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BRINGING KATRINA'S POOREST VICTIMS HOME

Targeted Federal Assistance Will Be Needed to Give Neediest Evacuees Option to Return to Their Hometowns

by Will Fischer and Barbara Sard

Federal policy makers are currently considering plans to assist with the recovery and reconstruction of the areas damaged by Hurricane Katrina. The decisions they make will have serious implications for the tens of thousands of low-income families displaced by the storm. There is a high risk that housing costs will rise sharply in many areas hit by Katrina. Substantial housing assistance will be needed not merely to rebuild homes physically, but to ensure that the rebuilt dwellings are affordable to the region's low-income inhabitants.

Without such assistance, many of these people — including some of the same families that lacked the resources to flee when the storm first struck — may be excluded from the region's recovery. Many low-income evacuees who wish to return could find themselves stranded in unfamiliar communities far from home, or unable to leave trailer or mobile home camps being established as temporary housing, because they cannot afford housing in their hometowns. Those who do return could find themselves confined — as many were before the storm — to high-poverty neighborhoods that may have high rates of crime, few jobs, and poor schools.

On September 15, 2005, President Bush committed in a speech from New Orleans to rebuilding the communities affected by Katrina in a manner that leaves them "better and stronger" than they were before the storm, but provided little detail on how low-income households would be included in this vision. The Administration's most highly touted proposal concerning housing for low-income evacuees who seek to return — an "Urban Homesteading" plan that would allow low-income hurricane victims to build houses on surplus federal land — is unlikely to aid more than a small fraction of the needy families displaced

> **KEY FINDINGS**
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> - Without assistance, many poor families, elderly people, and people with disabilities displaced by Katrina may be unable to afford housing in their hometowns.
> - The Administration's "Urban Homesteading" plan is unlikely to assist more than a small fraction of the families displaced by the storm.
> - Other Administration rebuilding proposals, released last week, offer no assurance that the poorest families will be helped.
> - Giving Katrina's neediest victims a real option to come home will require targeted rental assistance able to cover the gap between increased post-hurricane rents and the incomes of the poorest households.

by the storm. Other Administration rebuilding plans, released on October 28, 2005 as part of an Administration request to Congress for a reallocation of Katrina relief funds, offer no assurance that the poorest households will be helped.

Indeed, the Administration has at times appeared resigned to the conclusion that some segments of the evacuee population will not have the opportunity to move back to their hometowns. In late September, for example, HUD Secretary Alphonso Jackson speculated that "New Orleans is not going to be as black as it was for a long time, if ever again."[i]

Rebuilding should be carried out in a manner that ensures that the region's poorest residents have the same opportunities as more affluent families to return home if they choose to do so. In addition, rebuilding assistance should be structured in a manner that promotes mixed-income neighborhoods with the employment and educational opportunities poor evacuees will need to rebuild their lives.

Private investors, including owners who have collected insurance payments, may take on a substantial share of the cost of rebuilding the damaged areas. The private market on its own, however, cannot be expected to provide homes for Katrina's poorest victims or give many of those households the opportunity to live in mixed-income neighborhoods. Achieving these goals will require that policy makers make them a major priority. The federal government, which may bear a major share of the cost of reconstruction, should structure rebuilding assistance in a manner that ensures these goals will be promoted.

- **Restore pre-Katrina housing subsidies.** Federal housing subsidies that were in place before Katrina struck — including housing vouchers, public housing units, and subsidies for private owners of affordable housing developments — will be vital to helping low-income families in the storm's aftermath. For a range of legal and financial reasons, however, these subsidies may not be available to the damaged region without action by Congress or HUD. Pre-Katrina subsidies should be restored, although in some cases it may be appropriate — for reasons of flood or environmental safety, or to ensure that low-income families have access to a range of neighborhoods — to replace a subsidy tied to a particular building with a subsidy that provides a similar level of affordability elsewhere.

- **Use a portion of rebuilding aid to make additional housing affordable to the poorest families.** Because Katrina destroyed the homes and belongings and disrupted the livelihoods of so many low-income people, and is likely to lead to a surge in housing costs, existing subsidies will not on their own be able to address more than a small share of the need in the region recovering from Katrina for housing affordable to the poorest families. Expansions of the two most widely used federal low-income housing construction and rehabilitation subsidies — the Low-Income Housing Tax Credit (LIHTC) and the HOME block grant — would help meet this goal, but will not on their own guarantee housing affordable to the neediest families. Assistance should be provided that is specifically targeted on the poorest families and specifically designed to meet their needs. This could be accomplished by requiring that 20 percent of units in each LIHTC- and HOME-funded development be made available to poor families and providing vouchers or other types of subsidies to supplement HOME and LIHTC.

- **Provide for regional administration of housing aid, subject to federal standards.** Entities with responsibility for an entire metropolitan area will be better suited than localities to planning housing in mixed-income locations with adequate employment and educational opportunities. These entities should be subject to standards that link the continued provision of funds to performance in meeting federal priorities, including providing affordable housing to poor households and promoting mixed-income housing.

It is important to note that this analysis focuses specifically on the effects of Hurricane Katrina, because of the extraordinary scope of the damage caused by that storm to the homes of Gulf Coast residents generally, and those of low-income families in particular. Many households beyond those covered by the statistics listed in this analysis saw their homes destroyed and their lives disrupted as a result of Hurricanes Rita and Wilma and other recent storms. Aiding the victims of those comparatively less severe disasters will require prompt federal action beyond the measures proposed here, and as with the response to Katrina it is imperative that that assistance meet the needs of low-income households.[ii]

Many Poor Evacuees Will Have Difficulty Returning to Their Hometowns Without Housing Assistance

Many low-income families, elderly people, and people with disabilities who fled Katrina will have difficulty moving back to recovering areas without federal housing assistance designed to meet their needs. The proportion of poor residents in the affected areas before the storm was quite high: 17.4 percent of households in the eight counties and parishes hardest hit by Katrina had incomes below the poverty line in 2004.[iii] In the City of New Orleans, 25.6 percent of households were poor.[iv]

Even before the hurricane, many poor households in the region struggled to afford housing. A poor senior citizen or person with a disability relying on Supplemental Security Income benefits in Biloxi, Mississippi, for example, received $579 in SSI benefits each month, while HUD estimated that a typical, modest one-bedroom apartment in the Biloxi area had a monthly rent of $502. A mother of two in New Orleans working full time at the minimum wage of $5.15 an hour earned $895 a month, $676 of which would have been needed for the rent on a modest two-bedroom apartment in the area.[v] (According to data from 2002 and 2003, about nine percent of workers in Alabama, Mississippi, and Louisiana earned $6.00 an hour or less. This was nearly twice the national percentage.[vi])

