



«Organization»

# Testimony of John Henneberger

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Service

"Emergency CDBG Funds in the Gulf Coast: Uses,  
Challenges, and Lessons for the Future"

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Opportunity

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## **Introduction**

Chairwoman Waters and Members of the Subcommittee, thank you for the opportunity to testify today about the status of the Texas disaster recovery program and its effectiveness in addressing the immense housing challenges caused by Hurricanes Katrina and Rita more than two years ago.

I would like to express my sincere appreciation to you and the members of your staff who are working to create a better future for long-term disaster recovery. You have done a terrific job of raising awareness of the housing needs of Gulf Coast hurricane survivors and of supporting federal resources to help them recover from the storm's lasting devastation. The thoughtful process with which you have addressed this issue and organized this committee hearing is a cause for optimism among survivors and advocates who continue to be overwhelmed by the post-disaster housing needs in Texas.

I am John Henneberger, co-director of the Texas Low Income Housing Information Service (TxLIHIS). Our mission is to support low-income Texans' efforts to achieve the American dream of a safe, decent, affordable home in a quality neighborhood. We collaborate with housing stakeholders across the state to achieve our mission. TxLIHIS does not represent any sector of the housing industry. Rather, TxLIHIS works only on behalf of and with low income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. TxLIHIS is entirely funded with private donations.

### **TxLIHIS role in the disaster relief programs and policy**

Since 2005, when Hurricanes Katrina and Rita presented Texas with a housing crisis unlike any it has faced in my 27 years as a housing advocate, my organization has taken a leading role in advocating a long-term housing recovery plan that helps the poorest and most vulnerable survivors recover. We organized two statewide housing forums to bring together hurricane survivors, housing providers, policy makers, government officials and citizens to devise solutions and policy recommendations for lasting recovery. We have studied the operation of hurricane relief programs in Texas and published the results. We have brought together volunteers to get involved in devising solutions, including bringing together the Texas Association of Architects, some of the largest financial institutions, homebuilders and government to develop new

designs for affordable housing to replace the homes lost in the disaster. As an adjunct instructor in Community and Regional Planning at the University of Texas at Austin I have also engaged the academic community in an examination of best practices in disaster relief to provide a starting point for the discussion of what should be the federal and state policies regarding future disasters effecting large populations of low income households.

We advocate solutions based on the recognition that disasters of this magnitude that destroy the homes and lives of thousands of low-income people are not solved in months, or even years. They are not solved with “temporary” programs, be they travel trailers or short-term rental vouchers. Katrina and Rita shook an already vulnerable low-income population to the core, breaking their only grasp on security: their home.

Our focus has been not as being a disinterested critic but on making programs work by advising and collaborating with the state. While we are advocates for the interests of the poor we have viewed this crisis as requiring that we enter into a partnership with state government to find solutions to an unprecedented problem. Simply fixing the problems that face us today is not enough however. It is vital that we learn from this experience and be better prepared in the future.

### **Prefatory comment**

While my testimony documents the extensive shortcomings of the early rounds of disaster housing assistance in Texas, I would like to begin by stating that in my opinion the current program of the State of Texas to provide housing for disaster victims who are homeowners is generally the most effective and efficient program that can be operated given the severe funding constraints the state is under.

The state's rental housing program has been marginally adequate but less than efficient and falls far short of providing rental housing to those households with the lowest income and those most in need. A large part, but not all of this shortcoming can also be attributed to the failure of the federal government to provide the state the tools and funding needed.

There are a number of specific concerns I have with the particulars of the program that I will outline in my testimony. But, on the whole, I think the overall Round 2 owner occupied program is appropriate and workable.

Unlike other Gulf Coast states, Texas was allocated only 25 percent of the funds required to assist the eligible households rebuild. This has forced the State to make tradeoffs that reduce or limit the benefits to Texans below those enjoyed by residents of Louisiana and Mississippi.

As an advocate I have been critical of my state's earlier efforts to craft a program most notably the program we refer to as Round 1 homeowner assistance which I describe in my testimony. But over the past several months as the State developed the much larger Round 2 program the state sought to learn from the experience it gained in administering Round 1. The State has reached out to faith-based groups, local communities and housing advocates to craft a more workable program. To its credit the Texas Department of Housing and Community Affairs also sought to learn the lessons from the administration of the programs by other states.

No one is happy by the compromises that are occasioned by the failure to appropriate adequate funding for all the Texas families who lost their homes to Hurricane Rita. The Katrina evacuees who moved to Texas have been largely ignored so far as their long term housing needs goes.

I strongly support the overall direction of targeting the lower income homeowners as a priority and in providing direct assistance in the form of housing rehabilitation and housing reconstruction services through State contractors.

### **Overview of my testimony**

In my testimony today I will describe for you the status of three hurricane recovery initiatives in the state of Texas. First, I will discuss efforts to assist the evacuees who came to Texas from other states as a result of losing their homes to hurricane Katrina. Second, I will discuss the challenges and status of ongoing efforts to assist Texas households who lost their homes to Hurricane Rita rebuild. Third, I will report on the efforts within the state of Texas to implement FEMA's Affordable Housing Pilot Program.

In the second section of my testimony I will present specific recommendations for federal action to assist the State of Texas in the permanent resettlement of hurricane Katrina survivors and the reconstruction of homes damaged and destroyed by Hurricane Rita.

Finally I will discuss the efforts that are ongoing to learn the lessons from the struggle to house low-income families in the wake of these disasters so that we have in place a plan to more quickly and effectively deal with future disasters.

## **Status of ongoing programs**

### **Hurricane Katrina**

#### **Scope of problem**

Two and one-half years after about half a million predominantly poor and destitute Hurricane Katrina survivors evacuated to Texas, approximately 150,000 remain in the state. According to the U.S. Census, Harris County gained about 123,000 residents, many of them Katrina evacuees. A survey conducted by the Houston city government in January 2006 revealed that roughly one-fourth of the city's hurricane evacuees were living in apartments funded by the Federal Emergency Management Agency (FEMA), located in high-crime, high-poverty neighborhoods on the city's southwest side.

The hurricane survivors that remain the largest concern to us today have extremely low-incomes, about one-third are elderly or disabled and generally cannot afford private market rate housing in Texas cities.

A 2007 Zogby International poll of Katrina and Rita evacuees in Texas found that:

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- 86 percent have household incomes of less than \$25,000 a year;
- 69 percent have incomes of less than \$15,000 a year;
- Prior to their evacuation, 72 percent were employed. Now only 38 percent are employed;
- 58 percent were seeking a job; and
- 24 percent are 55 years of age or older and 6 percent of the under 55 evacuees are disabled.

Seventy percent of the low-income evacuees in Texas rented single-family homes before Katrina struck. Now 84 percent are renters, mostly in apartment developments. Half of those surveyed indicated that they planned to remain in Texas by May 2007 and 18 percent didn't know where they would live. Most have extremely low-incomes and



are living in Houston, without local community ties, family support, and with marginal or no employment.

Houston received the greatest number of Katrina evacuees. According to Robert Johnson, assistant attorney at the City of Houston, an estimated 90,000 – 100,000 hurricane survivors, mainly from New Orleans and some from East Texas, were still living in the greater Houston area as of September 2007.

