

WRITTEN STATEMENT

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**U.S. DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT**



HEARING ON

REBUILDING NEEDS IN KATRINA-IMPACTED AREAS

**BEFORE THE U.S. SENATE COMMITTEE ON BANKING,
HOUSING, AND URBAN AFFAIRS**

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Introduction:

Mr. Chairman, Ranking Member Sarbanes, and distinguished Members of the Committee, it is a privilege to appear before you today.

The purpose of my testimony this morning is to share with you the Department of Housing and Urban Development's immediate response to the hurricanes in the Gulf of Mexico, our ongoing efforts to assist affected families and individuals – people who have lost so much, too often everything – in finding both short-term and permanent housing, and the overall progress of the recovery efforts in the five affected states.

HUD has worked closely with FEMA, the Department of Agriculture, the Department of Veterans Affairs, the Department of Health and Human Services, and others to get immediate housing assistance to those who have been displaced and uprooted by the recent hurricanes. As I'm sure you can fully appreciate, the challenges HUD has faced are truly unprecedented, but we've worked as we've never worked before and as you'll soon see our response has been equal to the difficult task at hand. Furthermore, we continue to satisfy the different housing missions assigned to us.

In my presentation to the Committee, I intend to summarize the immediate steps taken by the Department in the days and weeks following Hurricane Katrina, as well as to provide a detailed summary of the actions taken by individual HUD program offices to assist in the recovery efforts. I also intend to discuss how our Department is assisting those HUD-assisted families who were impacted by Hurricanes Katrina, Rita and Wilma. And I will update the Committee on HUD's execution of the recently-enacted supplemental Community Development Block Grant (CDBG) funds.

Hurricanes Katrina, Rita and Wilma are thoroughly testing all of us and the President has directed federal agencies to adapt to the extraordinary challenges presented by one of the most extensive series of disasters in our nation's history.

Immediate Actions Taken by HUD:

Prior to Hurricane Katrina's landfall on August 29, 2005, I established a working group to prepare for the possible problems that could arise from this powerful hurricane.

As soon as the level of Katrina's destruction was understood, I established HUD's Hurricane Recovery and Response Center (HRRC). This emergency management center served as a command post for HUD efforts and was staffed with housing and community development professionals from every program office within the Department. This Center reported directly to me and operated out of HUD Headquarters. Shortly after its inception, the HRRC directed HUD's field offices to conduct a nationwide survey of vacant rental housing units in HUD's portfolio.

The HRRC proved to be an effective communications tool during the *emergency phase* of the disaster, allowing every HUD program to coordinate from one central location. Once we moved into the *recovery and rebuilding phase*, however, Deputy Secretary Roy

Bernardi and I replaced the HRRC with the HUD Assistance and Recovery Team (HART). This team of senior department officials continues to be responsible for coordinating all HUD deployment with FEMA and ensuring that program offices are fulfilling their mission as well as coordinating policy decisions.

In addition, through our FEMA mission assignment, nearly 100 HUD employees were deployed to disaster recovery work in the Gulf Coast region within two weeks of Katrina's landfall. Some worked closely with FEMA and supported their response efforts, while others worked to address the region's exponentially growing housing needs. These HUD specialists brought years of experience in reconstruction and community planning to the region.

Within this mission assignment, in conjunction with FEMA, we established the Joint Housing Solutions Center (JHSC), located in Baton Rouge, Louisiana. The Joint Housing Solutions Center focused on combining federal resources with private sector, nonprofit and faith-based efforts. These pooled resources were then offered to local and state governments, as well as community stakeholders, to assist them in their efforts to place evacuees in temporary housing.

Recently, in response to concerns about the living conditions in temporary travel trailer communities, the JHSC developed plans for Transitional Communities where travel trailers would be incorporated with a supportive neighborhood structure. The footprint of these communities and the utilities and streets developed to support them will subsequently support the development of permanent affordable housing when the temporary trailers are removed.

Governor Barbour of Mississippi has endorsed the Transitional Community design, and all temporary trailer facilities in that state will now utilize the Transitional Community concept. This is just one example of the way in which the JHSC continues to be a vehicle for bringing together a broad array of resources and focusing them on the long-term recovery of housing in the region.