Hurricane Damage Likely to Push Up Housing Costs

In the aftermath of Katrina, there is a high risk that the difficulties such families have affording housing will grow more extreme. This is the case in part because it will likely take years to rebuild housing in the damaged areas. For an extended period of time, the supply of housing therefore will be lower than it was in the period before the hurricane, potentially pushing up rental costs substantially.[vii]

In addition, in most housing markets, older housing provides a large share of the units that are affordable to the poorest families, while new housing — which is built with modern amenities, has yet to be subjected to wear and tear, and whose owners are usually still paying back debt incurred during construction — tends to command higher rents (or prices). The replacement of old housing with newer, more costly housing is likely to be particularly relevant in the city of New Orleans, where as of 2000 only 3.1 percent of housing units were 10 years old or newer — compared to 16.8 percent nationwide.[viii]

The factors affecting housing costs in the damaged area are complex, and too little is known at this point to estimate with precision the storm's implications for housing markets. One press report, however, indicated that home prices in New Orleans already had risen 10 to 40 percent by early October, and that local realtors widely expected further increases.[ix]

The fixed private pensions and public benefits on which many low-income senior citizens and people with disabilities rely will be even more inadequate to cover housing and other basic needs if housing costs rise. Wages may fail to keep pace as well. If they are left to bear higher costs without assistance, many poor evacuees may be unable to afford to return to the areas they fled.

If the Poor Cannot Return, Both the Excluded Families and the Recovering Region Will Face Adverse Consequences

As a result, families may have difficulty moving on from the temporary housing arrangements they have relied on since the storm struck. Some families that have rented housing in the communities to which they were evacuated may be unable to afford the post-Katrina rents in their hometowns. Some evacuees may cope well with long-term resettlement in a new area of the country or even be able to find opportunities in their new homes that were not available in their pre-Katrina communities. Many, however, will have difficulty rebuilding their lives in the strange towns in which they find themselves, far from the employers, social networks, caregivers, and schools that they previously knew.

Other evacuees may have no choice but to remain in the mobile homes and trailer parks that FEMA is erecting, sometimes in remote rural areas with little access to employment or public transportation. A September 17, 2005, *Washington Post* article reported that "FEMA City," an isolated trailer park built to house more than 1,500 Florida residents left homeless in 2004 by Hurricane Charlie, remained nearly full almost a year later. The article noted reports that the trailer park was increasingly the site of social problems ranging from drug use to domestic violence.[x] Furthermore, FEMA closes such trailer parks 18 months after a disaster. This can result in residents who still have been unable to find other housing being at risk of homelessness.

New Orleans and the other damaged areas on the Gulf Coast also will be worse off if large numbers of low-income people are unable to return. In many cases, the families involved may have lived in the region for generations; as of 2000, some 79 percent of Louisiana residents were born in Louisiana, the highest percentage of any state.[xi] If a large share of evacuees remains involuntarily scattered across the nation, it is difficult to determine what the impact would be on the region's distinctive culture. Losing large numbers of low-income households could have harmful economic implications as well, since these households provide many of the janitors, waiters, nurse's aides, laborers, hotel clerks and other workers who play a significant role in the region's economy. Tourism, one of the region's most important industries, is particularly reliant on low-skill workers.

"Urban Homesteading" Unlikely to Meet Needs of More than a Few Thousand Poor Families

The most highly-publicized proposal the Administration has made for rebuilding housing for low-income people on the Gulf Coast is an "Urban Homesteading" initiative. Urban homesteading would provide free building sites on federally-owned property in the Gulf Coast region to low-income people. The recipient would then build on the site, taking out a mortgage to cover costs and in some cases receiving help from a charitable organization. HUD would provide financial institutions with incentives to provide homesteaders with mortgages at below market rates, although it is unclear how much mortgage rates would be reduced or what share of participants would receive below-market mortgages.

Urban homesteading may provide a useful benefit for some families, but it is unlikely to succeed on anything but a very small scale. Identifying large numbers of homesites would likely require use of extensive parcels of surplus federal land, such as former military bases — a step that would create isolated concentrations of low-income people. Some available properties could be located on scattered sites, such as those obtained through foreclosures under federal mortgage programs, that are integrated into neighborhoods and therefore suitable for home construction. But HUD, the federal agency most likely to identify sites of this type, has reported that it only owns a total of 4,000 potential homesteading sites in the region* — a small fraction of the hundreds of thousands of homes destroyed or damaged by the storm.

More broadly, while some homeownership assistance for low-income families should be provided as part of federal rebuilding aid, a substantial share of the neediest families will not be well served by such assistance. In the eight counties hardest hit by Katrina, 69 percent of the poorest households — those with incomes below 30 percent of the area median income — were renters. The costs of homeownership, including downpayment, mortgage payments, insurance, property taxes and maintenance, typically exceed the costs of renting, and many of the poorest families may be unable to afford homeownership even with significant federal assistance. Moreover, low-income families tend to experience substantial fluctuations in income, often as a result of the volatility of the low-wage labor market. Families that purchase homes and then see their incomes drop will be at substantial risk of losing their homes — and a major investment of their limited resources — through foreclosure.

As a result, the poorest families are often better served through housing vouchers and other subsidies that can be used to cover rent. Such subsidies are by no means at odds with the goal of promoting homeownership. By enabling households to rent housing at an affordable cost, rental subsidies may allow recipients to put money aside for purchase of a home at a later date. The Family Self-Sufficiency program provides an incentive for some public housing residents and voucher holders to save a portion of any increases in earnings, for a downpayment or some other purpose. Moreover, housing vouchers can themselves be used to cover mortgage payments. HUD has promoted this use of vouchers in recent years, and voucher homeownership programs are beginning to be put in place across the country.

* Calmes, Jackie, "President's 'Homesteading Act' Is A Start, But More Help Is Needed, Some Say," *Wall Street Journal*, September 19, 2005.

Pre-Katrina Patterns of Concentrated Poverty Could Reemerge in Rebuilt Areas

Before Katrina struck, many poor residents of New Orleans were somewhat isolated from the rest of the city. Of the nation's 50 largest cities, New Orleans in 2000 had the second highest share (38 percent) of its poor residents living in high poverty neighborhoods — those where more than 40 percent of the population was poor.[xii] Concentration of poverty is associated with a range of harmful social effects, from failed schools to high crime to limited employment opportunities.

