Woods study:

Mobile County

Based on data from the Mobile County Public Works Department in Mobile County there was an estimated:

17

□ 10,000 single-family structures damaged

- 1,020 mobile homes damaged
- 20 multi-family residences damaged *
- 310 commercial properties damaged
- 8,600 housing units suffered minimum damage
- 850 housing units suffered major damage
- 550 housing units were destroyed
- Losses on housing structures inspected \$49,000,000
- Other estimated housing losses \$45,000,000
- Total Estimated Housing Damage \$94,000,000
- 9,200 structures suffered wind damage
- 800 structures suffered water damage

***Note: Harbor Landing Apartments, a 200 unit apartment complex on Mobile Bay was closed due to damage from the hurricane and is being replaced by \$2,000,000 condominiums**

Itemized Estimates of Damage In Mobile County, based on above list from page 1-9: our figures and comments listed in brackets & bold below each quoted category

Mobile County

Based on data from the Mobile County Public Works Department in Mobile County there was an estimated:

- 10,000 single-family structures damaged
- 1,020 mobile homes damaged

[This figure does not state whether the 1,020 mobile homes suffered major or minor damage. FEMA.s \$5,200 assistance for .minor damage. would not be sufficient for many trailers since saltwater damage usually means a trailer is ultimately totaled. We need more information to adequately estimate this category. For example, depending on the size, a replacement trailer could cost \$20,000 - \$80,000. A conservative estimate would be to assume half the mobile homes had minor damage and multiply 510 mobile homes by \$5200 = \$2,520,000; and 510 mobile homes by \$30,000 = \$15,300,000. Total = \$17, 820,000.]

- 20 multi-family residences damaged *

[We need information to quantify this category, some of the several multi-family residences in Coden seriously damaged were owned by the following: Freddie Marceaux, Donnarene Nelson, and Emanuel Degeer]

- 310 commercial properties damaged

[We need more information to quantify this category, for example the business where Paul Nelson currently is employed, Mobile Processing, had damages up to \$10,000,000.]

- 8,600 housing units suffered minimum damage

[Although minor damage could range from roof replacement, at a cost of around \$10,000 for a modest home, to floor damage which could cost up to \$20,000. Thus our estimate is 8,600 multiplied by \$15,000 = \$129,000,000.]

- 850 housing units suffered major damage

Estimated cost = \$110,840,000

(* See detailed itemization below.)

- 550 housing units were destroyed

Estimated cost = \$102,520,000

18

(* See detailed itemization below.)

.550 housing units were destroyed.

Foundation: \$8,000

Framing & finishing (including cost of bringing up to new FEMA code): \$122,000 (1220 SF @ \$120/SF)

Mound/Ground Septic system: \$14,000

Perc test: \$1000

Permitting: \$1500

Subtotal (minus insurance and elevation)*: \$160,000

"550 housing units were destroyed. multiplied by \$160,000 = \$88 Million

Assuming that 66% of 550 newly constructed units will require higher elevation at an approximate average cost of \$25,000/unit; 363 new units multiplied by elevation cost \$25,000 = \$9,075,000

TOTAL EST. COST for .550 housing units were destroyed. = \$88 million + \$9,075,000 = \$97,075,000

*** Plus Insurance: Flood \$1500, Wind damage \$2000 per house**

.850 units suffered major damage.

Gutting, including disposing of molded sheet rock, etc. - \$40,000

Strapping to new FEMA code - \$8,000

Roof - \$10,000

Septic tank - \$14,000

Perc test - \$1000

Permitting fees - \$1500

Rewiring - \$30,000

Plumbing - \$5,000

Sterilization -- \$5000

Subtotal (minus insurance and elevation)--\$104,000

19

850 units suffered major damage housing_ multiplied by \$104,000 = \$88,400,000

Assuming that 66% of 850 housing units suffered major damage require elevation (if house is more than 50% damaged it must be elevated); then 561 rehabilitated houses multiplied by elevation cost \$40,000 = \$22,440,000

TOTAL Estimated Cost for .850 housing units suffered major damage. = \$110,840,000

*** Plus Insurance: Flood \$1500, Wind damage \$5000 per house**

TOTAL = \$17,820,000 1,020 mobile homes damaged

\$10,000,000 310 commercial properties damaged

\$129,000,00 8,600 housing units suffered minimum damage

\$110,840,000 850 housing units suffered major damage

\$102,520,000 550 housing units were destroyed

TOTAL DAMAGE

COST IN MOBILE COUNTY = \$370,180,000

MINUS TOTAL KATRINA RELIEF ?

STATEMENT BEFORE THE U.S. HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

Chairman Henry A. Waxman, 110th Congress
Hearing Probing Toxic FEMA Trailers

Thursday, July 19, 2007, 10:00 am

Paul Nelson

**Board Member South Bay Communities Association
P.O. Box 112
Codon, AL 36523**

Mr. Chairman and Members of the Committee on House Oversight, thank you for inviting me to present written testimony to this hearing probing toxic FEMA trailers.

I have been a lifetime resident of Codon, Alabama on Mobile County's Gulf Coast for over fifty years. Like my father and grandfather before me, I have been active in my community since early adulthood. For example, my father, brother, and I helped organize the oyster-catchers union in south Mobile County; and we have always been staunch defenders of the marine environment. See anthropologist E. Paul Durrenberger's book, It's All Politics: South Alabama's Seafood Industry, (University of Illinois Press, 1992.)

In regard to my experience with formaldehyde in FEMA campers and trailers, I know personally of about 25 families with serious health issues that arose after living in these *temporary* mobile homes for almost two years. I stress temporary because that is what they were built for – not permanent homes. Sad to say, my mother became one of the victims after living in a FEMA trailer for a little over 2 years. She died of respiratory failure last October. Before she passed away, I ordered a formaldehyde kit to be placed in her trailer. When I got the test results back, the level of formaldehyde was twice the recommended limit. It was too late for her, but maybe this statement may help save some elderly and children's lives by letting the seriousness of this chemical be known. And now, almost two years after Katrina, FEMA wants to sell these trailers to the people living in them -- who have not received any assistance to rebuild, including myself -- *on condition that they hold FEMA harmless of any action and with no attempt to remediate for the formaldehyde that they know is present.* They are actually selling these people their coffin.

Mr. Chairman, this concludes my prepared statement and I would be pleased to answer any questions the Committee may have.

