Center on Budget and Policy Priorities

NEWS RELEASE

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HOUSING NEEDS OF MANY LOW-INCOME HURRICANE VICTIMS REMAIN UNMET

Study Outlines Additional Federal Steps Needed

The federal government has not done enough to meet the housing needs of poor residents affected by the 2005 hurricanes, according to a new Center analysis, which also details several policy recommendations for Congress in this area.

"The rebuilding from the hurricanes has only begun" said Will Fischer, the report's primary author. "But the course that has been charted to date indicates that many low-income hurricane victims will not be provided the means to return home and secure housing that they can afford."

The storms' immediate devastation displaced rich and poor alike, the report explains, but higher-income households are much better equipped than lower-income households to rebuild their lives because they are much more likely to have insurance, significant non-housing assets, and the ability to obtain private loans. The federal government has done little to address the serious problems that low-income households face in these areas.

On February 16, the Administration requested $19.8 billion in supplemental funding for hurricane relief. The Center's analysis finds that, while this request would provide some additional funding to meet housing needs, neither the supplemental request nor the Administration's new 2007 budget will be sufficient to fill fully the gaps in housing assistance to low-income residents. The problems are not limited to resource levels, the report finds, and stem to a significant degree from basic shortcomings with some of the approaches the federal government is taking to these problems.

The report recommends that Congress take the following steps:

- **Have HUD, not FEMA, provide continuing rental assistance to disaster victims.** After Hurricane Katrina struck, the federal government established two separate rental assistance programs for displaced families. Both programs have suffered from confusion over who should be assisted and how. In December, Congress folded one of these programs (HUD's Katrina Disaster Housing Assistance Program) into Section 8, HUD's regular housing voucher program, which has the benefit of clear, tested rules. Congress should do the same for the other new program, which is operated by FEMA.

That program will exhaust its current funding this spring, and the Administration now has requested an additional $9.4 billion for FEMA's disaster relief fund, in part to continue providing housing assistance to victims of the 2005 Gulf hurricanes. (Displaced families may receive rental assistance for up to 18 months.) Congress should not simply provide the requested funds; it should accompany the funds with a revamping of the FEMA housing assistance program, including its incorporation into Section 8 and its transfer to HUD. The FEMA housing assistance program has been beset by serious management problems throughout the period since the hurricanes hit. Particularly for families that need assistance beyond the three months that FEMA's initial rental assistance checks are designed to cover, housing assistance should be provided under Section 8 rules and the necessary funds should be transferred from FEMA to HUD.

- **Help owners repair easily fixed apartments in the disaster area.** FEMA's primary strategy for making housing available in damaged areas has been to install trailers. This has occurred at an extremely slow pace — in New Orleans, only 3,000 trailers reportedly had been installed by early February out of 21,000 requested.

  Estimates indicate that about 20,000 vacant apartments in New Orleans that cannot be occupied today could be made habitable with relatively modest repairs. Because nearly half a year has elapsed since the hurricanes hit and these repairs have not been made (despite the much higher rents that now prevail in the area), it is likely that many of the owners of these rental properties are having difficulty obtaining the needed funds. The federal government should provide owners with loans, loan guarantees, or grants to enable them to make these repairs. In return, the owners would agree to make units available to displaced families for at least the usual 18-month period for which FEMA housing assistance can be provided to such families. To carry out the initiative most efficiently, funds should be transferred from FEMA's disaster relief fund for distribution through HUD's existing HOME program in areas that are continuing to experience severe housing shortages.

- **Restore the pre-hurricane supply of federally subsidized housing.** Much of the subsidized housing in the region hit by the hurricanes was destroyed or severely damaged. Not all of those units should be rebuilt on their former sites, in part because some of the former developments concentrated large numbers of poor people in isolated locations with little access to jobs or services. But given the shortage of affordable housing in the area, the total number of affordable units — including housing made affordable through subsidies to private owners as well as public housing — needs to be returned to the pre-hurricane level. Based on HUD estimates, at least $450 million will be needed for this purpose, but the Administration asked for no additional funding to meet this need in the recent supplemental appropriation request or its fiscal year 2007 budget.

  A portion of the cost of replacing damaged public housing could be covered through funds Congress has already provided for HUD's HOPE VI program, without any added appropriation. HOPE VI is designed to promote the creation of mixed-income neighborhoods by providing funding for the demolition and reconstruction of seriously deteriorated public housing and could be readily used to support restoration of public housing damaged by the hurricanes. The Administration's new budget calls, however, for eliminating HOPE VI funding in 2007 and also for rescinding all $99 million that Congress appropriated for the program in 2006. Instead, these 2006 funds should be redirected to housing agencies in the Gulf Coast region that can use the funds to replace public housing damaged by the hurricanes and to provide badly-needed housing units for poor families, elderly individuals, and people with disabilities.

- **Authorize additional housing vouchers to ensure that a share of rebuilt private housing is affordable to poor households.** The Low-Income Housing Tax Credit (LIHTC) was created in 1986 to expand the supply of affordable private housing units by providing financial incentives to developers to build or rehabilitate housing that includes units affordable to low- or moderate-income households. In December 2005, Congress authorized a large increase in the authority of the hurricane-damaged states to issue these tax credits. The increase could result in the construction or rehabilitation of about 54,000 rental units.

  These tax credits are usually insufficient by themselves to reduce rents to the point where poor households can afford them. An additional subsidy normally is required to bridge that gap, and Section 8 housing vouchers are well suited to this purpose. Accordingly, Congress should provide housing authorities on the Gulf Coast with at least 13,500 additional "project-based" housing vouchers to be assigned to housing units financed with the new tax credits or to supportive housing units for people with disabilities financed with other capital funds. The 13,500 vouchers would enable 25 percent of the 54,000 rental units that can be constructed with the tax credits to be made available to poor families. The initial cost of these vouchers — approximately $100 million — potentially could be met by setting aside for this purpose a portion of an appropriation for Section 8 included by the Administration in its recent hurricane recovery supplemental request.

- **Help low-income homeowners repair or replace damaged homes.** The federal government is providing significant assistance to owners of homes that were damaged by the hurricanes. Much of this assistance, however, is structured in a manner ill-suited to assisting homeowners with low incomes.

  The Small Business Administration provides recovery loans of up to $200,000 with reduced interest rates to homeowners. Applicants qualify for the loans based on demonstrated ability to repay them, and low-income households often have difficulty meeting the repayment criteria. The Gulf Coast states also plan to use much of the $11.5 billion in Community Development Block Grant funds under a supplemental appropriation passed in December 2005 to provide grants and loans to homeowners. But, particularly in Louisiana, these funds as well are likely to fall well short of the need.

  The Administration recognizes that the CDBG funding Louisiana is now slated to receive is inadequate and has proposed $4.2 billion in added CDBG funds for the state as part of the new supplemental appropriation request. Even with this added amount, it is not certain from the available information that CDBG funding would be adequate both to fill the gaps in homeowner assistance and to meet additional needs for restoration of severely damaged rental housing and other purposes. (Few other resources are available to meet these needs.) The Administration's $4.2 billion request should be viewed as the minimum needed to meet the most glaring gaps in available federal resources.

  If these funds are not provided, many households — and particularly low-income households — would not be able to rebuild or replace their homes. As a result, tens of thousands of low-income, disproportionately African-American households would be left with their primary asset destroyed and little means of restoring it.

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