Much of the federal housing assistance provided in the area reinforced this concentration rather than reducing it. For example, 44 percent of the housing units in the New Orleans area funded through the Low-Income Housing Tax Credit (LIHTC) are located in neighborhoods where more than two-fifths of residents were poor in 2000, the second highest percentage among the 100 metropolitan areas with the most tax credit units.[xiii] Moreover, the average public housing resident in New Orleans lived in a neighborhood with a poverty rate of 74 percent.[xiv]

The pattern of concentrated poverty that existed on Katrina's eve could well reassert itself in a rebuilt New Orleans. Indeed, there is a serious risk that rebuilding will create communities where the poor are even more isolated than they were before Katrina.

This risk is heightened by the storm's geographically selective impact. FEMA estimates indicate that more than 70 percent of the occupied housing in the City of New Orleans was damaged or destroyed by Katrina, while the majority of the occupied housing in five of the six suburban parishes in the New Orleans metropolitan area escaped significant damage. In addition, even within the city's boundaries, the storm flooded virtually all homes in some neighborhoods but left most housing intact in other neighborhoods.

Since rebuilding severely damaged housing will require an extended period of time, housing in certain areas of the damaged region will become available well before housing in other areas. Higher-income households will have far greater access to homes in intact or lightly damaged areas than low-income households, since better off households will be able to outbid those with little income and scant savings. Once they have established themselves in these areas, higher-income households may vary well stay, particularly since the very fact that the areas survived the storm with little damage may add to their desirability. Permanent housing that is available to low-income households may therefore be concentrated in heavily-damaged areas, to the extent that those areas are rebuilt over time. In the New Orleans metropolitan area, this two-tiered process of returning to the region would reinforce the pattern of concentrated poverty that existed previously, since the heavily damaged areas on the whole had lower average incomes and higher poverty rates even before the storm.[xv]

Most decisions regarding how and where housing damaged by Katrina is rebuilt will be made at the state and local level. It is important to recognize, however, that choices regarding the extent and nature of federal housing aid could serve to intensify the historic pattern of concentrated poverty — as it did in the past — or to help set the region on a new, more inclusive, course.

Bringing the Neediest Evacuees Home to Mixed-Income Neighborhoods Will Require Federal Aid Designed for this Purpose

If Katrina's poorest victims are to be offered the opportunity to come home and to live in mixed-income neighborhoods, a substantial amount of housing assistance specifically designed to support these goals will be needed. One component of this assistance should be the restoration of subsidies that were in place before Katrina struck, but the number of these subsidies is limited and will fall far short of the quantity needed in the storm's aftermath. As a result, a share of federal rebuilding aid will need to be specifically targeted to ensure that some rebuilt units, beyond those that were subsidized before Katrina, will be affordable to poor households. To avoid repeating the mistakes of the past — when some forms of federal housing assistance served to intensify, rather than alleviate, concentrations of poverty in certain cities or neighborhoods — housing subsidies should be structured in a manner that encourages their use in mixed-income neighborhoods, and planned and administered at the metropolitan-area level.

Additional Housing Subsidies Targeted on Poor Families Will Be Needed in the Post-Katrina Housing Market

Before Katrina struck, about 142,000 households with incomes below half of the local median income (referred to as "very-low-income" households by HUD) lived in the eight counties and parishes hardest hit by the hurricane. The information provided by government agencies and relief organizations on the extent of storm damage is somewhat vague and inconsistent, but conservative estimates suggest that the homes of 97,000 or more of these households were damaged, destroyed or rendered inaccessible for an extended period. Well over half of the very low-income households affected had incomes below 30 percent of median income (termed "extremely low-income" households by HUD).[xvi]

Many of the affected families were able to obtain housing before the storm without assistance, but given the risk of higher rents (which could potentially last for a number of years) and the disruption that the storm caused to family incomes, it is likely that a high proportion will no longer be able to do so, at least for some period of time. It is uncertain how many very-low-income evacuees will wish to return to their hometowns, but ensuring that even 60 percent have the opportunity to do so will require 58,000 housing subsidies that are adequate to cover the gap between housing costs and the incomes of these families.[xvii]

Approximately 26,000 such subsidies that were in place in the eight hardest-hit counties and parishes before the storm struck could potentially be available to help returning evacuees.[xviii] The federal government should take steps to ensure that these potentially available subsidies are put to use assisting families as quickly as possible, but even if they are, the gap between the need for roughly 58,000 subsidies for the poorest households and the 26,000 subsidies that are potentially available would be approximately 32,000.

Just under a third of the very low-income households displaced were homeowners, so it would be appropriate to meet a share of the need for 32,000 units affordable to very low-income families through homeownership subsidies. At least half of the additional subsidies, however, should be rental subsidies. (As noted earlier, the 32,000 units and other need and damage estimates in this analysis only cover the areas affected by Hurricane Katrina, and do not address the impact of Rita, Wilma, or other recent storms.)

Expanding Low-Income Housing Tax Credit and HOME Funds

One means of helping low-income households to afford rebuilt housing would be expanding the most widely used federal housing production and rehabilitation subsidies: the Low-Income Housing Tax Credit (LIHTC) and the HOME program. The Administration requested on October 28, 2005 that Congress transfer $70 million in previously appropriated Katrina relief funds to the HOME program — enough, by the Administration's estimate to build, acquire, or repair 4,000 to 4,500 homes.[xix] Legislation has also been introduced in both houses of Congress to significantly expand the Low-Income Housing Tax Credit for purposes of post-hurricane rebuilding.

These programs have important contributions to make to post-Katrina reconstruction. They can provide homes that are affordable for some low-income families that would otherwise have difficulty affording housing. In addition, by providing an infusion of federal capital in the damaged areas, they may help ensure that rebuilding will gain momentum even if private investors are hesitant to invest on their own. HOME funds in particular are well suited to funding rapid rehabilitation of units that were only moderately damaged in the storm, or that were vacant and in poor condition before the storm but could be made habitable. It is important to note, however, that in their current form, these housing subsidies do not necessarily provide enough assistance to enable poor families to afford housing.

The LIHTC, which is administered by state housing finance agencies, requires that rents in units that are funded through the tax credit be set no higher than a level affordable to a family earning 60 percent of the median income in the local area. As with most federal housing programs, the LIHTC rules assume that a family can afford to pay 30 percent of its income for housing.

Sixty percent of median income in New Orleans, however, is more than $10,000 above the federal poverty line. Under LIHTC rules, the rent (including utility costs) for a tax credit-funded two-bedroom apartment in New Orleans could be set as high as $689, which would require a family of three at the poverty line to pay *more than half* of its income for rent. Paying a rent of $689 would be virtually impossible for a full-time worker earning the minimum wage, since it would require the worker to spend 77 percent of her income on rent. An elderly person or a person with a disability relying on SSI would need to spend virtually all of the monthly benefit to cover the maximum one-bedroom LIHTC rent of $574.

