

Testimony of Bill Johnson to the
Subcommittee on Housing and
Community Opportunity
on
“Emergency CDBG Funds in the Gulf
Coast: Uses, Challenges, and Lessons for
the Future”



May 8, 2008

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The Honorable Maxine Waters
Chairwoman, Subcommittee on
Housing and Community Opportunity
U.S. House of Representatives
2344 Rayburn House Office Building
Washington, DC 20515

Dear Congresswoman Waters:

On behalf of Governor Bob Riley, I bring greetings. I want to thank you and the Subcommittee for providing the State an opportunity to testify at the hearing on Emergency CDBG Funds in the Gulf Coast: Uses, Challenges and Lessons for the Future.

First, the State of Alabama is extremely grateful to the President and Congress for providing disaster assistance to Gulf Coast states in the wake of Hurricane Katrina and other destructive storms. This assistance has allowed the State to accomplish much in terms of recovery.

Many infrastructure projects have been completed, many more are underway, and the remaining few will soon begin construction. While results are generally positive, there are some disappointments, as well—primarily the slow rate of progress in certain areas. Housing recovery remains puzzling. Although a significant number of damaged or destroyed housing units have been repaired or replaced, largely as a result of federal assistance, insurance payments and hard work by dedicated volunteer groups such as the Volunteers of America, Volunteer Mobile, Catholic Charities USA, Lutheran Disaster Response, United Methodist Committee on Relief, Mennonite Disaster Service and Habitat for Humanity, nonetheless, many families still live in FEMA trailers and damaged homes as recovery work continues. Unfortunately, when we reach a point where the damaged or destroyed housing has been repaired or replaced or all of the funds have been expended, a large contingency of pre-disaster housing needs will continue to exist in the State of Alabama. These housing needs, which number in the thousands within our 22-county federally declared disaster area, are the result of a substantial number of low income households, deferred maintenance and a general lack of affordable housing.

The Gulf Coast states utilized different strategies to address recovery needs. In Alabama, CDBG disaster funds were competitively distributed to units of local government based on the extent of damage and unmet needs. Immediately following the disasters, Governor Riley appointed a Long-term Recovery Team whose task was to interact with city, county and other local leaders on a regular basis and develop a list of projects needed for recovery. Additionally, through the services of a market research firm, the State obtained a Post-Katrina Housing and Needs Analysis for our two most heavily damaged coastal counties—Mobile and Baldwin. We believe this process aided local governments in identifying recovery projects which would be appropriate for CDBG assistance. Funding decisions also took into consideration the fact that Mobile County and the City of Mobile are both entitlement communities with many years of experience implementing CDBG projects. The entire award process was supervised by the Governor's Housing Advisory Committee composed of representatives from the U.S. Department of Housing and Urban Development, the U.S. Department of Agriculture, the Alabama Department of Economic and Community Affairs and the Alabama Housing Finance Authority. The Committee was chaired by the Director of the State Banking Department.

Below is a discussion of specific issues important to the Subcommittee:

1. According to the Post-Katrina Housing and Needs Analysis conducted by Woods Research, Inc., in the coastal counties of Mobile and Baldwin, over 45,000 occupied housing units suffered minor damage (under \$5,200), over 3,000 suffered major damage (between \$5,200 and \$30,000), and approximately 400 suffered severe damage (over \$30,000). Of these, rental units accounted for approximately 30 percent of units with minor damage and approximately 21 percent of units with major to severe damage. FEMA conducted over 95,000 housing inspections and, at the highest point of assistance, approximately 7,542 individuals were living in 2,514 travel trailers. Organized volunteer groups have repaired 925 units, with renters comprising only a small portion of this number. In the incorporated community of Bayou La Batre in Mobile County, 500 of the 769 houses were badly damaged or completely destroyed. To date, organized volunteer groups have repaired approximately 250 units, the City has rebuilt 40 homes, and within the next few months, 80 families currently living in FEMA travel trailers will move into the newly installed units being built under FEMA's Alternative Housing Pilot Program. In the eleven Go Zone eligible counties, a total of 54 developments with 3,259 units are complete or underway and proposals for another 47 projects with approximately 2,800 units are currently under review.

