

Testimony

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**before the
Financial Services Subcommittee on Housing and Community Opportunity
and the
Homeland Security Subcommittee on Emergency Communications, Preparedness and
Response
“Examining the Roles and Responsibilities of HUD and FEMA in Responding to the
Affordable Housing Needs of Gulf Coast States following Emergencies and Natural
Disasters”**

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To the Chairs and Ranking Members of the Financial Services Subcommittee on Housing and Community Opportunity and the Homeland Security Subcommittee on Emergency Communications, Preparedness and Response, and to distinguished members of the committees and panel:

I am Dr. Edward J. Blakely, Executive Director of the Office of Recovery and Development Administration for the City of New Orleans. New Orleans is one of America’s most beloved and culturally distinctive cities, but as you are all aware, it is facing the challenge of rebuilding after the worst natural and man-made disaster to occur in the United States of America.

Please know that I speak for our entire community when I say that we are grateful for all that you in Congress and that the people of the United States have done to help us recover from Hurricane Katrina and the subsequent flooding. We truly appreciate your continued concern about our progress in caring for our citizens while we work diligently toward resolving our longer term recovery challenges.

Thank you for providing me with the opportunity to share New Orleans’ unique perspective on disaster shelter and housing needs. We have knowledge that should inform future law and policy for catastrophic disasters, and could be valuable to us now as we rebuild.

We also applaud Congress’ decision to establish a National Disaster Housing Strategy. If that strategy is based on the lessons learned from communities that experienced catastrophic disasters, it will position the federal government to provide the financial and legal tools needed to help rebuilding communities such as New Orleans.

As many have testified over the past three years, the laws, rules and regulations governing HUD, FEMA, the U.S. Department of Treasury and other federal offices did not effectively address problems caused by the catastrophic devastation of Hurricane Katrina.

Regarding all aspects of shelter and housing -- initial survival sheltering, interim housing for citizens and the disaster workforce, and longer-term re-establishment of permanent affordable housing opportunities -- current rules and funding streams must be re-evaluated to ensure that they match the reality of post-disaster housing markets and affordable housing needs in devastated communities, large and small.

Survival Housing – Shelter

The housing crisis in New Orleans began as Hurricane Katrina strengthened in the Gulf of Mexico and aimed directly for the city. Though the City of New Orleans was able to successfully evacuate about 90 percent of its citizens as part of a regional evacuation of 1.2 million people, planning for the evacuation and shelter was carried out by the regional authorities within a state framework that left many without clear and predictable options of where to go. Disasters in major metropolitan areas, particularly catastrophic disasters, do not stop at state lines and require a broader level of planning.

Cities and states can easily be overwhelmed by the need to house large numbers of evacuated citizens during catastrophic events. Currently the State of Louisiana's plans call for the evacuation of citizens from the area in jeopardy to numerous undefined temporary shelters in non-affected areas of the state. Louisiana relies on these non-affected areas to offer the use of churches, civic centers, schools/gymnasiums, and other buildings as shelters; most are not designated for the public ahead of time. Since hurricanes can be very unpredictable and all the southern parishes are vulnerable to them, the "non-affected area" for hurricane evacuation excludes all areas in the southern portion of the state. This means that during an evacuation of the southeast region approximately 1/3 of the state's population will be required to evacuate to much lesser populated areas within the state. This places a tremendous burden on the facilities, infrastructure, and population of north Louisiana. Other Gulf Coast states likely have similar restrictions in their sheltering plans.

Most of the currently identified shelters are intended to have a small number of people for only a minimal amount of time. However, Hurricane Katrina demonstrated the need for a broader plan that would include capacity for large numbers of evacuees. It also made clear the need to be able to house people for longer periods.