The HOME program, which provides funds to both states and localities, requires all subsidized units to have rents no higher than the lower of the HUD-determined "Fair Market Rent" or 30 percent of the income of a household with income equal to 65 percent of the local area median. In New Orleans, the HOME rent can be as high as $676 for a two-bedroom apartment.[xx] HOME also requires that some units have rents that are more affordable than the overall rent cap. Twenty percent of units must have rents that do not exceed 30 percent of the income of a family with income at 50 percent of the local area median (and be occupied by families with incomes at or below this level). This "low HOME rent" would come to $573 for a two-bedroom unit in New Orleans, still more than 40 percent of the income of a family of three at the poverty line and close to two-thirds of the earnings of a full-time minimum wage worker.

States or localities can require or encourage building owners to set rents in LIHTC and HOME-funded developments below the ceilings mandated by federal program rules. But neither program requires that funds be used to make housing affordable to families with incomes below 50 percent of the area median income, and there may be political pressure (both under normal circumstances and in the area recovering from Katrina) to spread assistance around to the largest possible number of people rather than concentrating funds to reduce rents to levels affordable to poor families. Moreover, both HOME and LIHTC cap the amount of subsidy that can be provided per housing unit, which effectively limits the extent to which rents can be reduced below the market rate (unless housing vouchers or other assistance are also used to subsidize the unit).[xxi]

The Administration has requested that Congress transfer $1.5 billion in Katrina relief funds into a third program, the Community Development Block Grant (CDBG). Under current rules, CDBG can be used for production of new housing under restricted circumstances (as well as a wide range of other housing-related and non-housing purposes). The income limits and rent affordability requirements applying to housing built with CDBG, however, are even more permissive than those applying to HOME and the LIHTC. Under the Administration's proposal, HUD would have the authority to waive even these limited requirements (along with most other existing restrictions on use of CDBG funds.

In addition, neither program contains explicit rules requiring, or even encouraging, states and localities to use the funds to help low-income families move to low-poverty neighborhoods. In fact, the LIHTC contains incentives that favor the use of funds in areas with large numbers of poor residents.[xxii]

HOME and LIHTC funding should be expanded in the areas damaged by Katrina. But to meet the urgent need for housing in mixed-income neighborhoods that is affordable to poor households, these programs will need to be modified to require that some funds be used for that purpose. An effective way of doing this would be to require that in areas affected by the hurricane at least 20 percent of the units funded with HOME and LIHTC funds be made affordable to households with incomes below the poverty line.[xxiii] Making housing affordable to families at this income level likely would require per-unit subsidies beyond those usually permitted by the HOME and LIHTC rules. Such subsidies could be provided through a combination of increases in the per-unit subsidies allowed under those programs and the provision of additional subsidies outside of HOME and LIHTC, such as through additional Section 8 vouchers.

In addition, to avoid concentrating large numbers of poor people in particular buildings or neighborhoods, the requirement that twenty percent of units go to poor households should apply to each assisted development — not just to all HOME- and LIHTC-funded housing taken together. Moreover, as is discussed further below, entities receiving federal housing subsidies should be subject to performance standards that encourage them to direct subsidized units to a wide range of neighborhoods.

One proposal that has been presented as a means to reduce the concentration of poverty in the area affected by Katrina — increasing the LIHTC income limits by a significant amount above 60 percent of median income — does not offer an effective means to further this purpose. Since the existing LIHTC income limit is far above the poverty line, the program is already able to serve non-poor families. Moreover, the law governing the LIHTC program permits owners to rent 60 to 80 percent of units in developments receiving tax credits at market rents to households with incomes over 60 percent of area median income, so long as tax credits are not used to subsidize those particular units. Higher income households should not be the priority for federal housing subsidies, either during Katrina rebuilding or more generally, since most such households are able to afford market rate housing without assistance. But if Congress wishes to subsidize housing for higher income households in the area recovering from Katrina, it should do so separately rather than allowing LIHTC funds to be diverted from low-income households with greater need for help.[xxiv]

Creating a New Production Subsidy to Serve Poor Families

One means of providing supplemental assistance to make housing affordable to the poorest households would be to provide a new kind of production subsidy that is targeted specifically to those households and provides housing that is affordable to them. Such a subsidy could be established using a portion of the funds appropriated by Congress to assist with recovery from Katrina.

The House of Representatives on October 26 took a step toward creating a subsidy to build housing for very low-income families using a different funding source. The House passed a bill (H.R. 1461) altering oversight of Fannie Mae and Freddie Mac that includes a provision requiring those two entities to set aside a percentage of their profits to create an "Affordable Housing Fund," which would be used mainly to provide affordable housing for households with incomes at or below 50 percent of the local area median income. During the first two years after the bill's passage, aid targeted on the people and areas affected by Hurricanes Katrina and Rita would be given preference in allocating assistance from the fund.

The bill, however, contains major restrictions on non-profit organizations that receive assistance through the Affordable Housing Fund. If they are retained in the final version of the bill, these restrictions would undermine significantly the fund's effectiveness, and particularly its ability to be used in combination with other types of federal housing subsidies.

Additional Housing Vouchers

Another way of ensuring that housing is made affordable to the poorest households and that those households have access to a range of neighborhoods would be to expand the primary existing federal program designed to meet those goals, the Section 8 housing voucher program. Section 8 vouchers pay the difference between rent for a modest apartment and approximately 30 percent of a household's income, so they provide subsidies that are adequate to assist even a minimum-wage worker or a senior citizen or person with a disability relying on SSI. In addition, 75 percent of the housing vouchers a state or local housing agency issues each year must go to households with incomes below 30 percent of the area median income; households that later increase their income can keep the vouchers until they are able to afford housing on their own.

Most vouchers are "tenant-based"; that is, they are used to enable tenants to rent units of the tenant's choice in the private market. In addition, housing agencies have been permitted in recent years to "project-base" some of their vouchers by requiring that the vouchers be used in particular buildings.[xxv]

Both types of vouchers have an important role to play in the area damaged by Katrina. Both would help to stimulate the local economy, by increasing the amount of money low-income households have available to spend on basic needs other than housing — such as food or clothing. Tenant-based vouchers would give low-income families the option to move quickly into intact or lightly damaged housing, and are consequently a tool for preventing low-income families from being excluded from these areas. Families with tenant-based vouchers also would be free to move to modest housing in a different neighborhood or community; this flexibility would be important to households struggling to cope with the unsettled economies and housing markets of the recovering areas and to find new jobs.