**STATEMENT BEFORE THE U.S. HOUSE COMMITTEE ON OVERSIGHT AND
GOVERNMENT REFORM**

**Chairman Henry A. Waxman, 110th Congress
Hearing Probing Toxic FEMA Trailers**

Thursday, July 19, 2007, 10:00 am
Zack Carter, Organizer
Alabama Arise
207 Montgomery Street Suite 900
Montgomery, Alabama 36104-3535

Mr. Chairman and Members of the Committee on House Oversight, thank you for inviting me to present written testimony to this hearing probing toxic FEMA trailers.

I am a community organizer for the nonprofit organization Alabama Arise, which is a coalition of 153 civic and faith-based member groups from Alabama. Our mission is to advocate for public policies that will benefit low and moderate income people in the state of Alabama. As an example of our work, last year we helped lead a successful legislative reform effort that resulted in a state law that, for the first time in the state's history, provides Alabama renters with rights to specific habitability standards. I have been employed by Alabama Arise since October 2003.

In July of last year, while performing volunteer work with my 16 year old son in south Mobile County, I became introduced to various federal, state, and local policies that have precluded many Katrina Survivors (many who prefer now to be called Victims) from receiving government assistance as they languish in tiny FEMA campers. I have met, and video interviewed, dozens of Katrina victims in south Mobile County, and I can say that almost each one has complained to me about health problems that they developed since moving into their FEMA camper – from nosebleeds and bronchitis, to high blood pressure.

There are about 400 families, some 2,000 people including children, elderly, and the disabled Katrina Victims still stuck in FEMA campers with no prospect of federal relief – specifically the current unreleased CDBG funds will serve less than 10% of some 1200 family applicants. For official data reflecting these figures please see copied below, the July 2, 2007 lobby letter to Senator Shelby, co-signed by myself and other members of non profit groups, Mobile County Commissioner Mike Dean, and his Grant Program Administrator Kathy McHugh.

David Underhill, of Mobile Bay Sierra Club has informed me that almost all of the dozen FEMA campers his organization tested in Mobile County showed excessive formaldehyde fumes. One community leader that I have worked closely with, Paul Nelson, told *The Nation* magazine in February of this year, that he believes that the excessive formaldehyde fumes in his mother's FEMA camper contributed to her sudden death. Mr. Nelson informed me today that FEMA is now trying to sell the camper to him, obtain his signature and agreement that would exempt FEMA from any responsibility, and then remove the camper from his property – the only means of shelter for his disabled brother.

An example of some of these videos can be found at the "dailymotion.com" website listed below. You'll see first, for example, Tommy and Faye Lee who have moved into a shed to give their 11 year old Kaylee and 17 year old son Josh, more room in the FEMA camper. This website listed is also listed in our last paragraph of our June 6/22 protest letter to Alabama Department of Economic and Community Affairs regarding their neglect of Alabama's Katrina Victims, found at www.alarise.org along with attachments that further document Alabama Arise's efforts this past year to obtain fair hurricane relief in our state.

(http://www.dailymotion.com/us/search/Kat%20Interview/video/x1k4pc_southbaycommunities.)

Many of these people suffering in FEMA campers are children and teenagers, and as a former high school and college history instructor, this situation has prompted me to recall Justice Thurgood Marshall's argument that won the hearts and minds of the Supreme Court in *Brown v Board*, 1954 -- the famous psychological study that showed that African American children preferred white dolls over black dolls, thus illustrating the fact that segregation was undermining the self esteem of African American children. What is FEMA's formaldehyde-laced campers, and the lack of federal relief doing to the self esteem of the thousands of Josh and Kaylee's in Alabama?

I would also like to include as part of my testimony today, the testimony that I provided March 10 of this year to the Lawyers' Committee on Civil Rights Under Law's National Commission on Environmental Justice on the Gulf Coast which further documents the points raised above, and is copied below.

Mr. Chairman, this concludes my prepared statement and I would be pleased to answer any questions the Committee may have.

July 2, 2007

Honorable Senator Richard Shelby
110 Hart Senate Office Building
Washington, D.C. 20510-0103

Dear Senator Shelby,

At the Mobile County Commission this past Monday, June 25, the unmet needs of Mobile County Katrina Survivors were illustrated by figures derived from on-site inspections contracted by the Mobile County grant administrator for 726 of the current 1,200 CDBG applications.

It became clear that Alabama's \$16 million share of the second round of CDBG funds cannot even fulfill the unmet needs of Mobile County, much less the other Alabama counties impacted by Katrina. Therefore we ask that you, as the Ranking Member of the Senate Banking, Housing and Urban Affairs Committee, support the proposed Gulf Coast Recovery Act of 2007, S. 1668, and work with your colleagues to include funding for Alabama in this bill.

From the 726 applications, we know that:

- A conservative average cost to repair a home was approximately \$40,000. Moreover, considering the costs for elevation and a septic system for a significant number of houses, we conclude that the County's current CDBG allocation of approximately \$10 million would repair only 15 - 20 % of these homes.
- Even more compelling is the fact that 81 of the 726 inspected Mobile County CDBG applicants had their homes completely destroyed or so severely damaged by Katrina that rebuilding is more cost effective than repair. If each of these applicants received the maximum grant of \$85,000, the total cost would be \$6.89 million, leaving only \$3.12 million for families who need repairs. Moreover, \$85,000 falls far short of the total cost to rebuild a modest two bedroom home given the expenses associated with current housing codes, elevation, a septic system, and insurance.²

The Mobile County Commission, acting through their grant program administrator, has currently suspended inspections for the remaining 474 applications citing the limited amount of CDBG funds available for housing assistance.

² See attached "Estimate and Itemization", compiled by community leaders and advocates last March. It is based on damage estimates provided by Mobile County Public Works and cited in the Woods study, and totaled estimated repair costs for Mobile County at \$370,180,000.

In addition to the current 1,200 CDBG applicants, there are likely hundreds of others who did not make the deadline for the CDBG applications that were distributed in January 2007. Currently about 400 families still exist in FEMA campers in Mobile County, providing shelter for as many as six people -- including children, elders, and the disabled. Many, especially since Katrina hit, also have to now exist at low levels of income. They continue to work hard and, as they have for generations, to provide the backbone of Alabama's vital seafood industry: They need a helping hand, and Alabama cannot afford to watch them pass from Katrina Survivors to Katrina Victims.