The federal government should develop a National Sheltering Plan that would cover all hazards, have the capacity to be implemented rapidly and provide the needed facilities for thousands of individuals. FEMA could work within its existing regional structure and in conjunction with other federal agencies, such as the Department of Defense, to accomplish this objective. Its charge would be to develop pre-established, coordinated, and secure plans for facilities to provide reassurance and prevent panic in the event of a catastrophic natural or terrorist related disaster. These plans would involve:

- Designing regional facilities to immediately serve thousands of evacuees, with the ability to absorb a larger population as needed;
- Examining the use of federally owned property such as BRAC bases, under-utilized state and federal hospitals or hotels and motels in recreation areas that could be converted for year round accommodation as suitable sites;
- Maintaining and provisioning facilities at a minimal “caretaker” level with minimal permanent staff;
- Securing space for tents, trailers etc. that could be used in place of or in addition to structures at these sites;
- Having USNORTHCOM provide security, administration, and logistical support for these facilities during time of operation through use of a dedicated workforce.
- Educating citizens prior to an event about what to do and where to go for disasters that can occur without warning, such as terrorism events, industrial accidents or earthquakes.
- Developing a resettlement plan for bringing citizens back to their community

By having better prepared and better equipped regional sheltering, people who evacuate their homes will be more comfortably settled for the short term while longer term temporary and transitional housing is put in place.

Scope of the Damage to Housing in New Orleans

When the federal levees failed, 80 percent of New Orleans flooded damaging 134,564 units of occupied housing, of which over 105,000 were severely damaged according to estimates by FEMA. In total, approximately 70 percent of the city’s owner and renter occupied housing units received some damage.

As a result of this destruction, Fair Market Rent has increased 46% when compared to before the storm and the available stock of affordable housing is greatly depleted. As of April 29, 2008, 1,358 households were still in trailers outside of Orleans Parish. Over 800 of these households were renters before the storm and all are likely in need of available, safe, affordable housing within New Orleans.

Within the city, 5,837 households continued to occupy trailers in April. It is likely that the total population of 7,195 households still living in FEMA trailers, either in New Orleans or elsewhere, is unable to afford the increase in rental prices.

An indicator of the reduced stock of affordable housing is the rise in homelessness. Since Katrina, the homeless population in the New Orleans metro area has doubled from approximately 6,000 before the storm to a current estimate of 12,000.

Temporary Housing

Travel Trailers

The historic answer to temporary or transitional housing has been to provide travel trailers and housing vouchers. These responses to the huge housing need following the disaster in New Orleans have proven to be insufficient. In addition, what should be only temporary solutions have become long term due to the magnitude of the devastation from the catastrophic disaster. FEMA and HUD, as the responsible agencies, have been unable to adapt protocol to provide safe, decent and affordable housing in the wake of this disaster.

The travel trailers have proven to be dangerous for several reasons. They represent one of the least protective housing options in a hurricane prone region, requiring evacuation even in response to relatively low level storm warnings. They are cramped and difficult to live in, which adds to the mental and physical deprivations of our citizens. They have also been shown to have elevated levels of formaldehyde, which constitutes a cancer risk at any level of exposure, and have caused reports of ongoing illness in many residents.

Formaldehyde

I would like to highlight the issue of formaldehyde related to problematic disaster housing policies implemented after Katrina. The findings of the Center for Disease Control (CDC) regarding formaldehyde levels in FEMA-issued trailers is of great concern to Mayor Nagin and our entire community. According to the CDC, occupants of these trailers have been exposed to major health risks. Each of these former and current trailer residents – adults and children -- deserves appropriate medical care for any current or future effect of this exposure.

As Mayor Nagin wrote in his letter to President Bush, FEMA and the Department of Health and Human Services (DHHS) must do better than their current commitment to move people out of trailers 2 ½ years after the event, and provide only public health information to affected trailer residents. Each current and former trailer resident must receive immediate free medical check-ups, and free treatment for any medical condition generated or exacerbated as a result of exposure to formaldehyde. They must also receive guaranteed access to comprehensive, state-of-the-art medical care for any future formaldehyde-related medical conditions.

It is also important that there be support to adequately and objectively evaluate the effects of formaldehyde and embark upon a widespread public educational effort. If funded to do so, the New Orleans Health Department, which has begun talks with the CDC, would work with them to conduct a full survey of affected residents. We ask that you support our efforts to engage FEMA and DHHS to ensure that the best medical care is given to those whose health was put at risk in travel trailers issued by the federal government.