Project-based vouchers can be used to support the construction or rehabilitation of affordable housing, because developers can rely on income from the vouchers to help pay back loans they incur during construction.[xxvi] Under normal circumstances, only 20 percent of the voucher assistance a housing agency provides may be project-based, while the remainder must be tenant-based. In New Orleans and the other communities most severely damaged by Katrina, however, it may be necessary to allow the proportion of project-based vouchers to be substantially above 20 percent of the total number of vouchers, due to the extraordinary need for subsidies to support housing construction and rehabilitation.[xxvii]

Key characteristics of project-based vouchers serve to avoid concentrating large numbers of poor people together. No more than 25 percent of the units in any development generally may have project-based voucher assistance, and housing agencies are required to ensure that decisions regarding the location of project-based voucher sites are consistent with the goal of deconcentrating poverty.[xxviii] Moreover, after one year, project-based voucher holders are permitted to obtain a tenant-based voucher when one becomes available, allowing the family to move to any neighborhood it chooses where it can find housing (subject to caps on the amount of rent the voucher can cover).

Federal Action Needed to Restore Pre-Katrina Rent Subsidies

The rental subsidies in place before Katrina struck fall into two broad categories: Section 8 housing vouchers — which, as discussed above, can be used in most cases to rent an apartment of the recipient's choosing in the private market — and "project-based" assistance that is linked to a particular building.

Area Struck By Katrina Will Need All of Its Existing Housing Vouchers While Rebuilding Goes Forward

Regional and local housing agencies in the eight counties and parishes hardest hit by Katrina administered about 18,400 Section 8 housing vouchers before the storm struck. As noted, these vouchers have a particularly important role to play while rebuilding goes forward, since they can offer low-income families opportunities to move into housing in intact or lightly damaged areas. There is a serious risk, however, that the vouchers in effect will be tied up in other parts of the country during this crucial period.

Many households that had been using vouchers evacuated the Gulf Coast as the hurricane descended or in its aftermath. These households can use their vouchers to rent housing in other communities through the regular Section 8 voucher program. Alternatively, they may choose to receive assistance through a special evacuee housing program entitled the Katrina Disaster Housing Assistance Program (KDHAP), if the local housing agency in the area to which they have relocated agrees to participate in KDHAP.[xxix] KDHAP assistance continues for up to 18 months. At the end of the 18 months (or earlier if families return to their original communities), families can resume receipt of assistance under the regular housing voucher program.

Regardless of whether displaced families continue under the regular voucher program or opt to receive assistance under KDHAP, HUD will use special disaster assistance funds it receives from FEMA to support their housing assistance for as long as 18 months. In theory, this funding policy should make it possible for housing agencies in the damaged areas to begin using their regular voucher funds during this period to issue vouchers to other needy families. But HUD policy obligates local agencies in the disaster areas to certify that they will manage their voucher programs in a way that guarantees they will have funds available to support displaced families that wish to return home, either at the end of 18 months or earlier, and threatens agencies that do not make this certification with a reduction in funding. Moreover, at the end of the 18-month period (in March 2007), agencies in the disaster area will have to resume payments for the displaced families they had previously assisted, even if these families continue to live in other communities. This requirement obligates local agencies to make sure they have funds available and have not brought too many new families into their voucher programs.[xxx]

To ensure they will be able to meet these future obligations without having to terminate assistance to current voucher holders and break contracts with owners, housing agencies in the disaster area are likely to use few of their vouchers now or in 2006, despite this apparent flexibility. Moreover, the total number of vouchers available in the disaster area will be *reduced* after the 18-month period ends to the extent that families previously receiving voucher assistance choose not to return home and instead use their vouchers in other communities — unless the local agency in the community to which the family relocated voluntarily chooses to "absorb" the voucher into the local program and cover its costs with the agency's own funds. As noted above, early polls suggest that roughly 40 percent of evacuees are planning not to return,[xxxi] and under current funding policy agencies in relocation destinations are discouraged from absorbing vouchers into their own programs because they cannot obtain additional funds with which to do so. This suggests there could be sharp reductions in the number of vouchers available in the damaged areas to cope with likely post-Katrina rent increases.

To avoid these likely results, Congress and the Administration should make clear that they intend to provide sufficient funds in 2007 to enable agencies in the areas where displaced families have permanently relocated to absorb these families into their own voucher programs, which would allow agencies in the damaged region to issue the vouchers originally held by these families to other needy families from their waiting lists. In addition, to enable the housing agencies in the damaged areas to use their full complement of vouchers immediately, Congress will have to provide them with the means to do so without requiring them to take the risk that they will be caught short when families return to these areas.

One way to achieve this would be simply to allocate additional vouchers to the damaged areas. Such vouchers would allow agencies to return their voucher programs quickly to pre-Katrina levels and also would increase the number of vouchers available in the longer term (contributing to the approximately 32,000 additional subsidies that, as explained above, will be needed to provide adequate housing opportunities for poor families in the recovering areas).

"Project-Based" Subsidies Should be Maintained
or Transferred to New Buildings

In the eight counties and parishes hardest hit by the storm, an estimated 15,600 housing subsidies were being provided (before the hurricane) through the public housing program, the "project-based" Section 8 program, and other similar HUD programs that tie housing subsidies for low-income families to particular developments. There is a substantial risk that many of these subsidies will be lost. In many cases, subsidized buildings were damaged by the storm and ensuing flooding. Some buildings may not be repaired or rebuilt because the sites are no longer habitable due to flood safety or environmental concerns. Even in cases where it is possible to rebuild on a subsidized development's site, there may be a risk that *subsidized housing* will not be rebuilt on the site. Public housing units typically are not insured, and there is no legal requirement that they be rebuilt in the aftermath of a disaster. In the case of privately-owned subsidized buildings, owners are typically obligated to maintain rents at the levels required by the subsidy program after they rebuild or conduct repairs. But some owners will lack the resources to carry out rebuilding.

Congress should provide adequate funding to restore all pre-Katrina subsidies as reconstruction goes forward, whether the subsidy is continued at the same building to which it was tied before the hurricane or a similar subsidy is provided in some other building. Replacement subsidies would not necessarily need to be delivered through the same program as pre-Katrina rent subsidies, so long as they ensure that rents are equally affordable. For example, the same level of affordability would be provided whether a pre-Katrina public housing unit were replaced by a new public housing unit or by a project-based Section 8 voucher.[xxxii]

A share of the funding to continue pre-Katrina rent subsidies will be available from already appropriated funds. Congress could facilitate the transfer of subsidies to new buildings by allowing HUD to reprogram previously appropriated funds. In the case of severely damaged public housing units and privately-owned units with inadequate insurance, substantial capital funds will be needed for rebuilding or replacement.[xxxiii]

In addition to reestablishing pre-Katrina subsidies or transferring them to new buildings, the federal government should guarantee that each household that lived in subsidized housing prior to the hurricane will be permitted to live in similarly subsidized housing in the same metropolitan area on returning.