Sincerely,

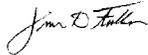
Teresa Bettis, Director, Center for Fair Housing Inc. (Mobile)

Zack Carter, Organizer, Alabama Arise

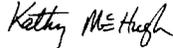


Commissioner Mike Dean, Mobile County Commission District 3

Jim Fuller, President, South Bay Communities Alliance



Kathy McHugh, Roth McHugh & Associates, LLC / CDBG DRF Grant Program Administrator under Contract with Mobile County Commission



Paul Nelson, Board Member, South Bay Communities Alliance



Further Details Regarding On-Site Housing Inspections of 726 Applications

- Of the 1,200 Mobile County households who are Katrina Survivors and who have CDBG applications on file with the Mobile County CDBG grant program administrator, 726 of these applications have received on-site housing inspections from qualified inspectors who have provided preliminary cost estimates to make necessary repairs for storm damage and code compliance.

- The Mobile County grant program administrator has determined from the inspection reports that a conservative average repair cost, (excluding elevation and septic systems) for these 726 applications is

about \$40,000 per home, for a base total of about \$29.04 million. Conservative estimates for septic and elevation costs indicate: the average septic system costs about \$14,000; average elevation cost is about \$30,000. An undetermined percentage (possibly 33%) of homes needs elevation and septic systems: Thus, the total cost to rehabilitate 726 homes could range up to **\$39.6 million**.

- At the same average of \$40,000 per home, the cost to repair the other 474 would begin at \$18.96 million, and assuming 33% need elevation and septic systems, this repair bill could range up to **\$24.83 million**.
- If the same ratio of houses are totaled among the 474 not yet inspected as found among those already inspected (about 11%), then there could be another 52 homes that need the cap of \$85,000, for a total of **\$4.42 million**. (The Mobile County Commission has currently suspended further inspections due to concerns related to limited funding for housing assistance, i.e., \$10 million.)

**REPORTS FROM OVER 2000 ALABAMA KATRINA SURVIVORS:
CHILDREN, WOMEN, AND MEN STILL EXISTING IN FEMA
TRAILERS & CAMPERS; OR IN SINGLE FAMILY HOMES
BURDENED WITH 2 & 3 FAMILIES. (Compiled by Zack Carter)**

My name is Zack Carter, I am an organizer for Alabama Arise, a statewide coalition that advocates for state policies that benefit people who must survive on low incomes in our state. I want to thank the National Commission on Environmental Justice on the Gulf Coast for this opportunity to testify today, March 10, 2007, in my home town of Mobile, Alabama,

As the people of south Mobile County struggle to rebuild, they are also forced to struggle for Environmental Justice – from exposing the serious health hazards of excessive formaldehyde fumes in the FEMA trailers & campers (in a partnership with The Sierra Club), to their stand against a waste treatment plant proposed to be built in their predominantly minority community, in a “High Velocity Flood Zone”, and with \$24 million of federal Community Development Block Grants (CDBG) – representing nearly 1/3 of the total \$94 million in CDBG allocated for Alabama since Katrina. less than \$27 Million of these federal funds have been allocated for housing, and none of these have yet been released!

South Mobile County residents are forced to overcome many bureaucratic obstacles as they struggle to rebuild. One of these, linked to the environmentally unsound proposed waste treatment plant, is an arbitrary policy imposed by Mobile County Board of Health, which prohibits Katrina survivors from connecting rebuilt homes to their current septic tanks – even if this septic tank is currently working fine for their FEMA trailer. Please see the letter from Mobile Bay Sierra Club below regarding Nancy McCall.

Date: Mon, 25 Dec 2006 22:06:54 -0800 (PST)
Subject: Hurricane Katrina Action Plan For Supplemental Disaster Recovery Funds

To: CDBG@adeca.state.al.us

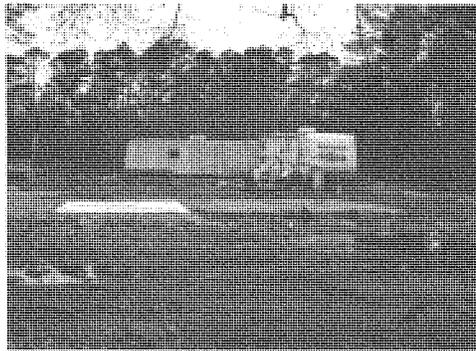
Last summer the Sierra Club helped organize a crew to rebuild [Nancy McCall's] house in Coden ruined but not destroyed by Katrina. Besides helping the owner get out of a FEMA trailer and back into a home, our intention was to show that a modest structure

in a modest neighborhood could be durably restored at an affordable cost with environmentally friendly materials and methods. Volunteers sweated at the site during several extended weekends and accomplished much. But we could not complete the interior walls until the plumbing we had installed was officially inspected and approved. We could not obtain that certification until we had a connection to either an acceptable septic tank or a sewer system, and neither was available. So the project is now dormant.

This situation symbolizes the many other damaged residences in the area that also remain uninhabitable. If the funds available to you were used to rectify such circumstances, then people who are still Katrina refugees more than a year after the storm could return to their homes.
 David Underhill, chair
 Mobile Bay Sierra Club



Three Years After 2005, Coden resident Nancy McCall, awaits her house, which was built by her father, and where she was raised. Rebuilding cannot be complete until the sewer system issue is resolved. Like hundreds of others, she worries about eviction from her FEMA trailer.



Paul Nelson's family home was completely blown away, along with the family oyster processing plant. Paul and his brother face eviction from their FEMA camper, where they lived with their mother Hilda, until she died Oct. 5 after living in the above pictured FEMA camper for over a year still hoping to see the family home rebuilt. After his mother's death, Paul Nelson received the Sierra Club's test results -- formaldehyde levels in the camper were 50% higher than EPA recommendations.

Paul Nelson of Coden, Al. has been a citizen lobbyist for over 30 years on issues ranging from fair hurricane relief and environmental justice to fair governmental policies for shrimpers and oyster catchers. His mother, Hilda Nelson also of Coden, Al. died suddenly on Oct. 5. On Feb. 14, 2007, the highly respected journal, *The Nation* documented the fact that tragically, like tens of thousands of Hurricane Katrina and Rita survivors across the Gulf Coast, Mrs. Nelson also had to contend with toxic levels of formaldehyde vapor emanating from the particle board in her FEMA camper.