Vouchers

An alternative to travel trailers that FEMA embraced is the use of vouchers to provide temporary housing. When compared to trailers, vouchers are a much better alternative since they (1) use existing resources, (2) have secondary benefits for the local economies by filling their vacant apartments, and (3) are generally more suitable places to live for the families than trailers.

However, the extent to which a community can rely on vouchers as a means to provide temporary housing depends on the severity of the disaster and its impact on the local real estate market. If available voucher compliant units are relatively close to the disaster area, then vouchers should be emphasized as major means of providing temporary housing. However, if the local affordable housing market is limited, or available nearby housing has been destroyed en masse, then over reliance on vouchers can be problematic. This reliance may prohibit the swift reunification of citizens and households and stall the recovery of established neighborhoods.

Housing vouchers played an important role in quickly establishing temporary living arrangements for New Orleans citizens. However, the extent of the devastation to the City's housing stock meant that vouchers were predominantly used in communities outside the City, thus prolonging the return of local workers and their families.

Particularly in catastrophic disasters, communities should be given flexibility to choose from a "tool kit" of federal programs to provide emergency housing. The options should include facilitating the repair of existing rental housing, rental payments to utilize the local existing rental supply, panelized and modular construction of temporary or permanent housing, improved trailers or other innovative ideas.

In addition, FEMA should establish expiration dates for rental assistance based on the amount of time a family's rental need lasts rather than on a rigid program of deadlines. This should be determined in part on housing market instabilities after a disaster. In the case of New Orleans, we urge reconsideration of the March 1, 2009 deadline. The rebuilding of the city and stabilization of the housing market will take several years. As the rental subsidies decrease and end, some people will be in apartments they will not be able to afford.

Rehabilitation of Rental Housing

In future disasters, FEMA should be prepared to quickly repair existing rental housing as one of the tools for emergency and transitional housing solutions. Early after the disaster, the city requested that FEMA pay for the repair and rehabilitation of existing rental housing as a crucial step to bring back citizens and accommodate the influx of workers. The swift repair of existing rental housing would have been a cost effective solution. With over 23,000 New Orleans families having lived in travel trailers at some point since the disaster, billions of dollars have been spent on unhealthy, unsafe and temporary housing solution. These dollars could have been used more effectively to repair existing housing stock that could have had a major impact on the recovery of New Orleans.

Panelized and Modular Construction

FEMA should also be prepared to bring in panelized and modular construction units to provide safe, temporary and transitional housing. Mayor C. Ray Nagin has proposed that already appropriated Disaster Relief Fund (DRF) monies can and should be used under the provision laid out in the Robert T. Stafford Act (Stafford Act) to meet this need. FEMA should require communities to identify ahead of time locations where these units could be located, and to have a means in place for accessing the locations quickly after a disaster. Panelized and modular

structures could be placed on these pre-identified sites quickly. With a variety of new products available, some housing may be deconstructed and reused when the need for them ended and other could be transitioned to permanent housing.

For several months the City has also proposed a solution for FEMA to transition trailer residents into safer, better, panelized constructed units. These units would be built on lots acquired by the New Orleans Redevelopment Authority (NORA) and could be temporary or permanent. These units are more cost effective than hotels and trailers and could contribute to the increased affordable housing stock. This would allow residents to remain in the city and participate in the recovery.

Permanent Community Housing

The re-establishment of permanent housing is among the most important post-disaster recovery priorities for the City of New Orleans and one of the most difficult given a myriad of barriers. It is important to note that most of these barriers, however, are not unique to New Orleans and represent some of the most critical issues the federal government must address if it is to develop an effective National Disaster Housing Strategy.

Given the magnitude of the damage and number of properties destroyed or severely damaged, too little money was allocated to provide full replacement costs after insured losses.

Compounding the lack of adequate funding is the decision made within Louisiana's compensation program to limit homeowner compensation to pre-storm value. This is problematic because pre-storm value does not provide adequate resources to homeowners to rebuild or replace their properties in the face of low insurance payouts, spiraling construction costs, limited contractors, astronomical insurance rate increases, and higher mortgage and construction lenders interest rates.