In Mobile County, of the 1,167 requests received by the application deadline, approximately 1,020 are estimated to qualify for assistance. An additional 359 who missed the initial deadline have requested to be placed on a waiting list in the event additional funds are made available. To date, inspections have been completed on 827 homes with the remaining targeted to be completed within the next 4-6 weeks. The County has approximately \$17 million available for distribution which will most likely assist less than 300 households. It is estimated that Mobile County will need an

additional \$80 to \$85 million to meet its disaster recovery housing needs for homeowners.

According to the Woods Research analysis, both Mobile and Baldwin Counties have significant rental housing needs. However, these needs primarily stem from conditions existing prior to Katrina. The housing recovery program in Mobile County has not seen a significant need for assistance for renters. Of the 1,167 requests for assistance filed in Mobile County, only 107 were from renters. The housing recovery program in Bayou La Batre has advised the State of the need for approximately 80 additional homes to accommodate renters currently residing in the flood zone as well as overflow applicants for the FEMA Alternative Housing Pilot Program. As the housing situation was still fluctuating significantly at the time of the 2006 Supplemental Disaster Recovery Funds allocation, the State received only minimal interest in its \$4.1 million targeted for affordable rental housing. It appears that between the affordable low income tax credit projects and the active rental market, disaster recovery housing needs are primarily concentrated within the owner occupied sector. However, as minimal as the rental numbers may appear, it is estimated that approximately 185 rental households in Mobile County and Bayou La Batre will qualify for assistance at an anticipated cost of \$20 to \$25 million.

2. Based on available information, we believe an additional \$100 to \$110 million will enable the State of Alabama to adequately address its disaster recovery housing needs. This estimate is based on our assumption that Congress intended disaster assistance to address only housing damaged or destroyed by storm events. The housing programs in Alabama have restricted housing assistance only to those households that suffered housing damage as a result of Hurricane Katrina. The State's overall unmet non-disaster housing needs will run into the billions of dollars and require different approaches from those suitable for disaster housing needs.

3. As Alabama awarded its funds to local governments for implementation of their housing and infrastructure recovery programs, the State is not directly involved in the implementation of activities. Therefore, the State passed down its requirement to affirmatively further fair housing to the units of local government. The State does provide guidance to local governments and monitors them to ensure fair housing compliance. Among the methods used by local governments to promote fair housing are advertisements in large and small newspapers and neighborhood flyers; public service announcements on radio and television; and involvement and coordination of activities with nonprofit groups such as Volunteers of America, Volunteer Mobile, Boat People SOS, Mobile Fair Housing Center, Legal Services Alabama, Area Agency on Aging, Alabama Disability Advocacy Program, Independent Living Center, and other faith-based and community organizations. In the Mobile County program, several of these organizations are represented on the Housing Committee which has oversight of the housing program. In Bayou La Batre, informational posters translated into four languages were hand delivered to every house, and translators were available at meetings to ensure necessary information was communicated to all people. Mobile

County's Housing Committee prioritized applicants for assistance based on various criteria, such as families with minor children, elderly persons, persons with disabilities and condition of the housing unit. These groups of people are most vulnerable and least likely to be able to recover on their own. Of the households qualified to date, 58 percent in Mobile County are minorities. In Bayou La Batre, approximately one-third are minorities and another one-third are of Asian descent such as Vietnamese, Cambodian and Laotian.

4. The State of Alabama received and is appreciative of the waiver from HUD allowing the reduction in total low and moderate income benefit from 70 percent to 50 percent for disaster funds. In many areas along the Gulf Coast, State recipients of disaster funding would have been greatly challenged to achieve the 70 percent LMI requirement due to the higher incomes of hurricane victims living on or near the coast. However, Hurricane Katrina's most devastating impacts in Alabama were mainly received in extremely poor fishing villages along the bayous and rivers in south Mobile County. Most of the homes in these areas were poorly constructed, not elevated and were under-insured, if insured at all. As would be expected, there are exceptions. The Town of Dauphin Island, a high income area located on a barrier island, received significant damage to its housing stock. Due to the mostly vacation and/or second home nature of these housing structures, most were not eligible to participate in the housing recovery program. The loss of any home is traumatic for the owner, but with affluent homeowners whose income along with insurance benefits will allow rebuilding, Dauphin Island should recover its housing stock without need for any grant funds. As such, the State of Alabama has concluded that its housing programs will achieve close to, if not 100 percent low and moderate income benefit.