The following is an excerpt from The Nation's Feb. 14 exposé on high levels of formaldehyde in FEMA trailers, and the interview with Paul Nelson:

Formaldehyde is a very powerful irritant," says Mary DeVany, an industrial hygienist in Vancouver, Washington. "When you inhale the vapors...the breathing passages close off." The International Agency for Research on Cancer has classified formaldehyde as a human carcinogen....Air sampling by the Occupational Safety and Health Administration at holding stations where groups of trailers were kept before they were set up revealed high formaldehyde levels even in outdoor air.

Hilda Nelson, 75, of Coden, Alabama....When she moved into a FEMA trailer at the site of her former house, she was in good health, says her son, Paul. Three weeks later, he says, "she was having trouble breathing." Not long after, she was diagnosed with pneumonia...Paul Nelson ordered a kit to test his mother's trailer for formaldehyde. The results showed the level of the chemical inside her trailer was 50 percent over the EPA's recommended limit." [Mr. Nelson received his mother's test results after her death, which was related to respiratory failure.]

For many years Paul Nelson has provided a strong voice for all of the unincorporated towns (over 4,000 people) that span the 12 miles of Mobile County's Gulf Coast: Coden, Sans Souci, Mon Luis, Delta Port, Alabama Port, and Heron Bay. Once again, Paul is speaking out for his community, even though it is through a painful interview about the unjust circumstances surrounding his mother's death.

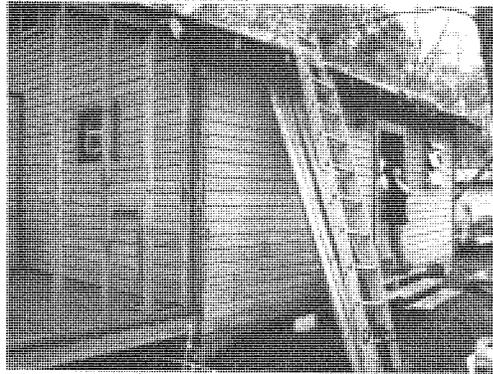
In an effort to understand the many challenges of long term recovery the Bay Area Food Bank would like for you to take this opportunity to tell us about your most difficult challenge while recovering from Hurricane Katrina. We understand that recovery challenges can come in many unexpected forms ranging from loss of home, trouble getting contractors to do work, permit issues for repairs, even finding child care or adjusting to new work or living situations. We encourage you to take time to tell us about your most significant long term challenge during your road to recovery from Hurricane Katrina. Telling us of your experience will help us to do a better job of recovery assistance for others in the future. Also, the food you are receiving is part of a local grant from the United Way and if you would like to make a statement on how this food will help you in your recovery effort it would be appreciated.

We lost everything due to Hurricane Katrina all of our clothes, furniture, pictures that cannot be replaced. Now a year after the Hurricane we are still living in a FEMA trailer. It has been an extremely rough road for us. We have 4 teenagers and 2 adults living in the camper that FEMA has provided for us it gets extremely stressful with all of us in here. We have been blessed to have Mrs McCall & Mrs Clark in our lives they have made sure that we were not forgotten about for Thanksgiving & Noel Bless them. Without the food that has been provided I don't know what we would do during these trying times. There has been many times that I just wanted to throw my hands up and give up but I know that is not what God would want me to do.

Yammy L Collier
1-23-07



Tammy Collier with Tyler, one of her four teenage children who have been living with their mother and father in this FEMA camper for 19 months. Like many in south Mobile County, they did not know about the county's arbitrary and capricious deadlines: one week to pick up a CDBG application on Jan. 25 2007, and two weeks to return it!



Tammy Collier and Pat Lilley are working to rebuild their house -- FEMA will not assist.

Ms. Tammy Collier's heart-wrenching statement is representative of over 500 area households, or about 2500 Katrina survivors in south Alabama. They have lived, or more precisely barely survived, for 1 1/2 years in flimsy unhealthy FEMA trailers because federal CDBG funds have not yet been released!

Applications for CDBG funds were finally released on Jan. 25, yet Mobile County's grant administrator, Roth McHugh of Montgomery, imposed a one week deadline for picking up the applications, and a two week deadline to return them. These arbitrary and capricious deadlines were imposed with no consultation

or warning to the local community leaders and state advocates who had been meeting with the grant administrator, FEMA, Federal, State and County representatives since last September. **Pleas for extensions on the deadlines and for assistance in filling out the complicated application forms have been basically ignored (the return deadline was extended to one month, but not the pickup deadline.) In addition, the forms have not been translated, despite the fact that Vietnamese and Spanish is the first language of a significant number of Katrina survivors in south Alabama.**

On Feb. 26 a letter was mailed protesting these deadlines, addressed to Mobile County Commissioner and copied to various state and federal representatives and stated: "We are particularly concerned that the current procedures place lower income families and members of classes protected under the federal Fair Housing Act – those people who are priority recipients of CDBG funds – at a particular disadvantage."

Over 250 individuals and organizations signed this letter. National advocacy groups who signed this letter are:

**Lawyers Committee for Civil Rights Under Law, National Coalition for the Homeless
National Housing Trust,
National Fair Housing Alliance,
National Low Income Housing Coalition.**

State organizations that signed were:

**Alabama Appleseed,
Alabama Arise
Carlisa, Inc. (Brewton)
Center for Fair Housing, Inc. (Mobile)
Collaborative Solutions, Inc. (Birmingham)
Daughters of Charity (Mobile)
Federation of Child Care Centers of Alabama (FOCAL)
Fairhope Friends Meeting (Quakers) (Fairhope)
Greater Birmingham Ministries (Birmingham)
New Life Holiness Church (East Brewton)
North Alabama Conference of United Methodist Church Restorative Justice Team
The Quest for Social Justice (Mobile)
Saint James Baptist Church (Brewton)
Saint John Missionary Baptist Church (Evergreen)
Sisters of Mercy (Mobile)**

Last December three advocacy groups Alabama Appleseed, National Fair Housing Alliance, and National Low Income Housing Coalition wrote detailed critiques and recommendations regarding Roth McHugh's "Policy Statement" for disbursing the \$8.5 Million Katrina CDBG funds for Mobile County including: lack of a specific housing needs assessment/survey of unincorporated areas of Mobile County; a "first come first serve" policy that could leave the most needy out in the cold; no language to assure those most in need -- e.g., the elderly, parents with young children, disabled -- will be served before an early applicant is allowed to exceed the cap; unfair or unclear requirements for those with heir property who lack clear title, etc.
(copies are available.)