At the state level, Louisiana's "Road Home Program" has provided grants to tens of thousands of homeowners; however, because of the pre-storm value cap, which does not reflect post-storm market exigencies, awarded grants are not readily translating into wide-spread property repairs and reconstruction.

The State's two primary rental housing programs are the GoZone/CDBG Piggyback Program and the Small Rental Property Program. Together these programs are projected to provide approximately 34,000 permanent housing units across the Louisiana Gulf Coast region. Because full funding for these efforts was not appropriated by Congress until June 2006 and the federal regulations needed to administer the programs were not promulgated until November 2006, these programs got a late start. Both of these initiatives are now well underway and thousands of units are currently under construction. We are only now beginning to see completed units coming on line. Though there are currently fewer than 100 completed units through these programs in Orleans Parish, this total is projected to be more than 3000 by the end of 2008.

The State, charged with implementing the Affordable Housing Pilot Program, has two components within Orleans Parish. Several hundred units will be constructed at Jackson Barracks, a National Guard facility and on sites scattered around the city identified by NORA.

Locally, the City of New Orleans has designated 18 areas as “Housing Opportunity Zones” within which the city will focus housing activities and investment as means of catalyzing broader redevelopment in surrounding areas. Some of these tools for investment include: soft second mortgage loans for households up to 140% AMI, use of loan loss reserves designed to increase lender confidence, and funds for non-profit organizations to provide rehabilitation services to elderly and disabled homeowners. Within each of these areas are federally insured or assisted properties, for which the city will need greater cooperation and information exchange with HUD and FHA to address the negative impact of having these properties sit unrepaired.

Also, over the next three years, NORA, the city’s redevelopment agency, will receive upwards of 10,000 storm damaged properties which were sold by homeowners to the state. Most of these properties are concentrated in the city’s most damaged areas irrespective of pre-existing income demographics. Facilitating redevelopment will likely require federal waivers and overall governmental support to lender institutions to encourage investment in these damaged properties.

Re-establishing permanent housing after a catastrophic disaster cannot depend on the provision of government grants alone. Given the importance of the lender community to establishing sustainable affordable homeownership, it is essential that the federal government also partner with lending institutions to reduce lender risk in post-disaster environments marred by diminished housing values, infrastructure disrepair, and compromised school and health care facilities.

Finally, federal, state, and local partners must engage in vigorous exchange of information relative to displaced persons and property damage if local government is to more effectively synchronize long term housing provision with available housing stocks.

To re-establish permanent housing in post-disaster New Orleans and any community affected by a catastrophic disaster, allocated funding should be commensurate with the level of devastation to the local housing stock, and with the post-disaster market realities impacting construction, insurance, and lending costs. In addition, federal funding should be allocated directly to affected localities, particularly if they are “entitlement” communities, to avoid unnecessary layers of bureaucracy. When at all possible, sources other than CDBG, such as the Disaster Relief Fund (DRF), should be used toward disaster housing initiatives.

We thank Chairman Frank for the assistance that would come to New Orleans through his legislation which would allocate profits from the GSE’s to build affordable housing. His intentions that the first year’s profits be targeted to the Gulf Coast in order to support its recovery are greatly appreciated.

Lastly, cities similar to New Orleans need a team of federal program staff to work with them day-to-day in resolving all the issues that persistently arise. Such support staff would serve as brokers, advocates, ombudsmen, and program experts to help the City harness best practices from other communities, utilize streamlined processing requirements and waiver processing.

Conclusion

Ladies and gentlemen, thank you for allowing me to speak with you on the status of our recovery and the challenges we and the nation face to become more responsive to shelter and housing

needs during and after disasters. I believe the proposals outlined in this document will accelerate our recovery and assist others to rebound faster and more effectively, even after a disaster of catastrophic proportions. We thank you, the Financial Services Subcommittee on Housing and Community Opportunity and the Homeland Security Subcommittee on Emergency Communications, Preparedness and Response and Congress, for your continued support as we rebuild our city and region. Though we still face historic challenges, we are hopeful that with your assistance, we can solve the remaining problems and build a better and stronger community for everyone.