An unofficial tally provided by the City of Houston in March indicates that 13,750 households (or about 87,000 individuals) in Texas are receiving housing assistance through the DHAP program. In Houston alone, almost 9,000 families are DHAP assisted. In fact, the Harris County Housing Authority is administering the program to the most clients nationally— more than the Housing Authority of New Orleans. In March, complete assistance ended and families became responsible for \$50 of the rent, and will continue to be responsible for an additional \$50 each month until the program ends in March 2009.

As the evacuees came to Texas the City of Houston coordinated an effort to identify vacant apartments that could provide temporary housing. Overwhelmingly the evacuees were placed in apartments located within the Southwest segment of the city. This part of Houston is characterized by its extreme concentration of lower quality multifamily housing, by a high level of ethnic and racial concentration, and by lower socioeconomic characteristics.

Several factors have come together to maintain a disproportionate concentration of the evacuees in this part of the city. These factors include: the shortage of affordable housing generally within the city; the refusal of private landlords to rent to Katrina and Rita evacuees or anyone with a section 8 voucher; long-standing problems with housing discrimination coupled with a lack of effective fair housing enforcement in the city; the evacuees lack of knowledge of local housing opportunities in other sections of the city; the lack of access to private transportation by the evacuees coupled with the poor level of public transportation available in the city.

The city of Houston has the third smallest amount of Section 8 and public housing per city resident in poverty of the twenty largest US cities, behind Phoenix and Detroit.

Houston had one unit of public housing or one Section 8 voucher for every 22.5 of its citizens below the poverty level.

42,000 households are on the Houston Housing Authority's Section 8/ Public Housing waiting list. Another 5,000 households are on the Harris County waiting list. In addition, 200-300 would-be clients walk into the Houston Housing Authority's offices every day seeking housing help.

Houston Housing director Richard Celli reports that Katrina evacuees are further increasing demand for affordable housing— a demand that Celli describes as “staggering.” Celli estimates that including new arrivals such as Katrina evacuees and existing under served residents, 2000 households per year will require housing products, and of these, 1300 (or 65%) are projected to have incomes below 30 percent AMI. Demand is only going to increase as the roughly 14,000 DHAP-assisted Katrina families lose their assistance next year and will need to find housing on their own. Demand among these formerly DHAP-assisted evacuee families could increase the already massive Section 8/Public Housing waiting list by up to 32%.

The segregation of the evacuees into a relatively low opportunity, high crime area of the city has focused public and media attention on crime problems within the area and has lead to a backlash of public support against the evacuees.

Perversely however the City of Houston has proposed to use the Community Development Block Grant funds allocated to it by the State to further enhance the segregation of Katrina evacuees in the overcrowded, low opportunity census tracts in which they were first relocated through the temporary housing program. In describing the city's proposed use of the Community Development Block Grant funds in a plan submitted to HUD the City of Houston wrote,

"The best way to target housing assistance for an evacuee population will be to concentrate this assistance [multifamily housing rehabilitation] in the geographical submarket within Houston where the highest concentration of evacuees have chosen to reside and get on with their lives. (See Attachment A) Specifically, Houston will target the funds in and around the Fondren/Southwest area, the geographical area south of IH 59 outside Loop 610, in the southwest part of the City."

Incredibly, the City of Houston further proposes to use additional federal block grant funds to seek to mitigate the negative effects of the segregation it seeks to enhance

through the use of other federal block grant funds. Once again, from the plan submitted by the City of Houston to HUD.

"The \$20 million intended for housing safety efforts in and around multi-family complexes is based on similar principles. Violent crime rose dramatically in multi-family complexes located within four Police Districts that contain the high percentages of evacuees. Murder rose 62%, rape rose 20%, robbery rose 3%, and aggravated assault rose 20% in multi-family complexes in these districts. These figures do not include crime that spilled over into the neighborhoods near these hot zones."

"The housing safety program must be extended while evacuees remain since housing safety is a direct function of population and density. Crime analysis by the Houston Police Department has shown that residents of lower-income, multi-family apartment complexes are disproportionately the victims of violent crime."

Not only does the City of Houston fail to affirmatively further fair housing is required by the Community Development Block Grant funds but it seeks to use the funds to affirmatively further segregation of Katrina evacuees who, in Houston, are overwhelmingly low income and African-American.

Although statistics suggest Katrina survivors are not solely responsible for Houston's spike in crime in 2005, public support for evacuees in the Houston area is in dramatic decline. In August 2006, 1,700 angry residents crowded west Houston's Grace Presbyterian Church to confront Houston Mayor Bill White and Police Chief Harold Hurtt about the evacuees' presence and rising crime and to demand that housing assistance to evacuees end.

A June 2007 survey by a Rice University sociologist indicates that an overwhelming 97 percent of Houstonians are proud of the way the city pulled together to help the victims of Katrina, yet 65 percent of those surveyed said the overall impact on the city has been a negative one. 74 percent of respondents concurred with the suggestion that "helping the evacuees has put a considerable strain on the Houston community," and 66 percent were convinced that "a major increase in violent crime has occurred in Houston because of the evacuees."

The deliberate segregation of the evacuees into a small geographic area has focused the public's ire on the evacuees. The "evacuee problem" cannot be addressed in Houston until adequate provision is made for the evacuees to be able to obtain long-term affordable housing in desegregated settings away from the crime and poverty that

characterize the neighborhoods that evacuees were located in when they first came to Houston.

In summary then the housing challenges facing the Hurricane Katrina evacuees living in Texas cities include: incomes that are insufficient for the evacuees to be able to afford permanent housing in low affordable housing opportunity markets such as Texas cities; public housing and Section 8 waiting lists have been extended many years as Katrina evacuees compete for the hugely inadequate existing supply a publicly assisted housing; hyper segregation of the evacuees in Houston has created major challenges for both the evacuees in the community as a whole.

In light of these major problems a significant provision of public funds is clearly needed. Yet, as we will see, no significant allocation of funds has been forthcoming.

### **State's allocation of CDBG funds between Katrina and Rita**

The total amount of funds available to address the long term housing needs of the 150,000 Katrina survivors in Texas is a mere \$60 million (\$400 per evacuee). We estimate that federal hurricane relief has fallen at least \$700 million short of what is needed to house low-income Hurricane Katrina survivors who remain in Texas.

Congress left decisions on how to divide the multi-billion dollar appropriations among the affected Gulf states to the US Department of Housing and Urban Development (HUD). It took the Administration longer to provide significant housing relief funding to Texas than to Louisiana and Mississippi. Initial HUD decisions to provide Texas only \$74 million in assistance occasioned significant delays in the provision of housing assistance as State officials struggled to devise a plan to allocate this absurdly an adequate amount of assistance among the approximately 200,000 Rita and Katrina survivor families needing housing assistance.

A second congressional appropriation gave Texas an additional \$420 million in hurricane recovery funds but still left the State far short of meeting the rebuilding needs and far short of the per capita levels of funding awarded to Mississippi and Louisiana.

The delayed appropriation of funds for Texas meant that Louisiana and Mississippi would set up their long-term housing assistance programs well before Texas. This has hurt Texas families waiting for assistance, And has proven especially costly in the case of Hurricane Rita survivors who have experienced significant delays in housing

rehabilitation which has resulted in dramatically escalated costs. The delay however did offer the State the opportunity to watch and potentially learn from the experiences of the other Gulf states in establishing and administering their programs.