In September, HUD worked with other organizations to set up "one-stop" centers in major shelters across the nation – from the Reunion Arena in Dallas to the D.C. Armory here in Washington. These centers allowed HUD officials to meet one-on-one with evacuees and determine how the Department could assist them in finding housing in their host city. In the first few weeks after Katrina hit, we placed nearly 10,000 families in subsidized units. To date, HUD employees in 20 cities across the country continue to serve evacuees.

On September 12, 2005, HUD and FEMA signed an Interagency Agreement that set forth the conditions for the transfer of HUD-owned properties held off the market and made available for lease to displaced families. This agreement identified more than 6,000 single-family homes within a 500-mile radius of declared disaster areas. Despite the fact nearly every one of these homes required significant repairs and were spread across an 11 state area, more than 1,000 families have moved in and another 800 are in process. The

remainder of the homes will be offered to evacuees either as temporary housing or through a discounted sale program.

Shortly after Hurricane Katrina hit the Gulf Coast, I reached out to the United States Conference of Mayors and the National Association of Counties to seek their support in finding more housing opportunities for hurricane victims. The response to this call to action has been tremendous from across the country – including Detroit, Philadelphia, Allegheny County (PA), and Miami-Dade County. Each of these communities opened its doors to more than 1,000 displaced individuals.

Our efforts to respond to the immediate aftermath of Hurricane Katrina were extensive, and I will now turn to specific actions taken by HUD's program offices.

Actions by Program Offices:

Office of Community Planning and Development

Senior officials in HUD's Office of Community Planning and Development (CPD) gathered to explore ways to help the affected communities. Based on past experience, we knew CPD programs – especially CDBG and HOME – have been especially effective in addressing both the immediate and long-term recovery needs that arise from natural disasters. On September 5, 2005, Assistant Secretary Pamela Patenaude began issuing a series of waivers to streamline our existing grant programs so grantees could reprogram their existing HUD funds for disaster relief. To date, CPD has issued more than 40 waivers affecting existing normal program requirements to its normal program requirements. CPD has also given special attention to the opportunity to meet the needs of persons who were homeless before the hurricanes, and to homeless programs funded by the Department whose operations were affected.

CPD also reached out to Governors Blanco, Barbour, and Riley to offer them the support and flexibility they needed to retarget their resources to better assist their communities. In response to a request from Governor Blanco, we issued a series of waivers in the CDBG and HOME programs. The HOME program waived requirements to allow for source-certification of income and elimination of the match requirement. These waivers provided greater flexibility in the use of HOME and American Dream Downpayment Initiative funds to help low-income Louisianans receive tenant-based rental assistance, and rehabilitate and buy homes. They also offer the same flexibility to Governors Barbour and Riley.

CPD also issued a series of waivers for the CDBG program, the Emergency Shelter Grants program, and the Housing Opportunities for Persons with AIDS program to make them more responsive to the immediate needs of the affected communities. The City of Houston, which received thousands of evacuees from New Orleans, was the first to ask for a waiver of CDBG's 15 percent cap on public services. This request was granted for Texas and the four other affected states, providing communities more flexibility to help their citizens. We also simplified the citizen participation requirements to give

communities more options on how to re-focus their programs to meet their changed environment and needs. At the request of specific communities, we also waived a number of other requirements including: allowing presumption of low- and moderate-income benefit in certain circumstances in CDBG; extending deadlines for reporting submissions; and extending the deadline for spending funds in order to give affected communities time to consider their needs and options after the disaster. To help Gulf Coast communities develop long-term affordable housing plans and respond to the needs of local community housing development organizations and homeless providers, we are providing technical assistance through HUD field offices and HUD-contracted technical assistance providers such as the College of Experts.

Most recently, CPD has been at the forefront of the Department's efforts to administer the \$11.5 billion in CDBG disaster funding approved by Congress and signed into law by the President on December 30, 2005. On January 25, 2006, HUD announced the allocations for the five affected Gulf states, and on February 13, 2006, HUD published in the *Federal Register* guidance on how each of the states is to submit an Action Plan for disaster recovery on the uses of the grant funds to assist with long-term recovery and infrastructure restoration.

Our overriding goal is to make sure the funding provided by Congress is swiftly made available to the states for their recovery efforts, and that the funding is used in a manner consistent with the intent of Congress and in the context of the comprehensive reconstruction plans being developed by each of the five states.