5. Inspection of hurricane damage is one of the most important aspects of the disaster recovery process. Without this step, no determination can be made as to the actual hurricane-related damage to the structures, the amount of funds needed for recovery and the feasibility of rehabilitation of housing units versus the cost of replacement. The disaster funds in Alabama were passed through to units of local government in the disaster areas. As such, the State has not directly inspected housing units. At the time applications for disaster funding were submitted to the State, local governments had done only a cursory review of needs and relied mostly on information gathered immediately after the storms by FEMA. The post-grant award inspections by local governments have proceeded slowly. The lack of timely inspections has caused the State to self examine its policies and procedures to determine what actions could have been taken to speed up the process and to be better prepared in the event of another disaster.

6. Since Alabama awarded full grant amounts to units of local government, our experience related to problems and challenges in implementing housing activities are not only those of the State, but also of the local governments, as well. Foremost among these is the absence of credible needs data. As we near the three-year anniversary of Hurricane Katrina, the true and full extent of need is still unknown. Part of the problem

results from the reluctance of federal agencies to share data, probably due to privacy concerns. Another is false claims and contrived needs. While federal funds through programs such as CDBG are slow in coming and even slower to disburse due to compliance with a myriad of rules (such as Fair Housing & Equal Opportunity, Environmental, Labor, Acquisition, Relocation, and Bidding and Contracting), non-profit and faith-based groups, as well as insurance-covered work, begins immediately. As a result, needs data continuously shifts and is difficult to crystallize. For example, in Bayou La Batre, two years after the storm, FEMA conducted an inspection and is now requiring elevation of 100 homes rehabilitated by volunteer groups at an estimated cost to the City of \$6 million.

In Alabama, our principal target group is comprised of low and moderate income households. Each housing case presents its own challenge. These challenges include, but are not limited to, lack of a septic system, absence of clear title, inability of low-income homeowners to afford adequate insurance (including flood, wind, etc.), difficulties encountered by elderly persons trying to maneuver required elevations, lead and mold remediation, bankruptcies, persons with disabilities, language barriers, pet issues, extremely low rent payments and code compliance. Fear of lawsuits on one hand and running afoul of federal compliance requirements on the other hand makes resolution of each situation extremely time consuming and expensive. Sadly, in many instances, these issues prevent households from receiving much needed assistance.

Often media, advocacy groups and public officials are driven by different philosophies and objectives. For example, while sound public policy might dictate relocation of households out of flood prone areas, implementation of this policy is seldom practiced. People, particularly those who are elderly or have a disability and who have lived at a particular location for many years, are simply reluctant to move away from that location, even though in most cases it would serve their best interest. To the media and many advocacy groups, this is tantamount to the government telling individuals where to live.

First and foremost, Congress should recognize that disaster recovery requires a multi-faceted, coordinated approach wherein Congress not only allocates funds, but makes crucial decisions which will determine the long-term direction of how disaster areas develop or redevelop, especially when it relates to expenditure of public funds. For example, should public funds be used to rebuild homes in flood prone areas just because they will be elevated and carry flood insurance? With rising insurance costs, is it prudent to assume that many of these homeowners, especially those with low incomes, can afford such costs?

There appears to be a consensus among administrators of disaster funds that compliance with federal rules accounts for significant delays and added expense. While most, if not all rules are well intended and serve an important purpose, bureaucratic underpinnings make their application difficult. In cases of compliance with environmental laws and concurrences from agencies such as U.S. Fish and Wildlife, U.S. Army Corps of Engineers and our State Historical Commission, the simplest of

projects often require cultural assessments, endangered species surveys and endless engineering justification. Likewise, while the regulatory oversight by federal agencies, the Office of Inspector General and others is necessary and important, the fear of this level of scrutiny causes administrators to create and maintain endless documentation and paperwork. Lawsuits and increased fear of lawsuits impedes progress and results in a massive amount of paperwork. Congress alone has the ability to bring a balance to regulations, legal burdens and oversight.