Grass roots groups and advocates participating with local and state officials in the Coden Task Force proposed amendments to correct the serious flaws two months ago. The grant administrator recently rejected these amendments. We hope this letter will prompt the county to resume communication with the people most affected.

As many people in south Mobile County fight off despair, there are those ready to step in if they lose the battle. Evelyn "Elbow" Nelson's statement in a Jan. 22nd Alabama Arise (a statewide coalition that advocates for Alabama's numerous low income population) press release explains:



NEWS ADVISORY

1/22/07

News conference today – 2:00 pm, Mobile City Hall Atrium
Contact: Zack Carter, Alabama Arise (334) 832-9060
Jim Fuller, South Bay Community Alliance (251) 824-9700

FEMA Evictions Delayed, Concerns Remain

Displaced residents, advocacy groups question fairness of Katrina relief and highlight related environmental issues

BAYOU LA BATRE, AL – Nearly 2,000 Hurricane Katrina survivors in south Mobile County won 6 more months of borrowed time on Friday when President Bush pushed back a February 28 end date for FEMA trailer and rental assistance. Community activists had petitioned for a one-year postponement of the eviction deadline. A year and a half after the storm, an estimated 700 area households remain in FEMA trailers and tiny campers because federal Community Development Block Grants designated for home rebuilding have not yet been released.

Displaced Coden residents and representatives of social justice and environmental advocacy groups will hold a news conference on the fairness of Katrina relief policies at 2:00 today at Mobile City Hall.

Also at issue will be the new Bayou La Batre waste treatment plant, slated for construction in neighboring Coden, in a minority community within a federally designated flood zone. County and state officials have informed Coden homeowners that, in order to move back in after rebuilding, they must agree to hook up to the planned facility. An environmentally sound alternative proposal by the Mobile Area Water and Sewer System remains under consideration by state and local authorities.

The utility project is just one piece of a larger coastal development picture that worries many locals, including Evelyn "Elbow" Nelson. "After the storm, my husband and I and nine other family members had to live on a shrimp boat for about a month," Nelson says. "The first day we got back, we noticed there were flyers from developer Tim James's company all over people's houses, trailers, and even pilings of blown-away houses. The flyers asked if people wanted to sell. What the flyers should have said was 'How can we help?'"

When Nelson called the number on the flyer and spoke to James, he offered to buy her family's several acres for \$20,000. "That property's been in our family for over 100 years," Nelson says. "I told him we were not for sale."

#

Alabama Arise is a nonprofit statewide citizens' organization comprising 150 congregations and community groups dedicated to improving the lives of low-income Alabamians.

Ms. Nelson worries constantly for her mother and father whose home was destroyed by Katrina. "No one died down here during the storm, but six elders in my neighborhood have died since – mostly of broken

hearts waiting for their modest family homes to be rebuilt." A FEMA sponsored survey *estimated* (community leaders request for a detailed assessment has not been provided) that 550 homes were "totally destroyed" in Mobile County, and another 850 had "major damage." (Volume I:A Post-Katrina Housing & Needs Analysis For The Mobile, Alabama MSA Date June 2006.)

Ms. Collier and Ms. Nelson come from the area hit hardest by the Katrina in south Alabama, and the area most politically under-represented – unincorporated south Mobile County. According to a recent U.S. Coast Guard impact study (regarding a pre-Katrina LNG project), by Dr. John Salter: **"Incomes in this area are considered to be low to modest without a significant middle class. Many residents...are dependent upon the marine environment...The colonial population consisted of a mixture of French, African, and Native Americans. Social and racial lines tended to be and remain somewhat blurred as a consequence of this background."** And since the 1970's, Salter writes that the multicultural character has expanded to include a **"...Creasian" culture resulting from the blending of the longstanding Creole and Cajun and recent Asian ethnicities.**" (Social Impact Assessment For the Proposed Main Pass Energy Hub Environmental Impact Statement, January 2005)

In the same document, Dr. Salter also noted: "Data collection and research indicate that the Potentially Affected Communities should be evaluated for Environmental Justice concerns."

These are the people of the unincorporated multiracial hamlets that span some 9 miles of Mobile County's Gulf Coast: Portersville Bay, San Souci, Coden, Mon Luis Island, Heron Bay, and Alabama Port. For over two hundred years this unique community has harvested Alabama's significant seafood industry and they have been the stewards of Alabama's oyster reefs and shrimp nurseries.

Jim Fuller and Judy Buff's home before Katrina and after Katrina, with no assistance to rebuild. Jim is now President of South Bay Communities Alliance, and Judy is Corporate Secretary. The year-old grass-roots organization is striving to bring Katrina relief to the unincorporated towns of Mobile County's Gulf Coast.



**Come to
Mobile's
Alabama Arise
Meeting
Monday Oct. 9,
2006**

**At
Providence
Hospital-
Conference
Room One
(see other side
for speakers)**

***Support Fair
Hurricane
Katrina Relief
For All!**

***Support "Money
Follows The
Person"
Give Older
Citizens And The
Disabled
Freedom to Live
Where They
Choose!**



**These Pictures Speak A Thousand Words.
On August 26, 2006 almost one year after
Katrina, residents of Coden brave a
lightening storm to receive basic supplies
donated by The American Red Cross, Al
Arise members help in distribution.**



Mrs. Hilda Nelson in her FEMA camper with supporters September 5, 2006, one month before her death.

RETURN TO NEW ORLEANS; RESIDENTS SHOULD GO HOME TO NEW AND BETTER
PUBLIC HOUSING

The Washington Post, Monday, April 30, 2007

Editorial

Twenty months after Hurricane Katrina, public housing residents of New Orleans remain scattered across the country. Many want to go home. They should be able to. But returning to the same squalid and dangerous housing projects that were isolated cauldrons of dysfunction and pathology is neither just nor humane. Katrina changed everything in the Crescent City, and its public housing must change, too. That's what the U.S. Department of Housing and Urban Development is trying to make happen. But a lawsuit filed by the Advancement Project, a Washington-based civil rights organization, against federal, state and city officials is holding things up.

New Orleans public housing before Hurricane Katrina was gripped by drug and gang activity, making the projects among the most dangerous areas in the city. Corruption and mismanagement led the federal government to take over the Housing Authority of New Orleans in 2002. HUD was in the process of redoing some of the public housing in the mode of HOPE VI developments that favor townhouse design and mixed-income residences over brick apartment buildings that warehouse the poor. Then Katrina hit.