Office of Housing

In the Office of Housing, FHA immediately urged approved lenders to provide forbearance to FHA borrowers displaced by the storm and unable to make regular monthly payments. HUD took the lead in providing the first 90-day foreclosure relief for FHA borrowers in presidentially-declared Major Disaster Areas affected by Hurricanes Katrina, Rita and Wilma. On November 22, 2005, Housing Commissioner Brian Montgomery and I extended foreclosure moratoriums in those counties declared eligible for individual assistance as a result of Hurricanes Katrina and Rita for an additional 90 days to February 28, 2006. The extended foreclosure relief will provide mortgagees additional time in which to confirm the mortgagor's intention and ability to repair the home, resume regular mortgage payments and retain homeownership.

On December 1, 2005, the Department announced an additional homeownership retention initiative to help homeowners with FHA-insured mortgages who are unable to maintain their payment obligations due to hurricane-related property damage, curtailment of income or increased living expenses. Under the initiative, FHA will advance mortgage payments for up to 12 months for eligible borrowers who are committed to continued occupancy of their homes as a principal residence and are expected to have the financial capacity to repair storm damage and resume making full mortgage payments within a 12-month period. This unprecedented mortgage relief is expected to help several thousand

families to remain homeowners while they concentrate on repairing their homes, finding jobs, and putting the pieces of their lives back together.

In addition, I have personally encouraged lenders to undertake actions such as mortgage modification, refinancing, and waiver of late charges for those homeowners in the Katrina disaster area and to refrain from reporting derogatory credit information to credit bureaus.

Office of Public and Indian Housing

The Office of Public and Indian Housing (PIH) has 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. Titled "Guidance for Public Housing Agencies in Assisting Families Displaced by Hurricane Katrina," this document has been posted on HUD's website and distributed to every PHA and HUD field office.

HUD's KDHAP is providing housing vouchers for evacuee households that were previously receiving public housing and other HUD housing assistance, including persons experiencing homelessness. Under KDHAP, participating individuals and households are eligible to receive rental assistance payments for up to 18 months. These payments are calculated at 100 percent of the fair market rent in any community in the country the evacuee selects, from Portland, Maine to Portland, Oregon. I'm pleased to say that nearly 15,000 families have received KDHAP vouchers. With the additional \$390 million in funds awarded by Congress in 2005, thousands more HUD-assisted families and individuals who were homeless in the affected areas prior to Katrina will be eligible for assistance.

HUD has now verified which vacant public housing units are in livable condition and available to house evacuees. To accomplish this, our field office staff contacted every PHA in the nation to identify the number of public housing units currently available, those that could be made ready for occupancy in five to seven days, and the number of available vouchers. As a result, HUD has identified more than 39,000 vacant public housing units and available vouchers nationwide.

HUD's Office of Native American Programs (ONAP) has consulted with every tribe affected by Hurricane Katrina. The Chitimacha Tribe of Charenton, Louisiana and the Tunica-Biloxi Tribe of Marksville, Louisiana are now housing displaced tribal families evacuated from New Orleans and coastal Mississippi. The Chickasaw Nation Housing Division, located in Ada, Oklahoma, is housing displaced families in various sections of their service area, most of whom are not tribal members.

Indian Community Development Block Grant (ICDBG) Imminent Threat funds in the amount of \$2.4 million are currently available for distribution to tribes affected by Hurricane Katrina. Requests are being processed for each tribe in need of assistance in the amount of \$425,000 per tribe. These funds become available on a first-come, first-serve basis as soon as the request is received and approved by HUD.

The Public Housing Capital Fund has a Reserve for Emergencies and Natural Disasters in the amount of \$29.7 million for fiscal year 2005. These funds can only be used to repair and replace existing public housing that was directly affected by Hurricane Katrina. PHAs must submit applications to HUD for these funds. The Housing Authority of New Orleans (HANO) received a \$21.8 million grant from the Capital Fund Reserve for Emergencies and Natural Disasters, which was approved on September 28, 2005. This request was for a preliminary grant until a full assessment of the damage and the cost to repair and/or replace its public housing inventory is completed. These funds will be primarily used to: make minimal repairs to four properties to make them habitable; secure uninhabitable properties; and pay relocation costs for displaced families.

PIH awarded a contract for general disaster assistance within three days of Hurricane Katrina. The contract covers: assessment of damage; general assistance to HUD staff, PHAs, and residents; assistance in facilitating communication and transportation among HUD and PHA staff and other service providers; assistance in identifying and coordinating temporary shelter for flood victims; assistance in coordinating social services and other special needs activities for elderly, disabled and others; assistance in facilitating space to coordinate HUD response activities; and other emergency activities as identified by site visits.