The lack of adequate federal funding for housing means many will get no help.

The Texas congressional delegation secured a total appropriation of only \$503,194,849 for all hurricane rebuilding programs to serve Katrina evacuees and Rita victims. The Texas Governor's Office set aside \$40,259,276 of \$74,000,000 in Round 1 for housing assistance and \$305,238,257 in Round 2 funding for housing assistance. \$222,371,273 of round two funds has been reserved for owner-occupied rehabilitation and reconstruction. This amounts to \$347,790,309 available for owner-occupied housing assistance for both rounds combined. If divided evenly this could provide \$4,637 for each of the 75,000 households that were damaged or destroyed by Hurricane Rita. That is a far cry from the \$150,000 that Louisiana and Mississippi homeowners are eligible to receive.

Facing a grossly inadequate federal appropriation of funds the State of Texas made a decision to devote the great majority of funds to damages caused by Hurricane Rita and to allocate a mere \$60 million (about 12%) for housing assistance to the new Texans who came to the state in the wake of Hurricane Katrina. \$40 million of the \$60 million in Katrina assistance went to the City of Houston and \$20 million went to Harris County. Despite the fact that large numbers of Katrina evacuees are present in other Texas cities, no CDBG supplemental appropriations went to assist Katrina evacuees outside the Houston/Harris County area.

### **Program implementation**

We have been extremely critical of the decisions of the City of Houston and of Harris County so far as their uses of these funds. Neither the city or the county has proposed to expend any of the funds to directly help the Katrina evacuees with their critical housing needs. Instead, the funds are allocated to reimburse the city for expanded police enforcement in areas where large numbers of Katrina evacuees were living, to a program to reimburse landlords for repairs to apartments and to reimburse the county for the cost of MHMR services, counseling and jails.

A third of Houston's CDBG recovery funds are explicitly devoted to incarcerating evacuees as part of a broad public safety program to increase police presence at apartment developments with high evacuee populations. The "Evacuee Public Services" program anticipates arresting about 20% of the total evacuees remaining in the city. The City of Houston's draft amendment to the Texas Action Plan for Disaster Recovery to use CDBG recovery funds states: "It is anticipated that approximately 20,000 evacuees will be incarcerated in the County jail as a result of the proposed Multi-Family Community Liaison Program."

In another twist on an already problematic recovery strategy, the Houston Chronicle discovered last year that at least one of the apartment complexes to be funded by the CDBG public safety program would not even be housing evacuees. The landlord, it turned out, had chosen not to participate in the DHAP program. While the Harris County Housing Authority told the Chronicle they would provide relocation assistance to tenants at this and other developments that pulled out of the evacuee housing assistance program, the agency had no money to help pay for security and utility deposits, according to Guy Rankin, the housing authority's executive director. This situation illustrates how two major failures of hurricane recovery have intersected to tragically deny needy evacuees housing assistance: the misuse of federal CDBG recovery funds, and a poorly designed federal temporary assistance program that leaves evacuees in unstable housing that can be lost to the whims of a landlord.

In addition to the programs in our opinion being inappropriate to addressing the real needs of Katrina evacuees, both the city and the county have been unacceptably slow in getting their programs underway. Of the \$60 million allocation the city and county have requested only \$122,000 in draw downs.

## **Hurricane Rita**

### **Program implementation**

In summary as we approach the three year anniversary of Hurricane Rita 148 of the estimated 70,000 Texas households who suffered major or severe damage to their homes have received federal assistance using the over 1/2 billion dollar supplemental appropriation from Congress.

## Round 1

First, I'll discuss the evolution of Texas' current disaster recovery program, funded with about half a billion in federal Community Development Block Grant (CDBG) funds that were allocated to the State in two waves, which I will here forth refer to as "Round 1" and "Round 2." Round 2 was by far the most significant allocation, but to understand the State's current recovery status, it is necessary to evaluate the State's experience in expending Round 1 funding.

In January 2006, the federal government awarded Texas \$74.5 million in Round 1 funding to begin rebuilding from Hurricane Rita, a disaster that four months before had damaged or destroyed an estimated 75,000 homes. The storm hit the lowest-income and most vulnerable families the hardest, as indicated by the fact that almost half the homes destroyed were manufactured homes. Moreover, most of the Texas cities and counties that experienced the most destruction had significantly higher poverty rates than the national average. Beaumont, one of the cities heavily impacted by Rita, had a poverty rate of 22 percent. In Port Arthur, another devastated city, a quarter of residents were living below the poverty level.

Given the preexisting conditions and recorded damage of manufactured housing, the need for immediate replacement housing was urgent. Yet unfortunately, the provision of housing assistance has been unforgivably slow. Texas' housing agency, the Texas Department of Housing and Community Affairs (TDHCA), allocated the Round 1 funds to local Councils of Government (COGs) in July 2006. COGs are associations of local governments that cooperate around a broad array of regional development issues, but do not have any expertise in housing, and no experience in responding to the housing needs left by a disaster of Rita's magnitude. Essentially the State, which also had no experience in administering a large-scale housing repair and rebuilding program, turned to another agency—an agency that also had no experience in administering such a program. The result was an extremely protracted startup.

Under the 1st Supplemental CDBG Disaster Recovery Program (referred to as Round I), three Councils of Governments (COGs) are responsible for administering housing contracts to help restore and rebuild in areas of the State most directly impacted by Hurricane Rita. After a series on contract amendments over the course of the first eighteen months of the operation of the program, reducing the number of housing units

the COGs will rehabilitate or replace, the total number of units (now all replacement units) is set at a mere 435. Of the \$74.5 million, the total funding allocation earmarked for housing and administered by the COGs is \$40,259,276 (the balance of the \$74.5 million went for the restoration of public infrastructure).

This means the average cost per unit of housing provided by the COGs, a large portion of which are manufactured housing units, is \$92,225.

Cumulatively the COGs have either replaced, reconstructed, or are in the process of reconstructing 198 housing units. 148 housing units are complete, consisting of 117 mobile homes and 31 site built homes. A total of 19% of the available \$40,259,276 has been expended. Slightly over 28% of these funds have been expended for administrative expenses.

Contracts between TDHCA the COGs were executed in August 2006. The COGs contract ends July 27, 2008. It appears to us that the production goals will not be met by the end of the contract. TDHCA has stated that it does not intend to extend the contract term of the COGs beyond the end of August. We expect that the balance of funds will be transferred into the Round 2 program.

Based on current production, the total number of households assisted during the two year span of the contract will probably be less than 350.

As a consequence of the extremely slow progress in the Round 1 program the government's cost for housing rehabilitation and reconstruction has grown enormously. In the words of one of the leaders of a faith-based organization that has struggled to rehabilitate homes in Southeast Texas for 2 1/2 years using private funds, "where rehabilitation costs were generally reasonable two years ago, today after more than 200 inches of rain over those two years the cost of rehabilitating the leaking, mold filled homes has increased many times."

On September 24, 2007 my organization released an evaluation with recommendations of the State's progress in administering Round 1 of the disaster assistance program. The report is located at: <http://www.texashousing.org/webnews/issues/news019.pdf>

Our report reached four principal conclusions regarding the Round 1 program:

- 1) The State was completely unprepared to administer a large scale housing



program.