The Advancement Project lawsuit claims "defendants' inaction and needless delay in repairing and reopening New Orleans' public housing development are based on racial animus and a clear intention to prohibit the return of many low-income African-American families." It demands a halt to HUD's planned demolition of troubled projects and a right of return for everyone to their old apartments in public housing. Unfortunately, comments by HUD Secretary Alphonso Jackson (New Orleans "is not going to be as black as it was for a long time, if ever again"), Rep. Richard H. Baker (R-La.) ("We finally cleaned up public housing in New Orleans. We couldn't do it, but God did") and New Orleans City Council President Oliver Thomas ("We don't need soap-opera watchers all day") served to fuel the conspiracy theories underpinning the lawsuit. They also roiled long-troubled racial waters in New Orleans.

Judge Ivan Lemelle pushed aside the racial charges and denied an injunction against razing the housing projects. But a jury trial is set for Nov. 26, and Judge Lemelle has ordered the Advancement Project and HUD to try to settle before then. At stake is the transformation of four public housing projects built in the 1940s—C.J. Peete, St. Bernard, B.W. Cooper and Lafitte—from fortresses of concentrated poverty into mixed-income communities. The nonprofit developers of Lafitte, for instance, are doing just about everything the Advancement Project says it wants—and what a House bill making its way to the Senate would mandate—while at the same time following through on HUD's vision for renewed, reconnected and revitalized public housing that no longer isolates the poor.

Enterprise Community Partners has committed to a one-for-one replacement of public housing units at Lafitte and to a right of return for former Lafitte residents. The developer has traveled to Houston and Baton Rouge to get residents' input. By renovating some of the units at one end of the project while tearing down and building the New Orleans-style homes on the other end, Enterprise would make it possible for former Lafitte tenants to return to New Orleans now. But everything is on hold; no one can get started until the Advancement Project's trial concludes.

The problem is compounded by a July 1 deadline for developers to spend 10 percent of a project's total development cost using Gulf Opportunity Zone low-income tax credits or risk losing them. In that case, everyone loses. Considering that many of its objectives are being met, the Advancement Project should take yes for an answer and let demolition begin. The displaced people of New Orleans have waited long enough to go home. If they can go home to apartments better than the ones they fled, that should be applauded, not denounced in court.

IN DIVIDED NEW ORLEANS

The New York Times, Tuesday, May 15, 2007

Editorial

When President Bush spoke to the nation soon after Hurricane Katrina, he was resolute that the city would be rebuilt. "We will do what it takes," he said. We—the federal, state and city governments; elected officials and the citizens who hire them—have failed spectacularly. Homes and schools remain empty or imaginary; evacuees and survivors wait in cramped trailers, unable to return or rebuild. A huge silence still hangs over the Lower Ninth Ward, a place every American should see,

to witness firsthand how truckloads of promises have filled New Orleans's vast devastation with nothing.

That the Lower Ninth is overwhelmingly black is not irrelevant. African-Americans were the predominant and poorest members of this city before the storm, they bore the worst of it and have the farthest journey back to stability. A study issued last week by the Kaiser Family Foundation, based on interviews last fall with residents of Orleans, Jefferson, Plaquemines and St. Bernard parishes, maps the outlines of a sharp racial divide.

In Orleans Parish, twice as many African-Americans as whites said their lives were still "very" or "somewhat" disrupted. Seventy-two percent of blacks said they had problems getting health care, compared with 32 percent of whites. Blacks were more likely to say that their financial status, physical and mental health, and job security had worsened since the storm. And they expressed considerably more anxiety than whites about the sturdiness of the rebuilt levees, the danger from future Katrinas and the prospect of living without enough money or health care, or a decent, affordable home.

There was a consensus about broad categories of the recovery: solid majorities thought there had been at least some progress in restoring basic services, reopening schools and business and fixing levees. But in three vital areas—rebuilding neighborhoods, controlling crime and increasing the supply of affordable housing—most agreed that there had been no progress or "not too much."

Even with the constant trickle of bad news, you can find minimal improvements. Thousands of building permits have been issued. A crisis was recently averted when the Bush administration extended temporary housing assistance for tens of thousands of displaced families. Some government housing subsidies that were to expire at the end of August will continue until March 2009.

It is also encouraging that administration of the housing program will shift from the Federal Emergency Management Agency to the Department of Housing and Urban Development, which has always been the logical choice, given its experience in housing needy families. Other positive signs include the halting progress toward a workable redevelopment plan, and a recent finding that the city's population had grown to above half of its level before the storm.

The Kaiser survey even found signs of hope when it tested for resilience in a proud city. Sixty-nine percent of respondents said they were optimistic about New Orleans's future. And only 11 percent said they planned to leave.

Their faith must not be betrayed. Residents in the survey were keenly aware that their city's fitful recovery would be devastated if the levees failed again. They put strong levees above all other priorities, including fighting crime and even basic services like electricity and water. And yet National Geographic has reported that an engineer has found signs that levees were poorly rebuilt and are already eroding. There is no room for error here.

HOME SWEET HOME; NEW ORLEANS PUBLIC HOUSING RESIDENTS DESERVE BETTER THAN WHAT THEY HAD BEFORE HURRICANE KATRINA

The Washington Post, August 27, 2007

Editorial

Public Housing advocates are gearing up for a sit-in at the offices of the Housing Authority of New Orleans tomorrow. Their frustration is understandable. Two years after Hurricane Katrina scattered residents to communities outside the Crescent City, most have yet to return home. But the protesters' goal of getting the displaced back into their old units is wrong. While the historical significance of those structures is undeniable, so is their history of being forlorn concentrations of poverty.

To tour the barracks-style apartment complexes of New Orleans is to see the best and worst of public housing. Because most of them were built in the 1940s, a walk into one of their cramped units is a walk back in time. For instance, residents can't run water in the bathtub and the bathroom sink at the same time. Warmth in the winter is provided by space heaters. For the most part, the old projects are cut off from the flow of the city because the city's streets don't go through them. Now, if you go to the redeveloped Fischer and St. Thomas complexes, you'll see the best in modern public housing. Warehousing of the poor and marginalizing them from the larger community are out. Modeled on HOPE VI developments, these are mixed-income neighborhoods of townhouses. The homes are spacious. The appliances are new. The sense of hopelessness that envelops Iberville, the one fully functioning old-style public housing project, is not present.