PIH set up two hotlines within days of Hurricane Katrina. The first hotline is for PHAs to verify the status of persons claiming to be displaced public housing residents or voucher holders. The second hotline is for public housing residents or voucher holders that need assistance and information on available public housing.

HUD assisted the Housing Authority of New Orleans, which has been under HUD receivership since February 2002, in quickly setting up headquarters operations in Houston, and a satellite office in Dallas. We worked closely with the Houston Housing Authority, which provided extensive facilities and assistance to HANO. As a direct result, HANO was able to set up a booth in the Houston Astrodome to process residents and voucher holders within the first week.

Notice of a broad regulatory waiver process was published in the *Federal Register* on October 3, 2005. The PIH waivers facilitate the administration of properties in the Hurricane Katrina declared disaster areas and relieve PHAs affected by the hurricane or assisting in hurricane relief of numerous administrative requirements. In all, 23 items can be suspended or requested for expedited waiver. Waivers include such items as: the granting of time extensions for submitting verification information; the use of previous year Public Housing Assessment System scores for certain PHAs; the deferral of Section Eight Management Assessment Program requirements for one year; and the lifting of cost limitations for public housing until new total development costs are published. An expedited electronic submission system has been set up to receive notifications and requests.

Fair Housing and Equal Opportunity

One of our Department's top goals is to ensure people have access to affordable housing free from discrimination. Immediately following Hurricane Katrina, our FHEO office deployed staff to Baton Rouge, and later to Mississippi, to assist Gulf Coast evacuees who had reported housing discrimination. Our staff obtained immediate relief for people facing discrimination before there was a need to file formal complaints. For example, staff helped open a mobile home community to families with children after receiving a complaint that the park was unlawfully excluding them. As of February 1, 2006, HUD has received 94 formal complaints of post-hurricane discrimination.

To help raise awareness of housing discrimination – especially discrimination experienced by victims of recent hurricanes – HUD launched a series of print and broadcast public service announcements that make this case in a very compelling way.

In addition, HUD worked with FEMA to create new design specifications for fully accessible manufactured housing to ensure that temporary housing is available for people with disabilities, we held seminars in Louisiana and Mississippi to make certain that all new multifamily housing complies with federal requirements for disability accessibility, and we also provided additional funding to private fair housing groups and state fair housing agencies in the affected region to assist them in responding to the fair housing needs of evacuees.

Center for Faith-based and Community Initiatives

The Center for Faith-based and Community Initiatives has been an active participant with the rest of the Department in responding to the hurricanes. The Center published on the web and in hardcopy the Disaster Recovery Toolkit. It has expanded its affordable housing pilot project to include Houston and Tampa. The Center holds weekly teleconference calls with HUD's ten regional faith-based and community liaisons to better coordinate the Center's national resources and disseminate relevant information from the daily HART calls. The calls serve as a forum in which to exchange information about successful local public-private partnerships to assist evacuees, and to help the liaisons prepare their local faith-based and community organizations for assisting those evacuees who will have to leave their current locations for more permanent housing once FEMA subsidization of hotel lodging comes to an end.

The Center has also contacted nearly 20,000 faith-based and community organizations to recruit their engagement in the Department's KDHAP enrollment efforts. The Center's Region IV Regional Faith-based and Community Liaison has been detailed to the Joint Housing Solution Center in Baton Rouge, in order to engage faith-based and community organizations in constructing or rehabilitating 60,000 units of housing. That regional liaison also spearheaded an innovative, comprehensive approach to securing housing, as well as furnishing, employment, and transportation for evacuees establishing new domiciles, all in conjunction with the National Association of Real Estate Brokers, its Women's Council, and other faith-based and community organizations. The Center is

studying ways of replicating this model wherever groups of temporarily housed evacuees may relocate.

Conclusion:

I want to conclude by saying a word about the 85 HUD employees previously located in our New Orleans Field Office. I am both relieved and pleased to say that we have been in close contact with all of them over these last five and a half months. I am proud to report that as of February 6, 2006, 56 members of our New Orleans field office staff have returned to work in that office. Their courage and tenacity are truly inspirational. But I have to say that the dedication and commitment of the entire HUD family to assist those in need has been equally inspirational.

Thank you.