2) The federal funding was extremely slow in coming to Texas.

3) Inconsistent and inaccurate damage estimates resulted in a gross underfunding of assistance.

4) The lack of accurate damage estimates meant that even at the date of the report (two years after the hurricane) the types of housing assistance needed by hurricane survivors is not accurately known.

The report also chronicled the inexcusable delays in the provision of assistance which has resulted in continued deterioration of the damaged houses thus driving up the costs of restoring the housing.

**Issue #1: The State was completely unprepared to administer a large scale housing program.**

The challenge of providing housing assistance to 75,000 households spread out over 29 counties is unprecedented in Texas. After providing emergency shelter through FEMA and the Red Cross, Congress turned to state governments to administer long-term housing assistance programs designed to help survivors make major repairs or rebuild homes. Nothing in the State's experience prepared it to administer a half billion dollar emergency housing assistance program.

State administered housing programs are traditionally subcontracted by TDHCA to local cities and counties, for-profit housing developers and nonprofit housing organizations. The State's role had not been to administer programs, nor to provide assistance directly to individuals. Instead the State's decisions were limited to allocating federal housing block grant funding and tax credits to local governments, developers and corporations and to overseeing these contracts.

When considering the effectiveness of the hurricane housing programs, the unprecedented nature of this effort must be kept in mind.

In marked contrast to the delays experienced in the owner occupied housing program, the State's administration of the rental reconstruction program moved forward expeditiously. This program allocated low income housing tax credits and Community Development Block Grant funds in two independent programs to provide financing for the construction and rehabilitation of multi-family housing developments that had been

damaged or destroyed as a result of the hurricane. The contracts and the program awards for this program were promptly executed.

The reason for the progress in the rental program is due to several factors. First, because of the State's experience in administering the low income housing tax credit program the State has existing relationships with multi-family housing developers who have substantial experience and capacity in the development and rehabilitation of rental housing. In contrast, the State had no similar relationships with single-family housing developers because prior to Hurricane Rita it subcontracted the administration of single-family housing rehabilitation programs through small cities and counties. Second, the contractual terms and the basis for financial assistance under the rental program conformed with existing departmental practices and program guidelines. In contrast, the single-family housing program rules so far as client eligibility, program benefit limits and all other aspects of the program including the identification of a subcontractor had to be developed after the funding levels that Congress provided were known to the State.

in summary, while there was a "on the shelf" model for a rental housing rehabilitation program that could be easily repurposed for the disaster rebuilding the State lacked such a model for owner occupied rehabilitation and reconstruction.

**Issue #2: Federal funding slow to come to Texas.**

Congress left decisions on how to divide multi-billion dollar appropriations among the affected Gulf states to the US Department of Housing and Urban Development (HUD). It took HUD far longer to provide significant housing relief funding to Texas than to Louisiana and Mississippi. The initial HUD decision to provide Texas only \$74 million in assistance infuriated Texas elected officials.

HUD subsequently allocated an additional \$420 million in hurricane recovery funds to Texas but that still left Texas far short of meeting the State's rebuilding needs and far short of the per victim levels of funding awarded to Mississippi and Louisiana.

The delayed appropriation of significant funds for Texas meant that Louisiana and Mississippi would set up their long-term housing assistance programs well before Texas. While this hurt Texas families waiting for assistance, it did offer Texas the opportunity to watch and learn from the experiences of the other Gulf states in establishing and administering their owner occupied assistance programs.

**Issue #3: Inaccurate damage estimates bring inadequate funding.**

In the weeks following Hurricane Rita, FEMA hired contractors to assess damage to houses whose occupants had applied to FEMA for assistance. FEMA counted 1,183 severely damaged and 8,091 homes with major damage. City and county officials promptly raised concerns with the low number of houses and contended that many times more homes were damaged or destroyed. So did Texas Governor Rick Perry. The Governor's office estimated that 75,000 homes were destroyed or suffered major damage. These wildly different damage estimates were never reconciled.

My organization watched this process with frustration. Accurate damage estimates are critical to securing adequate federal appropriations to rebuild the homes that were damaged or destroyed. We formally raised concerns over the dramatically conflicting damage estimates in a special report published in April 2006.

Although the State's count of the number of affected homes far exceeded FEMA's count, the State underestimated housing recovery costs and used these understated costs to advocate congressional appropriations. In the "Action Plan" submitted to HUD regarding allocation of the initial \$74 million, the State commented:

"The State recognizes that these funds – while beneficial to affected areas – will meet only a small fraction of the enormous needs of Texas citizens in the region. In fact, as documented in the State's official disaster request document Texas Rebounds: Helping Our Communities and Neighbors Recover from Hurricanes Rita and Katrina, more than \$2 billion in funds are required to sufficiently meet the existing need. This figure includes \$322 million in CDBG eligible need for housing related activities alone. More specifically, as a result of Hurricane Rita, more than 75,000 homes in the area suffered major damage or were destroyed. Of these, approximately 40,000 homeowners were uninsured. These homeowners are likely to face average damage repair costs in excess of \$8,000 that will not be reimbursed through FEMA or insurance claims."

The State based its funding request on faulty assumptions. It assumed that only uninsured homeowners would need public assistance to repair their homes and that the average cost would be only \$8,000. Both assumptions are incorrect. Insurance companies failed to fully reimburse homeowners for their losses and repair costs for many homes have greatly exceeded the \$8,000 estimate.

One the other hand, the State's disaster request to the federal government seems to have substantially overestimated the amount of funds required for the restoration of infrastructure. Based on the assumption that infrastructure of private utilities would be reimbursed from federal funds, the State requested, in addition to the \$332 million request for a second round of housing funding, \$1.7 billion for infrastructure. This assumption proved incorrect. Two years later the State is allocating \$72.5 million for infrastructure and \$430 million for housing from Round 2 funds.

TDHCA has informed congressional offices that the State now estimates needing an additional \$128 million for housing. In our view, this figure is still wholly inadequate. By our estimates, the State of Texas needs at least \$500 million in additional CDBG funding to rebuild homes damaged or destroyed by Hurricane Rita and \$700 million to provide permanent housing options to the more than 100,000 low-income Hurricane Katrina survivors who are likely to remain in the state.

Initial estimates of repair costs were problematic for several reasons.

Federal damage estimates were especially inaccurate. FEMA simply failed to identify a large number of damaged houses, particularly outside urban areas. On top of this FEMA did not make accurate damage estimates to the houses they did identify. FEMA contractors attempted to estimate individual repair costs. Yet, based on casework by faith-based groups who have been on the ground in Rita impacted counties for two years, FEMA damage estimates vary dramatically from house to house. For example, a structure damaged by a tree falling through the roof would be categorized by one FEMA contractor as suffering \$2,000 in damage, while a virtually identical situation might be estimated by another FEMA contractor as having suffered \$8,000 in damage.

FEMA estimates are inconsistent, not comprehensive and thus useless.

The pre-hurricane condition of housing damaged by Hurricane Rita also complicates estimating damage. Many damaged homes were older and occupied by elderly and low-income families. These structures often had substantial pre-existing deferred maintenance and building code violations. FEMA contractors were instructed to evaluate only the damages that resulted directly from the hurricane. Yet separating and repairing hurricane specific damage may be impossible or delays in making repairs may have exacerbated damage. For example, it is virtually impossible to distinguish between

water damage and rot that occurred before the storm and similar damage which was caused by the storm.

