Testimony of James Perry
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on behalf of
The National Low Income Housing Coalition
presented to the
Committee on Banking, Housing, and Urban Affairs
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Senator Reed, Ranking Member Shelby and members of the Committee, thank you for the opportunity to testify today on the impact that passage of S. 1668, the Gulf Coast Housing Recovery Act of 2007 would have on Gulf Coast communities.

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

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

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

You have no doubt heard the numbers before, but they bear repeating. Nearly one million homes were damaged by Hurricanes Katrina and Rita; a third were destroyed or severely damaged. NLIHC estimates that over 70% of the most severely damaged homes were affordable to low income families prior to the disaster. Very few of these homes have been replaced. Given escalating construction costs, difficulty obtaining insurance, continuing anti-affordable housing sentiment and growing Katrina-fatigue, there is little chance that the majority of the homes that were once affordable to low income families will ever be replaced at the level on which they are needed.

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

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

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

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

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

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

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

In an earlier lawsuit against FEMA, a federal judge ordered the agency to reassess approximately 5000 cases of rental assistance that had been terminated. As a result of the reassessment, FEMA found that 25% of the households had been wrongfully terminated, and had their benefits reinstated. Applying the 25% error rate to the combined program participants of May 2006, approximately 307,000 households, perhaps as many 77,000 more households continue to be eligible for and in need of FEMA housing assistance than are currently receiving it. Thus, minimally 55,000 FEMA assisted households and potentially as many as 132,000 total households remain displaced.

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

Temporary Housing

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

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

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

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

Rebuilding Concerns

The major federal resource for the repair or replacement of rental housing destroyed or damaged by Katrina was an increased allocation of the Low Income Housing Tax Credits (LIHTC). Tax credit properties must have rents set to be affordable for people with incomes at 50% or 60% of the area median. The initial estimate of units the tax credits would produce throughout the Gulf Coast was 54,000 units of rental housing. It is now clear that the tax credits will likely produce as few as 25,000 units in Mississippi and Louisiana because the costs of construction and operation of housing, most notably insurance rates, have skyrocketed.

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

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

Mississippi

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

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

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

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

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

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

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

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

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

S. 1668's provision of additional rental vouchers and one for one replacement of damaged or destroyed public housing units will go a long way towards helping to provide desperately needed affordable housing to Louisianans. It is important to note however that more help is needed. I would further urge the Senate to encourage municipalities to welcome affordable housing efforts. Municipalities should be reminded that federal law requires municipalities who receive CDBG funds to affirmatively further fair housing. A failure to do so can result in municipalities losing their CDBG allocation.

Alabama

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

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

Texas

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

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

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

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

Public Housing

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

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

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

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

The National Low Income Housing Coalition and many of its national and local partners developed a set of principles to guide redevelopment of public and assisted housing in the affected areas. We are very pleased to see that much of the principles is reflected in S.1668. The two most important are that each unit of public or assisted housing that is demolished must be replaced with a unit of housing that is affordable to a family of similar economic status to the one who lived there before. The new units can be anywhere in the region and should be in developments that are economically integrated. The second is the right to return for all residents who were in good standing at the time of evacuation.

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

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

Fair Housing

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

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

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

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

FHA Insurance Provisions

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

Additional Recommendations

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

To date, no federal resources have been dedicated to rental housing for people with incomes below 30% of the area median. This is precisely the population who would be assisted with housing built or repaired with the Affordable Housing Fund in H.R. 1427, the Federal Housing Reform Act of 2007. The House passed H.R. 1427 on May 22. For the first year the fund will be directed to Louisiana and Mississippi to replenish their low income housing supply.

We urge the Senate to enact GSE regulatory reform legislation that includes an Affordable Housing Fund to support the production and preservation of rental housing affordable to extremely low income families and direct the resources to states where the housing supply has been affected by the Gulf Coast hurricanes for the first year.

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