The U.S. Department of Housing and Urban Development wants to bring four other old public housing estates into the modern era. But a lawsuit by the Advancement Project, a Washington-based civil rights organization, has stopped HUD from doing so. The lawsuit accuses the agency of cleansing African Americans from New Orleans by keeping the four public housing projects shuttered. It demands a right of return for all New Orleans public housing residents, and it demands that those families go back to the units they fled on Aug. 29, 2005. Until the case goes to trial in November, those families will have to wait. This is unconscionable. Yes, they should return. But they should return to something much better than they left.

At least one developer, Enterprise Community Partners, which has been chosen by HUD to redevelop the Lafitte project, has committed to providing a new public housing unit to every family that lived there before in what would become a mixed-income community. A bill sponsored by Sens. Christopher J. Dodd (D-Conn.) and Mary Landrieu (D-La.) would make what Enterprise is voluntarily doing the law.

Donna Davis, 52, has lived in the projects since she was 9. The pride in her two-story townhouse in the new Fischer complex was plainly evident as she toured a visitor around. When asked what she would say to people afraid of HUD's redevelopment plans, Ms. Davis looked to her own experience. "We lived [in Fischer] and stayed there," she said. "Now it's time for us to grow and open up . . . to see how good we can all live." If the Dodd-Landrieu bill passes, the Advancement Project should drop its lawsuit. Returning public housing residents deserve to have Ms. Davis's experience.

**S. 1668 Gulf Coast Housing Recovery Act of 2007, Introduced
by Senators Dodd and Landrieu, June 20, 2007**

SECTION-BY-SECTION

SEC. 1. TITLE

Gulf Coast Housing Recovery Act of 2007

SEC. 2. LIMITATION ON USE OF AUTHORIZED AMOUNTS.

No funds authorized may be used for lobbying.

TITLE I—COMMUNITY DEVELOPMENT BLOCK GRANTS

SEC. 101. FLEXIBILITY OF FEDERAL FUNDS FOR ROAD HOME PROGRAM.

Requires that FEMA transfer \$1.17 billion of Hazard Mitigation Grant Program funds be transferred and allocated through the Road Home program, for mitigation activities.

SEC. 102 HOUSEHOLD ASSISTANCE PROGRAMS FUNDED WITH CDBG DISASTER ASSISTANCE.

Requires each state receiving supplemental CDBG funds to report on the uses of disaster CDBG funds, including details on programs established, applications submitted, funds disbursed, average assistance amounts, and comprehensive data on who is being served. Reports must be submitted quarterly to Congress and made publicly available on the Internet.

SEC. 103 COMMUNITY DEVELOPMENT PILOT PROGRAM.

Requires Louisiana to make available, from previously appropriated funds, \$30 million for New Orleans, and \$25 million for other parishes to use for redevelopment pilot programs. Under the pilot programs, local redevelopment authorities will acquire, bundle, and redevelop land. Redevelopment must be consistent with city and neighborhood revitalization plans, original owners of land will have first priority to purchase housing once developed, and 25% of housing developed must be affordable to low-, very low- and extremely low-income households.

SEC. 104. ROAD HOME PROGRAM SHORTFALL.

Authorizes such sums as necessary for the Road Home program, provided that the state of Louisiana provides \$1 billion for the program.

SEC. 105. ELIMINATION OF PROHIBITION OF USE FOR MATCH REQUIREMENTS.

Allows states to use supplemental CDBG funds as a match for other federal programs.

Eliminates repetitive environmental reviews so long as one federal environmental review is conducted.

SEC. 106. REIMBURSEMENT OF AMOUNTS USED FOR RENTAL HOUSING ASSISTANCE.

Authorizes unused appropriated disaster funds to be used to reimburse cities or counties that used their own funds to house evacuees

TITLE II—PUBLIC HOUSING**SEC. 201. SURVEY OF PUBLIC HOUSING RESIDENTS.**

Requires HUD to contract with an independent research entity to conduct a survey of people who resided in New Orleans public housing as of August 28, 2005, to determine which and how many households wish to return to redeveloped New Orleans public housing, how many want to return to a temporary public housing unit in New Orleans while redevelopment is occurring, how many want to receive voucher assistance in New Orleans, and how many want to receive housing vouchers elsewhere. The survey must be completed 90 days after enactment.

SEC. 202. HOUSING FOR PREVIOUS RESIDENTS OF PUBLIC HOUSING.

Requires that within 90 days of enactment, the Housing Authority of New Orleans (HANO) make available the greater of 3000 public housing units, or the number of households who indicate in the survey that they want to return to public housing.

In providing housing units, the housing authority must offer options of available units and must provide relocation assistance to residents wishing to return.

SEC. 203. REPLACEMENT OF PUBLIC HOUSING DWELLING UNITS.

HANO may only demolish public housing pursuant to if there is a plan approved by HUD which ensures that there is resident input, a public hearing is conducted, resident services are provided, and replacement units will be made available.

Any unit which will not reopen and was occupied on August 28, 2005 must be replaced with another affordable unit—public housing, other affordable unit, or a voucher attached to a hard unit (project-based vouchers). Any unit which will not reopen and was vacant on August 28, 2005 must be replaced with either an affordable unit or a housing voucher.

SEC. 204. RESIDENT SUPPORT SERVICES.

Where HANO is providing housing vouchers as replacement housing, it must: (1) provide mobility counseling; (2) conduct landlord outreach; and (3) work with developers to project-base assistance where possible.

Every 6 months, HANO must report to Congress on where replacement units are located, including census tract data on poverty, rent burden data and demographic data.

SEC. 205. PUBLIC HOUSING IN KATRINA AND RITA DISASTER AREAS.

For the 2 years after enactment, a public housing agency (PHA) in disaster areas may only demolish or dispose of public housing if there is a plan approved by HUD which ensures that there is resident input, a public hearing is conducted, resident services are provided, and replacement units will be made available.

Any unit which will not reopen and was occupied on August 28, 2005 must be replaced with another affordable unit—public housing, other affordable unit, or a voucher attached to a hard unit (project-based vouchers). Any unit which will not reopen and was vacant on August 28, 2005 must be replaced with either an affordable unit or a housing voucher.

A PHA must use its best efforts to locate tenants displaced and provide those tenants with replacement units.

SEC. 206. REPORTS ON PROPOSED CONVERSION OF PUBLIC HOUSING UNITS.

Within 15 days of enactment, HUD must submit to Congress a report on any plans it has to transfer ownership of public housing.

SEC. 207. AUTHORIZATION OF APPROPRIATIONS FOR REPAIR AND REHABILITATION FOR KATRINA AND RITA DISASTER AREAS.