Delays in getting the housing reconstruction programs up and running further aggravate the difficulty of getting useful estimates. FEMA estimates were made in September 2005. Two years later, the failure to promptly repair the initial damage has produced far greater damage, with leaking roofs ruining structural framing, drywall, floors and cabinetry. Tattered blue plastic tarps that continue to cover damaged homes are evidence of just how widespread this problem is. Now, what were initially \$7,000 repair needs have become \$40,000 repair needs.

If the hurricane rehabilitation program has as its goal the restoration of housing to a decent safe and habitable condition than it must address pre-existing conditions prior to the hurricane which make the house unsafe or uninhabitable. Yet the cost estimates used by FEMA and presented to Congress for the rehabilitation of homes damaged in Texas by Hurricane Rita only considered the cost of repair of damages directly attributable to the hurricane.

Mississippi and Louisiana acted effectively to demonstrate that FEMA damage estimates were significantly less than actual damages. As a result, these states secured massive supplemental funding for housing from Congress. Texas never reconciled the differences between state and FEMA estimates and failed to make a compelling case for additional funding.

The Texas Governor's Office set aside \$40,259,276 of \$74,000,000 in Round 1 for housing assistance and \$305,238,257 in Round 2 funding, with \$222,371,273 reserved for owner-occupied rehabilitation and reconstruction. This amounts to a total of \$347,790,309 available for owner-occupied housing assistance for both rounds. This is an average of \$4,637 for each of the 75,000 homeowners that were damaged or destroyed. This is a far cry from the \$150,000 that Louisiana and Mississippi homeowners are eligible to receive.

**Issue #4: The types of housing assistance survivors need is not accurately known**

Yet another problem that has hampered the informed design of a housing reconstruction program is lack of data on the economic situation of hurricane-affected

households. FEMA presumably could have collected this data but did not or at least did not report it.

We do know that a very large percentage of the people whose homes suffered major damage or were destroyed had no homeowners insurance. According to FEMA, about half of the houses had no insurance. Based on this fact we assume that a very large percentage of the population had very low incomes.

In addition to the high number of uninsured homeowners, we surmise that a fairly large number of the survivors had relatively low-incomes and lacked savings to pay for repairs. We base this on the fact that the governor's office reports that 47 percent of the homes destroyed were mobile homes.

Yet figures on manufactured home damage offer very little insight into the economic condition of affected households. There is a dearth of economic and demographic data on the economic condition of survivors. As a result, TDHCA is simply left to guess which loan or grant terms will work best. Critical questions that should guide the design of any publicly subsidized housing program remain unanswered.

Designing a housing program in the absence of this information is taking a shot in the dark. Because of the lack of basic data we do not know if the programs that have been set up will meet the needs of the hurricane survivors or not.

Ironically, the federal government's failure to provide more than a small fraction of the funds that are necessary to help qualified Texas survivors repair their homes has in some ways obviated the need for this basic market data. TDHCA has generally decided to restrict all assistance to low income households because there are simply not enough funds to assist more than a small fraction of those needing help. Therefore, TDHCA was never forced to address questions about repayment ability and instead could simply target grant funds at the lowest income households who could not afford to repay a loan.

## **Round 2**

The 2nd Supplemental CDBG Disaster Recovery Funding (referred to Round 2) is broken down as follows:

Rental Housing Stock Restoration Program \$82,866,984  
ORCA's Restoration of Critical Infrastructure Program \$42,000,000  
City of Houston and Harris County Public Service and CDP \$60,000,000  
Homeowner Assistance Program \$210,371,273  
Sabine Pass Restoration Program \$12,000,000  
State Administration Funds \$21,433,592  
Total CDBG Round 2 Plan Funding \$428,671,849

### **CDBG Round 2 Multifamily Rental Housing Restoration Program**

On September 13, 2007, the TDHCA Board awarded \$81.1 million to repair or rebuild five Southeast Texas affordable multifamily rental properties damaged or destroyed by Hurricane Rita. The construction work, once completed, will restore 813 rental units at a cost of \$81,147,333 or approximately \$100,000 per rental unit.

Considering that these rental housing units are affordable at 65% of the area median family income and open to households earning as much as 80% of the AMFI we do not consider this program to be very efficient or effective in meeting the housing needs of the most needy renters -- those with incomes below 30% of median family income.

It is interesting to note that the State has capped the benefit levels for owner occupants under Round 2, many of whom are extremely low income, at \$40,000 for rehabilitation and \$60,000 for new construction while allowing almost \$100,000 per unit in Community Development Block Grant funds to be provided to rental housing developers and owners to house families with larger incomes.

### **CDBG Round 2 Homeowner Assistance Program and Sabine Pass Restoration Program**

Based upon the slow and inadequate performance of the COGs during their two-year administration of the homeowner assistance program TDHCA adopted another model for the second round program which is just getting underway. The State elected to contract with a private contractor to administer the program.

The project management firm selected to administer the program is ACS State & Local Solutions, Inc., (ACS), with the firms of Reznick and Shaw playing supportive roles.

According to TDHCA, "Contrary to the COGs that administer Round 1 CDBG DR Housing Funds, the RFP required that the firm selected have substantial capacity and

experience in administering this program and other similar programs, and is a for-profit entity. ... To be considered for award, offerers were required to submit a written proposal which satisfied the requirements outlined in the RFP no later than Monday, July 9, 2007. After a substantial TDHCA review process, staff recommended and the TDHCA Board approved ACS State & Local Solutions, Inc. on August 23, 2007. Based on the Proposal, TDHCA and ACS engaged in extensive negotiations, discussions and due diligence that culminated in the execution of the contract and policy development. Contract negotiations began after the Board approval, and the contract was executed on December 31, 2007.

The timeline for the Round 2 program presented at the TDHCA board meeting in January is as follows:

ACS Contract Milestone (All Final Policies Approved by TDHCA Prior to Implementation)		
	Start	End
ACS and TDHCA Development of Policies and Procedures in Conjunction with Input from CoGs, Faith Based, and Public Interest Groups	Jan 14, 2008	Mar 10, 2008
Environmental Reviews of Tiering and Individual Sites	Jan 7, 2008	Apr 16, 2008
Selection of Rehabilitation and New Construction Contractors	Jan 9, 2008	Feb 18, 2008
Outreach Program Development	Feb 1, 2008	Jun 6, 2008
Pilot Operations Testing Including	Apr 16, 2008	Oct 24, 2008
Construction Services Through Final Completion for Pilot	Oct 8, 2008	May 27, 2009



ACS Contract Milestone (All Final Policies Approved by TDHCA Prior to Implementation)		
Final Inspection/ Homes Complete	Apr 22, 2009	Dec 22, 2009

The Round 2 program offers homeowners either rehabilitation or replacement of their homes.

The owner's household will be eligible if their income is 80% or less AMI (based on household size) for the main program or 150% or less under the program to rebuild housing in the small coastal community of Sabine Pass.

The benefit for rehabilitation remained at \$40,000. ACS will prepare an estimated cost to repair damage. If it exceeds the rehabilitation maximum, the home owner can elect to provide gap funding for all amounts exceeding the \$40,000 maximum for rehabilitation, accept the options provided for reconstruction, or not to participate in the program.