Housing Assistance Should Be Administered on a Regional Basis and Linked to Policies Encouraging Assistance to Needy Families in Mixed-Income Neighborhoods

Federal housing aid to the region damaged by Katrina will be most effective if it is administered by a single entity throughout each affected metropolitan area. Metropolitan administration will make it far easier to plan construction of subsidized housing in a manner that avoids the emergence of concentrated poverty. In addition, housing vouchers administered at the metropolitan area-level can more easily be used by a household to move from one part of the region to another. Finally, metropolitan planning can facilitate coordination between housing policy and other issues that have regional implications, such as flood control, environmental restoration, and repair of the transportation infrastructure.

Because Katrina's harmful effects were heavily concentrated in Southeastern Louisiana and coastal Mississippi, regional entities in those areas should receive the bulk of federal recovery assistance. Since at least some displaced households are likely to remain in communities outside the area directly affected by the hurricane, however, some discretion should be left to state officials to direct a small portion of additional housing aid to evacuation destinations around their state — some of which may face acute housing shortages due to the influx of evacuees.[xxxiv]

Each metropolitan entity (or whatever jurisdictions administer the funds) should be subject to standards that link the continued provision of funds to performance in meeting federal priorities. Such standards should address a range of priorities, including: providing affordable housing to poor households; requiring that subsidized housing developments each serve a range of income groups; requiring that subsidized developments be sited in locations where they will contribute to reducing concentrated poverty; adoption by local jurisdictions of policies that promote income mixing in both unsubsidized and subsidized housing (including inclusionary zoning and the removal of exclusionary policies such as bans on multifamily housing); and inclusion of low-income people in reconstruction planning.

Conclusion

Much of the public discussion of Hurricane Katrina has focused on the suffering that the storm has inflicted on the affected region's poorest and most vulnerable residents. It is imperative not only that the basic needs of these families be met in the immediate aftermath of the storm, but also that those who wish to do so be able to return to their hometowns — and be able to locate in mixed-income neighborhoods that offer the employment and educational opportunities they will need to rebuild their lives and create adequate opportunities for their children.

"Urban Homesteading" and other homeownership aid by itself will not achieve this goal. Similarly, even major expansions of existing rental housing construction programs like the Low-Income Housing Tax Credit or HOME cannot on their own guarantee that housing will be made affordable to the region's poor. Bringing Katrina's neediest victims home will require extensive federal housing-related assistance that is targeted specifically on these households' needs.

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[i] Rodriguez, Lori and Zeke Minaya, "New Orleans' Racial Makeup Up In Air," *Houston Chronicle,* September 29, 2005.

[ii] In addition, this analysis is not intended as a comprehensive discussion of the types of recovery assistance that should be provided in the damaged area or of the full range of priorities that should guide federal reconstruction policy. Instead, it addresses only the goals of providing low-income evacuees with the opportunity to return home and live in mixed-income neighborhoods, and the federal policies that could promote those goals.

[iii] The counties and parishes referred to here and elsewhere in this analysis as the eight hardest hit are: Hancock, Harrison, and Jackson Counties in Mississippi; and Jefferson, Orleans, Plaquemines, St. Bernard, and St. Charles Parishes in Louisiana. These are the counties that FEMA declared eligible for expedited disaster assistance under its Individuals and Households Program. FEMA, "Transitional Housing Assistance Helps People Move Forward," *Disaster News,* October 5, 2005.

[iv] Sard, Barbara and Douglas Rice, *Changes Needed in Katrina Transitional Housing Plan to Meet Families' Needs,* Center on Budget and Policy Priorities, October 13, 2005, p. 7, available on the internet at http://www.cbpp.org/10-13-

05hous.pdf.

[v] The rental levels noted here are HUD Fair Market Rents (FMRs) for fiscal year 2005. In most areas of the country, HUD sets FMRs at a level sufficient to cover the costs of 40 percent of market rate units in the local area. FMRs include utility costs. The SSI benefit level is the level for 2005.

[vi] CBPP tabulations of the Current Population Survey monthly earnings subsample.

[vii] Katrina will also affect the demand for housing in the disaster area. Some evacuees may not seek to return home, and those who do return may do so gradually, potentially reducing demand and exerting some downward pull on housing costs. On the other hand, the rebuilding effort will bring large numbers of workers to the area, who will themselves require housing and offset part or all of any reduction in demand that results from evacuees deciding not to return.

[viii] CBPP tabulations of Census data.

[ix] Jones, Tim, "Real Estate Agents Foresee 'Enormous Housing Boom' in New Orleans," *Chicago Tribune,* October 4, 2005. HUD has issued a special waiver allowing housing agencies to permit Section 8 housing vouchers in the damaged area to cover 10 percent higher rental costs than they otherwise could, in an effort to ensure that adequate housing was made available to voucher holders, and has indicated that it is considering further increases in maximum voucher rents. These steps suggest that HUD expects substantial rent increases. (HUD, "Regulatory and Administrative Waivers Granted for Public and Indian Housing Programs to Assist with Recovery and Relief in Hurricane Katrina Disaster Areas," 70 Fed. Reg. 57716, 57719, October 3, 2005.)

[x] Kaufman, Marc, "FEMA's City of Anxiety in Florida: Many Hurricane Charley Victims Still Unsure of Next Step," *The Washington Post,* September 17, 2005.

[xi] U.S. Census Bureau, "Geographic Mobility: 1995 to 2000, September 2003.

[xii] Berube, Alan and Bruce Katz, *Katrina's Window: Confronting Concentrated Poverty Across America,* Brookings Institution, October 2005.

[xiii] Freeman, Lance A., *Siting Affordable Housing: Location and Neighborhood Trends of Low-Income Housing Tax Credit Developments in the 1990s*, The Brookings Institution; March 2004.

[xiv] Berube and Katz, note 12 above.

[xv] Brookings Institution, *New Orleans After the Storm: Lessons from the Past, a Plan for the Future,* October 2005.