To summarize, the State of Alabama is well underway in implementing its disaster recovery program, although much remains to be done. It will take an additional \$100 to \$110 million for the State to adequately address its disaster housing needs. Since disasters of a large magnitude appear to have become more prevalent, Congress will need to address regulatory, legal and oversight issues so they are complementary to national interests and do not hinder progress. Additionally, Congress should define national policies related to the development or redevelopment of areas which have been impacted or are prone to be impacted by a disaster.

Finally, on behalf of Governor Bob Riley, I want to again thank you and the Subcommittee for giving the State of Alabama an opportunity to present its views related to disaster recovery.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bill Johnson", with a long horizontal flourish extending to the right.

Bill Johnson
Director

BJ:SAO:md

**STATE OF ALABAMA
KATRINA 2006 DISASTER RECOVERY FUNDS**

GRANTEE	ACTIVITIES	AWARD
Baldwin County	Water Improvements	\$4,200,000
Bayou La Batre	Housing/New Wastewater Treatment Plant/ New Water Tank/Sewer & Water Repairs/Debris Removal/Demolition & Clearance	\$36,993,864
Chickasaw	Sewer Repairs	\$1,844,000
Grove Hill	Sewer Repairs	\$381,000
City of Mobile	Salvation Army Women & Children's Homeless Shelter/Sewer Repairs	\$7,610,268
Mobile County	Housing/Coastal Response Center/Debris Removal	\$12,112,488
Mount Vernon	Water Repairs	\$680,000
Prichard	Drainage Improvements/Demolition & Clearance	\$1,000,000
Robertsdale	Sewer Repairs	\$632,100
Saraland	Sewer Repairs	\$1,899,000
Silverhill	Water Repairs	\$300,000
Washington County	Housing/Water & Street Improvements	\$3,015,880
	State Administration	\$3,719,400
TOTAL		\$74,388,000

**STATE OF ALABAMA
KATRINA 2006 SUPPLEMENTAL DISASTER RECOVERY FUNDS**

GRANTEE	ACTIVITIES	AWARD
Bayou La Batre	Residential Demolition & Clearance	\$650,000
Chickasaw	Sewer Repairs	\$1,749,750
Dauphin Island	Drainage Improvements	\$1,600,000
City of Mobile	Affordable Rental Housing	\$4,103,146
Mobile County	Housing	\$8,464,678
Mobile County	Grand Bay School Reconstruction	\$3,200,000
Prichard	Drainage Improvements	\$1,458,000
TOTAL		\$21,225,574

Background on Bill Johnson

After serving as Assistant Director (2003-04) and Interim Director (2004-05) for the Alabama Department of Economic and Community Affairs (ADECA), Bill Johnson was appointed by Governor Riley to serve as the agency's Director in December 2005. ADECA is one of the State's primary grant-managing organizations, distributing and overseeing more than \$220 million annually in dozens of federal programs.

Johnson serves as the Governor's alternate on the Appalachian Regional Commission, the Delta Regional Authority and the Southern Growth Policies Board.

During his tenure as ADECA Director, Johnson also served as Executive Director for Governor Riley's Black Belt Action Commission. In that capacity, he led the coordinated efforts of some 13 committees and over 800 volunteers to implement measurable change in one of Alabama's most challenged areas.

Relevant to this testimony, Johnson previously served as City Councilor in Birmingham, Alabama, representing one of that city's most diverse districts. In his term on the council, Johnson was involved in FEMA buyouts in a flood-prone area of his district and in federal buyouts for noise mitigation around Birmingham's International Airport.

Johnson graduated cum laude from Spring Hill College (Mobile, AL) with a BS in chemistry. He furthered his education as a graduate of the John F. Kennedy School of Government's Senior Executives in State and Local Government program. Additionally, he has lived and traveled in more than 25 second and third-world countries in Africa, the Middle East and Central and South America.