The maximum benefit for the HAP for reconstruction, replacement, and/or new construction of a qualified home, including manufactured housing units, is based on household size:

- 1-4 person Household: \$60,000
- 5-6 person Household: \$67, 500
- 7 or more person Household: \$75,000

The plan provides that if the available benefits are not sufficient to complete the reconstruction or rehabilitation of a home, the applicant will be required to identify and secure funding for the difference between the available funds and the funds required to complete the rehabilitation/reconstruction prior to beginning work.

To avoid duplication of benefits, the Estimate of Storm Damage Cost will be reduced by the following if such benefits were or will be paid to the household toward any of the activities included in the Estimate of Storm Damage Cost:

- A. FEMA Grants;
- B. Homeowner insurance proceeds (unpaid and outstanding insurance claims must be subrogated back to the State);
- C. National Flood Insurance Program proceeds;
- D. SBA loans identified by SBA as a duplication of benefits.

Any portion of the duplication of benefits that has been determined to be an “allowable or appropriate activities” (outlined below) that the applicant spent funds on will reduce the amount of duplication of benefits.

The following are Allowable activities and include:

1. Structure repairs (i.e. roof, foundation, electrical, plumbing, and windows)
2. Debris removal
3. Tree/shrub removal and replacement (replacement to bring the environment back to the way it was before Hurricane Rita)
4. Mold remediation
5. Cost of interim housing (rent, hotel payments)
6. Repairs to outbuildings (includes fences, sheds, separate garages, carports, and driveways)
7. Labor, material, and equipment rental to permanently or temporarily repair the damaged residence (includes carpeting, cabinetry, appliances, flooring, fixtures, doors, walls, and ceilings)
8. Demolition costs
9. Installation of wells, septic tanks, electricity, HVAC and plumbing
10. Grading or leveling of property
11. Rental of Disposal and Removal Equipment (i.e. backhoes and dumpsters)

### **Areas of concern**

The shortage of CDBG funds means only a small portion, at most 4,000, of the victims will be able to be assisted under the program. This represents 43% of the owner-occupied households that FEMA estimated suffered major to severe damage in Texas and represents only 6% of the owner-occupied households that the Texas governor's office estimates suffered major to severe damage.

An area of concern to the advocacy community has to do with the problem posed by the inability of a very large number of the poor and elderly to provide adequate documentation that the small payments that were received from FEMA early on in the disaster process were used for "allowable activities" as defined in the program regulations. The failure to provide adequate evidence of proper expenditure of these \$2000-\$4000 grants means that the families are placed in a position of having to repay these small grants in order to qualify for further assistance. This creates a problem that we have come to call the "gap funding problem". The advocates feel that it is essential that a solution be found for this gap funding before the program begins. To do otherwise will disqualify large numbers of the lowest income people and it will be impossible to retroactively go back and pick them up after they have been passed over and after families who do not have a gap funding problem have been promised housing.

We understand that a waiver for these funds has been granted to Louisiana. We strongly urge the Texas families be allowed to participate in this waiver.

The second area of concern for the advocates is the effect that houses with a \$60,000 maximum cost figure will produce. People have complained about the quality of the TDHCA replacement house and indicate that they do not believe it is engineered to meet significant wind load. Some of the bedrooms are reported to be as small as 9' x 9'. We feels that it is essential that the engineering and architectural standards to be applied to these homes must be the subject of public review and comment. We are concerned that the amount of money budgeted for the reconstruction is going to prove to be simply inadequate to produce a decent quality house that can stand up in the wake of the next hurricane.

A third area which concerns advocates is our belief that it is essential to provide for one -- on -- one, in-home application assistance. While we agreed TDHCA's overall approach of attempting to limit administrative costs in order to help more families we fear that insufficient funds have been budgeted to allow for the type of personal assistance that will be necessary in order to help extremely low income families and the elderly be able to navigate the application and eligibility process to receive housing assistance. We understand that TDHCA has budgeted for 800 in-home visits for the 4000 households it expects to assist. In our opinion this may prove to be substantially inadequate. If the low income population and the elderly are unable to effectively

participate in an eligibility and qualification system in which they are primarily dealt with by telephone and by mail than the consequence will be that the neediest households will be denied housing assistance.

A fourth area of concern to the advocates is the differential level of assistance provided for rehabilitation and for new construction. The State has determined to provide a maximum of \$40,000 for rehabilitation of the home while providing between 60,000 and 75,000 dollars (depending on family size) for the construction of a new house. It has been our observation that many of the homeowners would prefer to have their homes rehabilitated rather than demolished and replaced with an extremely modest and extremely small new house. We have not heard an adequate justification from TDHCA for its decision to limit rehabilitation costs to a level substantially below reconstruction costs.

## **FEMA Affordable Housing Pilot Program**

### **Description of the program**

TDHCA, acting on the behalf of the State of Texas, is also responsible for administration of a Federal Emergency Management Agency (FEMA) award of \$16,471,725 for the Affordable Housing Pilot Program (AHPP).

The purpose of the AHPP — awarded to TDHCA in January 2008— is to demonstrate an alternative housing solution to FEMA trailers in the areas devastated by the 2005 Hurricanes. The FEMA funds provided for AHPP allow the State to examine and model alternatives to the FEMA trailer, which hurricane survivors, advocates and policy leaders have agreed is a substandard post-disaster housing solution. The AHPP is the first program of its kind to allow the State to create new, cost-effective solutions that meet a variety of housing needs, including the provision of interim housing for disaster survivors. Pursuant to FEMA requirements, the pre-fabricated units developed under the program must be awarded within the 22 counties affected by Rita and Katrina.

The Heston Group was selected to pilot a pre-fabricated, panelized solution that can be rapidly deployed and built to accommodate a diverse population. According to The Heston Group, the estimated average price of each pre-fabricated unit is \$77,500. The contract between The Heston Group and the Department has been executed and the list of eligible candidates in East Texas was finalized this April. A total of 26 eligible

households expressed interest in the program before the deadline and site selection is currently undergoing review by TDHCA and FEMA. TDHCA has announced that it will award the Harris County Housing Authority 20 single-family units, one community center/leasing office, a playground, and costs for site acquisition.

The Harris County Housing Authority will be overseeing the program. It will therefore be responsible for testing the model units to ensure that they could actually be a better alternative to the status quo. This includes moving or redeploying the housing units to test whether they can be easily transported following a disaster. FEMA claims it will use this data to develop better temporary housing in future disasters. TDHCA is working with Harris County to locate the units on a single county-owned site within Harris County. Such a location for the Heston models is problematic. If the State proceeds to enter into an agreement with the Harris County Housing Authority to place the Heston housing units en masse in a rural subdivision, Hurricane Katrina evacuees will be isolated and segregated into a compound of units far from the services and opportunities they need to reestablish their lives in Houston. This is undesirable from the standpoint of the evacuees, who have been living in Houston since evacuating to the city over two years ago. It is also a repeat of one of the failures of the FEMA temporary trailer program, whereby housing units are undesirable and cannot be integrated into quality, high-opportunity communities.