[xvi]Estimates of the total number of very low-income and extremely low-income households in the eight hardest hit counties make use of county-level tabulations provided by the National Low-Income Housing Coalition (NLIHC) based on data from the 2000 Census In the case of Orleans and St. Bernard Parishes in Louisiana, we assumed that the homes of all very low-income households were destroyed, damaged, or rendered inaccessible for an extended period. Those two parishes were subject to extremely widespread damage, and even those areas where some homes were left intact were largely evacuated and in some cases subject to restrictions on access by residents for some time after the storm. Many households in these areas may have difficulty returning to their pre-Katrina homes, even if the homes were not seriously damaged. In the remaining six hardest hit counties and parishes, we used estimates of the number of households living in damaged or destroyed housing that NLIHC calculated in September 2005 by multiplying the number of households in each neighborhood by the proportion of units in the neighborhood that FEMA's assessments indicated were damaged or destroyed.

It is likely that the estimates of households in damaged, destroyed or inaccessible housing we used in Orleans and St. Bernard Parish were somewhat higher than the actual number (because they include all very low-income households, when in fact the homes of some small proportion of those households likely were not inaccessible for an extended period). These overestimates may be offset, however, by underestimates in other areas. Our estimate that 97,000 very low-income households lived in housing that was damaged, destroyed, or rendered inaccessible for an extended period does not include any households from the dozens of counties and parishes beyond the eight hardest hit that suffered some degree of damage from the storm, and there is some indication that FEMA's damage assessments are low. The total number of homes damaged or destroyed by Katrina that NLIHC calculated using FEMA's assessments was 302,000 for Louisiana, Mississippi, and Alabama. (NLIHC, *Hurricane Katrina's Impact on Low Income Housing Units*, NLIHC Research Note #05-02, September 22, 2005.) The American Red Cross estimates that the storm destroyed or inflicted "major damage" on 357,000 homes in Louisiana alone, and another 70,000 had experienced "minor damage." (Greg Tune, American Red Cross, presentation to HUD Statistics Users Group, October 25, 2005.)

[xvii] It is difficult to anticipate with accuracy what proportion of evacuees will return. A national survey conducted from September 30 to October 9 of people that had sought assistance from the American Red Cross found that 19 percent said they definitely or probably would not return to the community where they lived before the storm, while 68 percent had already returned or indicated that they definitely or probably would do so. Among New Orleans residents (who make up a large majority of the very low-income residents of the hardest hit areas examined in this analysis), 39 percent indicated that they definitely or probably would not return home. (Page, Susan, "4 in 10 won't return to New Orleans," *USA Today*, October 14, 2005; additional data downloaded from http://www.usatoday.com/news/polls/2005-10-14-redcross-poll.htm.) Another survey, conducted September 10-12 among evacuees in Houston shelters found that 43 percent intended to return home, 44 percent intended to permanently relocate, and 12 percent did not know. Of the respondents in that survey, 92 percent were from New Orleans. (Washington Post, Kaiser Family Foundation, and Harvard University, *Survey of Hurricane Katrina Evacuees*, September 2005.)

[xviii] Our estimate of 26,000 potentially available subsidies includes only (1) public housing or other project-based subsidies tied to units that we estimate were damaged, destroyed, or rendered inaccessible for an extended period, (2) vouchers held by households that were displaced, and (3) vouchers that were not in use at the time the storm struck. There are about 8,000 other existing subsidies that cover the full gap between rent and income in place in those eight counties and parishes, but available damage estimates suggest that the units where those subsidies were provided were left intact by the storm – so those subsidies would not be available to meet part of the need for 58,000 subsidies to assist returning evacuees.

Together, the 8,000 unavailable subsidies and 26,000 available subsidies amount to a total of 34,000 "deep" subsidies (those that provide a subsidy to cover the gap between the rent — or, in the case of public housing, the operating cost — of a unit and approximately 30 percent of the tenant's actual income) in the eight most heavily damaged counties and parishes. This consists of approximately 18,400 vouchers, 11,400 public housing units, and 4,200 deep project-based subsidies provided through the Section 8, Section 202, or Section 811 programs. The total does not include units funded under two smaller forms of HUD assistance: the Housing Opportunities for People with AIDS (HOPWA) program and homeless assistance programs funded under the McKinney-Vento Homeless Assistance Act. The totals for vouchers and public housing units are based on data downloaded from HUD's PIC website in July-October 2005, in some cases with adjustments based on information provided by local housing agencies. The totals for the Section 8, Section 202, and Section 811 programs are drawn from a database provided by the National Housing Trust that makes use of HUD data.

Estimates of the numbers of these units that were damaged, destroyed, or rendered inaccessible were prorated based on NLIHC's calculations of the percentage of very low-income households living in damaged housing, using FEMA damage assessments (as described in the note 16, with the same assumption that all units in Orleans and St. Bernard Parishes were made inaccessible). It is important to note that actual assessments of the buildings in question and case-by-case information on the whereabouts of voucher holders may yield different numbers of subsidized families displaced for an extended period than we were able to estimate based on the limited data available. HUD Deputy Secretary Roy Bernardi stated in September 27 testimony before a House Appropriations subcommittee that approximately 50,000 HUD-assisted households had been displaced (National Low Income Housing Coalition, *Memo to Members,* September 30, 2005) but did not indicate which programs were included in that estimate or how HUD determined that they were displaced. The Administration stated in its October 28, 2005 funding reallocation request to Congress that 65,000 HUD-assisted households and previously homeless persons were "affected by the hurricane and registered with FEMA," but provided no additional supporting information. One likely reason that HUD's estimates are higher than those we used in this analysis is that HUD's estimates probably include certain mortgage subsidies and other subsidy types that do not cover the gap between rent and 30 percent of a household's income, and therefore were not included in our estimates.

[xix] If the $70 million were allocated to 4,000 homes, the average amount of assistance per home would be $17,500. This low per-unit assistance level suggests that the Administration intends the funds to be used mainly for repairs of moderately damaged buildings, rather than for new construction or rehabilitation of severely damaged housing.

[xx] The $676 level is the fiscal year 2006 two-bedroom Fair Market Rent for New Orleans issued by HUD on October 3, 2005. The two-bedroom rent based on the income of a four-person household with income at 65 percent of the area median was $724. Because the "high" HOME rent of $676 is based on the FMR, it potentially could rise nearly $50 in response to FMR increases stemming from a post-Katrina market rent surge, even if incomes (and the $724 rent standard based on 65 percent of the area median) remain stagnant.

[xxi] HUD has waived the per-unit cap on assistance in the HOME program for jurisdictions in the Katrina disaster areas, but it is not clear how long the waiver will be in effect. (Memorandum from Pamela H. Patenaude, Assistant Secretary for Community Planning and Development, September 14, 2005.)