Authorizes such sums as are necessary to repair, rehabilitate, redevelop and replace public housing, as well as to provide relocation assistance and supportive services.

SEC. 208. EXISTING PUBLIC HOUSING REDEVELOPMENT.

Clarifies that any agreement to demolish or dispose of public housing entered into prior to enactment can go forward so long as replacement housing is provided.

SEC. 209. REPORTS ON COMPLIANCE.

Within 30 days of enactment, and each quarter thereafter, HUD must submit a detailed report to Congress on compliance with this title.

SEC. 210. INDEPENDENT ADMINISTRATION OF HOUSING AUTHORITY OF NEW ORLEANS.

Requires HUD to petition for judicial receivership of HANO within 30- days of enactment. Any receiver must comply with this Act.

SEC. 211. DEFINITIONS.

TITLE III—DISASTER VOUCHER PROGRAM AND PROJECT-BASED ASSISTANCE

SEC. 301. DISASTER VOUCHER PROGRAM.

Authorizes such sums as are necessary to provide disaster vouchers for formerly HUD-assisted households through June 30, 2008. Prior to October 31, 2007, HUD must work with FEMA and PHAs to identify households eligible for disaster housing vouchers.

After June 30, 2008 disaster voucher holders who have not received tenant replacement vouchers shall receive Section 8 housing vouchers. Any assistance is temporary and only continues so long as the receiving family is income eligible.

SEC. 302. TENANT REPLACEMENT VOUCHER FOR ALL LOST UNITS.

Authorizes such sums as are necessary to replace all public and assisted housing which will not be replaced with replacement housing vouchers so there is no net loss of affordable housing. Requires HUD to issue replacement vouchers for any HUD-assisted housing not replaced by January 1, 2010.

SEC. 303. VOUCHER ASSISTANCE FOR HOUSEHOLDS RECEIVING FEMA ASSISTANCE.

Requires FEMA to transfer administration and funding for rental assistance for evacuees to HUD beginning January 1, 2008. Recipients of assistance will be required to pay 30 percent of income as required with other HUD assistance, with a minimum rent of \$100.

Authorizes funds to provide rental assistance for households still living in FEMA trailers. Subject to funds, HUD is required to offer housing assistance to families in trailers.

Any assistance provided is temporary and only continues so long as the household is income eligible.

SEC. 304. VOUCHER ASSISTANCE FOR SUPPORTIVE HOUSING.

Authorizes appropriations for 5,500 supportive housing project-based vouchers from the homeless, seniors and people with disabilities.

SEC. 305. PROJECT BASING OF VOUCHERS.

Allows housing agencies in affected areas to project-base more than 20 percent of their vouchers so long as the vouchers are used in mixed-income communities, are in low-poverty neighborhoods or neighborhoods undergoing revitalization.

SEC. 306. PRESERVATION OF PROJECT BASED HOUSING ASSISTANCE PAYMENTS CONTRACTS FOR DWELLING UNITS DAMAGED OR DESTROYED.

Clarifies that HUD shall not terminate housing assistance payments contracts for multifamily housing due to destruction or damage as a result of the 2005 storms.

Requires HUD to allow project-based assistance to be transferred from damaged/destroyed properties to other properties to preserve affordable housing.

SEC. 307. GAO STUDY OF WRONGFUL OR ERRONEOUS TERMINATION OF FEDERAL RENTAL HOUSING ASSISTANCE.

Requires GAO to conduct a study of households that received FEMA rental assistance to determine if assistance was wrongfully or erroneously terminated and to submit a report no later than January 1, 2008.

TITLE IV—DAMAGES ARISING FROM FEMA ACTIONS

SEC. 401.

Authorizes appropriations to reimburse landlords who contracted with FEMA to provide rental assistance to evacuees where those contracts were abrogated by FEMA.

TITLE V—FHA HOUSING

SEC. 501. TREATMENT OF NONCONVEYABLE PROPERTIES.

Requires HUD to pay FHA insurance claims and take conveyance of damaged or destroyed properties notwithstanding normal requirements that the properties be habitable. Amounts paid out must be provided in advance through appropriations.

SEC. 502. FHA SINGLE-FAMILY INSURANCE.

Requires that FHA use pre-hurricane creditworthiness in determining eligibility of an individual for FHA insurance.

SEC. 503. FHA-NEW ORLEANS HOMEOWNERSHIP OPPORTUNITIES INITIATIVE.

Establishes an FHA-New Orleans Homeownership Opportunities Initiative to transfer homes held by HUD to the New Orleans Redevelopment Authority (NORA). Homes within HUD's control—which have been abandoned, are vacant or have been foreclosed upon—will be given to NORA to use for redevelopment activities. NORA must make available for low-income homebuyers the number of homes conveyed to it by HUD (not necessarily in the same locations). NORA must sell homes to low-income households who agree to use the home as their primary residence for at least 5 years, or to sell only to low-income buyers within 5 years. NORA

must set sales prices at affordable levels and any profits above redevelopment costs will go to HUD. NORA must provide for counseling for families; must inspect homes prior to sale; and must establish procedures to recapture funds where homes are not sold to low-income families, prices exceed development costs, and where homes are not used as primary residences for 5 years.

The pilot terminates after 5 years, and at 3 years and 5 years, NORA must submit a report to Congress on the implementation, status and execution of the pilot.

TITLE VI—FAIR HOUSING ENFORCEMENT

SEC. 601. FAIR HOUSING INITIATIVES PROGRAM.

Authorizes at least \$5 million in fiscal years 2008 and 2009 for fair housing activities in affected areas.

TITLE VII—IMPROVED DISTRIBUTION OF FEDERAL HURRICANE HOUSING FUNDS FOR HURRICANE RELIEF

SEC. 701. GAO STUDY OF IMPROVED DISTRIBUTION OF FEDERAL HOUSING FUNDS FOR HURRICANE RELIEF.

Requires GAO to conduct a study on the most effective and efficient way to distribute housing assistance after hurricanes and other disasters, and to submit a report to Congress within 6 months of enactment.

TITLE VIII—COMMENDING AMERICANS FOR THEIR REBUILDING EFFORTS

SEC. 801. COMMENDING AMERICANS.

Congress finds that many Americans, individuals, faith-based organizations, non-profits and community organizations provided needed relief aid after the hurricanes and assistance in rebuilding efforts and commends Americans for this assistance.