The Heston program as a new model seems encouraging on the surface, yet it is actually taking precedent over the needs and desires of Katrina survivors themselves. It also ignores a fundamental problem: two and a half years after the hurricanes, there is no longer a need for quickly deployable temporary housing of the type the Heston model offers. The families in Southeast Texas need permanent housing. Their homes are decaying as the months pass and temporary FEMA trailers are becoming increasingly uninhabitable. Moreover, there are practical considerations that prevent the Heston model from being effectively used as permanent housing. First, the materials used to construct the structure are metal and other industrial materials. Moreover, it is simply not designed to be compatible with houses in an existing neighborhood—architecturally it looks like a mobile home. This is not the type of design that people welcome as a permanent fixture in their neighborhoods. These factors have made the demonstration program problematic for TDHCA. Rather than focusing on testing the deployment of the structures as temporary housing for disaster victims, the State must

instead spend time attempting to identify locations where the houses can be set up as permanent housing without incurring opposition from cities and neighborhoods.

It would be far better for purposes of the demonstration program for FEMA to allow the State to use these structures in conjunction with a future disaster when there will be a need for temporary housing, rather than trying to make the Heston models permanent housing. But the rules governing the program at the federal level prohibit this. Another potential use of the houses, to provide a permanent alternative for existing mobile home residents in rural areas, seems to us to be a more appropriate use provided that the Heston models can be shown to be of as good or better quality than new manufactured housing that would otherwise be provided under the Round 2 CDBG program.

### **Areas of concern**

The demonstration program is a worthy project in identifying an alternative to the FEMA trailer for providing interim housing for disaster refugees. The Heston model that the State of Texas was selected to test would seem to offer a good model for housing that can be quickly set-up in the wake of a disaster and easily removed as permanent housing becomes available.

The problem is that two and one half years after the disaster there is no need for quickly deployable temporary housing of the type the Heston model offers. The families in Southeast Texas need permanent housing.

There are practical considerations that prevent the Heston model from being effectively used as permanent housing. First, the materials used to construct the structure are metal and other industrial types. It is not designed to be compatible with houses in an existing neighborhood. Second, architecturally the structure looks like a mobile home. It is not the type of design that neighborhoods would welcome as a permanent housing type.

These factors have made the demonstration program problematic for TDHCA. The State really has no opportunity to test the deployment of the structures as temporary housing for disaster victims and instead must find a way to attempt to identify locations where the houses can be set up as permanent housing without incurring opposition from cities and neighborhoods.

It would be far better for purposes of the demonstration program to allow the State to use these structures in conjunction with a future disaster where there was a need for temporary housing instead of trying to make the Heston models into permanent housing. But the rules governing the program at the federal level prohibit this.

TDHCA's attempt to identify locations for the Heston models has thus become problematic. For example, the State is entering into an agreement with the Harris County Housing Authority to set up these temporary housing units in large numbers in a rural subdivision to house Hurricane Katrina evacuees. This is undesirable from the standpoint of the evacuees themselves however.

These are families who have been living in Houston since being evacuated two and 1/2 years ago. The need, as I discussed earlier in my testimony is to move these families out of low-opportunity, high crime census tracts and out of multifamily housing where large concentrations of low-income Katrina evacuees live into higher opportunity areas in desegregated housing opportunities.

Yet this demonstration program is doing exactly the opposite.

It is creating an isolated, segregated compound of temporary housing outside of the city and populating the community with only low-income Katrina evacuees. The goal of finding a way to use the housing resource has taken precedence over the interest of the Katrina survivors.

The other use of the houses, providing a permanent alternative for existing homeowners to a mobile home for residents in rural areas seems to us to be a more appropriate use provided that the Heston models can be shown to be of as good or better quality to new manufactured housing that would otherwise be provided under the Round 2 program.

## **Recommendations**

### **1. Waive duplication of benefits prohibition**

As discussed previously, a problem has emerged in the owner occupied rehabilitation program: "duplication of benefits" (DOB). Federal law requires that subsequent benefits for housing assistance, such as the CDBG owner-occupied repair program, be reduced by the amount of previously provided emergency assistance. It also requires

homeowners to present documentation that previous small grants from FEMA were expended for "allowable" activities.

These "allowable activities" include repairs to the structure, debris removal, and the cost of interim housing rent or hotel payments. Significant problems arise when, as has happened often in Texas, FEMA does not communicate documentation requirements clearly at the time initial grants were provided. The homeowners have thus been inadequately informed of the restrictions governing the use of the grants. Now, over the ensuing two years many Hurricane Rita survivors have lost their documentation.

This is a particularly pressing issue for a program like the Round 2 homeowner rehabilitation program operated by the State of Texas in which the amount of grant funds provided are barely sufficient to cover the costs of rehabilitation or reconstruction.

In administering the Round 1 program it was determined that about 75% of applicants had Duplication of Benefit (DOB) issues. About half could not prove how they used the full amount of funding they received from FEMA/SBA, but provided some receipts. Some survivors still have the full amount of funds they received from FEMA, but it is rare. We found that most had to spend it on necessities. At least 75% of Hurricane Rita survivors won't be able to be assisted under the Round 2 program due to onerous duplication of benefits restrictions.

Texas Housing Trust Fund dollars—not federal funds—are what allowed the Round 1 program to move forward. The state set aside \$1 million in these funds to be used for "gap funding" to pay back the small grants for which the homeowners could provide no documentation. Prior to the availability of the Texas housing trust funds for this purpose, the Round 1 program came to a halt over this issue.

We have since learned that Louisiana has successfully applied for a waiver of the duplication of benefits restriction. Because there are no additional state housing trust funds that can readily be used as they were in Round 1, we urgently request that Congress extend the waiver to cover Texas so that hurricane recovery can proceed unhindered.



## **2. Allocate new Housing Choice Vouchers to Texas cities with large numbers of relocated survivors**

The one third of Katrina evacuees who are elderly and disabled and living in Texas cities cannot reasonably be expected to be able to afford to pay market rents after the conclusion of the DHAP program. Further, many of the single mothers with children cannot be expected to pay such rents.

As cited earlier the 2007 Zogby International poll of Katrina and Rita evacuees in Texas found that:

- 86 percent have household incomes of less than \$25,000 a year;
- 69 percent have incomes of less than \$15,000 a year;
- Prior to their evacuation, 72 percent were employed. Now only 38 percent are employed;
- 58 percent were seeking a job; and
- 24 percent are 55 years of age or older and 6 percent of the under 55 evacuees are disabled.

These families will, without a doubt end up having to apply for public housing or Section 8. Most already have applied which accounts for the 42,000 families on the Houston Housing Authority's waiting list. This number would take decades to go through even if an additional 200-300 families were not seeking help at the housing authority every day.

This is taking place in a city with one of the lowest ratios of subsidized housing per families in poverty among all the major cities.

Major Texas cities desperate need an additional allocation of Section 8 Housing Choice Vouchers. It is a matter of justice that the burden of housing the evacuees not fall unevenly of the cities that agreed to take them in.

## **3. Provide a supplemental appropriation of CDBG funds**

Congress needs to appropriate a supplemental allocation of \$1.2 billion in CDBG funds to Texas to address the long term housing needs of hurricane survivors.