[xxii] One incentive for development in high-poverty areas under the LIHTC statute is a provision allowing the per-unit credit in those areas to be 30 percent higher than it otherwise would be. Several bills introduced in Congress would make the entire disaster area eligible for such a 30 percent increase. Such a change would eliminate this incentive for development in high-poverty areas. In addition, it could enable states to require developers to set rents at a more affordable level than they could without the 30 percent increase.

[xxiii] In the region hardest hit by Katrina, the poverty line falls between 30 percent and 50 percent of the 2005 area median income for most family sizes. Using the poverty line rather than a percentage of median income as the standard for setting aside units is appropriate in the disaster area, because the poverty line will not be affected by post-hurricane demographic changes that the local median income will be.

[xxiv] H.R. 4155, a tax relief bill for the areas affected by Hurricanes Katrina and Rita, would raise the income limit in rural areas affected by the storms to 60 percent of the national non-metro median income, if that is higher than 60 percent of the local area median income. This modest increase, which is intended to ensure that it is feasible to use tax credits even in rural areas with very low median incomes, would not result in the same degree of harmful diversion of tax credits to less needy families that lifting the 60 percent of median income limit would.

It also may be possible to allow a small portion (such as 20 percent) of units in an LIHTC-funded development to be rented at higher-than-normal rents to households with incomes above 60 percent of the area median income, and then use the additional revenue from these higher rents to fund part of the cost of providing other units in the development to poor families at rents affordable to those families. Under these circumstances, an income limit increase could be used to reduce the concentration of poverty. But proposals to raise income limits in the areas affected by Katrina generally have not required proceeds from higher rents to be used in this manner and do not restrict income limit increases to a small portion of tax-credit-funded units.

[xxv] Project-based vouchers are distinct from the separate project-based Section 8 program, which committed long-term subsidies to a large number of low-income housing units under different rules during the 1970s and 1980s. On October 13, 2005, HUD published final regulations implementing the substantial statutory changes in the project-based voucher program made by Congress in 2000. See 70 Fed. Reg. 59892. These rules, which improve significantly on proposed rules issued by HUD earlier, will facilitate use of the project-based option in new developments. For additional information on project-based vouchers, see Sard, Barbara, *Revision of the Project-Based Voucher Statute*, Center on Budget and Policy Priorities, April 26, 2001, available on the internet at http://www.cbpp.org/10-25-00hous.htm.

[xxvi] Project-based vouchers are particularly useful for providing housing that is affordable to the poorest families, because even if a per-unit subsidy is provided through the LIHTC, HOME, or a new program (or a combination of these) that is sufficient to meet all or nearly all of the up-front capital costs of rebuilding particular units, the ongoing operating and utility costs may still exceed what the lowest-income families can afford to pay in rent. National data show that these costs exceeded $500 for a typical apartment even before the recent surge in utility prices. Consequently, to make housing that is affordable to those families financially feasible, additional subsidies generally need to be provided beyond up-front capital subsidies. Such assistance can be provided through a variety of means. Project-based vouchers are well suited to this purpose, however, since the vouchers fill the gap between rent and 30 percent of a tenant's income.

If vouchers were coupled with a production subsidy that covered most up-front capital costs and therefore sharply reduced the need for the owner to make payments on a mortgage, the amount of rent that a voucher would need to cover would be lower. Using this two-part approach, a greater share of the federal cost would be committed at the time the production subsidy is issued, reducing the future need for annual appropriations to renew the voucher assistance. A proposal included in legislation that was introduced in both houses of Congress (and by members of both parties) in 2002 would create a special type of project-based Section 8 voucher (called "Thrifty Vouchers") that would allow local housing agencies to use the savings from these lower rents to serve additional families. Like other project-based vouchers, Thrifty Vouchers would enable families to move with other voucher assistance after one year (or when a regular voucher becomes available through normal turnover). This mobility feature provides the individual with choice missing from programs that restrict the ongoing rent subsidy to a particular project.

[xxvii] The 20 percent cap is a statutory requirement, so Congressional action would be needed to raise it.

[xxviii] In addition to promoting the goal of creating mixed-income communities, capping the number of project-based vouchers at 25 percent of the units in a building helps to ensure that building owners will maintain buildings in decent condition. This is the case because the owner is only guaranteed full rental revenues for 25 percent of the units in the building and must find other tenants willing to pay the rent on the remaining 75 percent. In some other housing assistance programs that serve the poorest households, revenues are guaranteed for all of the units in a development, and no such market discipline is placed on building owners to maintain their buildings adequately.

[xxix] Regular housing vouchers provide a better guarantee than KDHAP of affordability for families that have little or no income. They also provide the flexibility to relocate. Some families with income may prefer KDHAP, however, because under it they are not required to contribute a portion of their income toward rent. They are responsible for their own utility costs and for any rent obligation above the HUD-set "fair market rent" level.

[xxx] In the Interim Operating Requirements HUD issued for the KDHAP voucher program on October 4, 2005, HUD states (at page 20) that housing agencies in the disaster area "must monitor leasing rates, turnover vouchers and costs of their housing choice voucher program to ensure voucher assistance will be available at the time [as] the KDHAP funding ends." HUD also reemphasizes that agencies are not permitted to use more than their authorized number of vouchers during a year, even if they have sufficient funds to assist additional families. This policy is available on the internet at http://www.hud.gov/offices/pih/publications/kdhapopreq.pdf.

[xxxi] See note 19 above.

[xxxii] Public housing and project-based subsidies to private owners could also be replaced by tenant-based Section 8 vouchers. Because of the likelihood that unusually severe housing shortages will occur in the aftermath of Katrina, however, low-income families may be better served in this instance by subsidies that guarantee them an apartment in a particular building.

[xxxiii] In its October 28th submission to Congress concerning the recovery effort, the Administration requested that public housing agencies in the disaster areas be permitted to combine public housing and Section 8 voucher funds and use them for the purpose of either program, including the rebuilding of damaged public housing. No additional funds were requested for this purpose. If the Administration does not request additional funds for repair of public housing, agencies could have to choose between repairing the housing they own and providing families with immediate rental assistance. The Administration indicates that one purpose of the $70 million it requests to be reallocated to the HOME program would be to repair HUD-subsidized housing (probably referring to privately-owned units). If the funds are used for this purpose, it is likely that little if any HOME funding would remain to repair other housing.

[xxxiv] States traditionally control the allocation of LIHTC credits and about 40 percent of HOME funds, subject to broad federal criteria and planning requirements. In the case of any new Section 8 vouchers (which have generally been allocated to local areas directly by HUD), HUD should consult with states to determine whether any vouchers should be allocated outside the areas that experienced extensive hurricane damage. Currently, none of the three states directly affected by Katrina has a state-administered Section 8 housing voucher program.