Texas needs an additional \$500 million to provide housing assistance to Hurricane Rita survivors. These funds would provide the resources assist 75% of the families who homes FEMA reports were destroyed or suffered major damage, increase the maximum level of housing rehabilitation assistance from \$40,000 to \$60,000, increase the

maximum available to rebuild a home from \$60,000 to \$75,000, and provide for one-to-one outreach and case management assistance with home assistance applications for all elderly and disabled households.

Texas also needs \$700 million (including new permanent Section 8 Housing Choice Vouchers) to provide long-term housing to the Hurricane Katrina survivors who have settled in Texas for the long term.

Even with these additional funds Texas hurricane victims will be eligible for substantially lower levels of public assistance that survivors in Mississippi and Louisiana and unlike survivors in our neighboring states not all eligible survivors will receive assistance.

### **Increase rehabilitation assistance per households**

The State of Texas has made a decision that in order to serve a larger number of households it will significantly constrain the amount of assistance provided to any one household. As I described earlier housing rehabilitation will only be undertaken on homes that can be brought into full code compliance for no more than \$40,000. When homes are to be rebuilt, the maximum level of assistance to be provided for a two-bedroom home will be \$60,000.

Many of the homes which suffered significant damage in Hurricane Rita were small bungalows that were constructed in the 1930s through the 1940s. Most of these homes were well-built and generally provided ample space for their occupants. Many were of an architectural style that the Texas historical commission now deems to be historic. A very large percentage of the homeowners in these houses prefer them to be rehabilitated rather than demolished and rebuilt.

Because the homes were built prior to 1970 the great majority contain lead based paint. CDBG regulations require the abatement of lead based paint anytime rehabilitation is undertaken. The cost of this abatement in these larger older homes is significant. In a number of cases lead paint abatement will cost \$20,000 or more. This represents one half of the maximum allowable rehabilitation cost under the State's hurricane rebuilding program.

A very large number of the homes that were damaged by Hurricane Rita suffered significant roof damage and as a result water entered the homes. This water damage is quite different than that experienced along the Mississippi Gulf Coast and in the Lower

Ninth Ward. In Texas most flood damage stems from water infiltration through the roof. This type of water damage, unlike flooding is not necessarily catastrophic to the house.

But the problem has been made more serious by the delays in securing rehabilitation. In the ensuing 2 1/2 years since the hurricane many of the homes have experienced continual roof leaks due to the failure of the aging FEMA blue tarps. The result has been a significant and widespread problem with mold within the homes.

Mold abatement, a costly and time-consuming job, will have the effect of dramatically increasing the rehabilitation costs of the homes.

Because of a desire to help as many families as possible with the inadequate funds available, the State of Texas has established benefit limits for reconstruction under Round 2 at \$40,000. This level is set so low most homes will not qualify for rehabilitation.

If Congress were to provide additional funds to the State of Texas the State would be able to increase the amount of funds allocated to individual houses for rehabilitation. This would preserve from destruction thousands of historically significant homes and would allow families to remain in homes that are larger than the replacement housing that will be constructed if existing units must be demolished and rebuilt.

### **Increase funding for rebuilding each household**

In order to serve more families, the State used an extremely low cost model to be used as a replacement house. The total budget for a two bedroom, one bath home is \$60,000. While the State's decision to constrain its budget is understandable given the overwhelming need, this will likely produce serious negative consequences to the hurricane survivors and to the communities in which these new houses are rebuilt.

The houses that will be rebuilt will be extremely modest and will lack many of the modern amenities that most homeowners have come to expect. Bedroom sizes will be extremely tight. Architecturally, there will be only minimum variation. This will potentially produce a monotonous repetition of house type within older historic neighborhoods, negatively affecting both property values and quality of life. We fear that the introduction of large numbers of similarly designed low cost housing units in close proximity to one another will result in the public's labeling these houses as "FEMA housing" or "government housing".

It would be far better socially and economically for both the hurricane survivors and the communities in which their homes are located if additional funding could be provided so that the homes could be constructed at a higher quality level and so that there could be variation in the architectural style.

An additional \$20,000 per household should be sufficient to produce a much higher quality product.

### **More money to allow individual outreach to victims and individual help with applications**

There is another area of concern prompted by the inadequate levels of funding provided by Congress. There is inadequate funding available to provide in person case management service to Hurricane Rita's survivors through the home rebuilding or renovation process.

In developing the agreement with the private contractor to administer the program the State of Texas has sought to drastically reduce administrative costs in order to retain the maximum amount of funding to provide direct housing assistance to the survivors. The practical effects of this cost-cutting mean that most of the administration of the program will take place from telephone call centers.

Of the 4,000 households intended to be assisted with housing rehabilitation or reconstruction the State has only budgeted for 800 in person assistance meetings with Hurricane Rita survivors. The State, overly optimistically in our opinion, is counting on the contractor to be able to take applications, obtain all of the necessary documentation and paperwork, discuss and decide on options with the homeowners, resolve all problems, and execute all legal documents either by phone or by mail.

Based on our experience with low-income populations in the area we believe that elderly, disabled and extremely low income households which are the predominant population to be assisted will not be adequately served without significant one on one in person assistance by the contractor. Our fear is that as a result of the emphasis on requiring hurricane survivors to reply in a timely manner to requests mailed to them of a highly technical and legal nature many of the low income people will fail to meet deadlines imposed by the program and as a result will be passed over for assistance.

I would like to emphasize that this cost-cutting decision by the State has a rational basis. The State desires to serve as many low income households as possible. Yet the end result may be that many extremely needy elderly and low income people will end up without receiving any assistance.

### **More funding is needed to help more victims**

Finally, it is important to reiterate that unlike the situation in Mississippi and Louisiana assistance to hurricane survivors in Texas who lost their homes will only be provided to an extremely small fraction of all of the eligible and needy families due to the failure of Congress to appropriate sufficient funding.

Admittedly, no one knows precisely how many households in Texas qualify for assistance. The most conservative estimates by FEMA are that 9,274 households suffered major to severe damage while the estimates of the Texas governor's office are that 75,000 households fall into this category.

Using the funds that are available the State of Texas will be able to assist a maximum of 4,000 households. The remaining 57% to 94% of the qualified Texas households will receive no assistance.

### **4. Plan how to do low-income housing rebuilding better next time**

Hurricanes Katrina and Rita were not the first time that a low income communities suffered a significant loss of housing stock to natural disaster. Because the previous disasters were of a smaller scale policy makers and the public quickly lost focus on these disasters. Yet the low income people who are affected on a continuing basis with housing loss suffered no less than the survivors of hurricanes Katrina and Rita.

For example, in my state of Texas a tornado recently struck a community of extremely low income farmworkers in South Texas. Beyond the provision of temporary FEMA trailers little to nothing has been done to provide for the housing needs of these impoverished families.

The truth of the matter is that we have always been unprepared to provide meaningful assistance to low-income survivors of disasters. The difference in the case of hurricanes Rita and Katrina is the magnitude of our failure and the fact that the public for once effectively had its attention drawn to these failures. No one had thought through how to deal with home rebuilding for low-income survivors. We now have available to us

tremendous knowledge based on experience. That experience needs to be captured before it is lost.

### **Develop a federal policy for dealing with low-income housing in the wake of disaster**

Congress needs a national policy for how to address future disasters that cause large losses of low-income housing.

We are attempting to jump start that policy discussion by publicly suggesting the elements of such a policy and inviting all those who are interested to join in a discussion. We are announcing today the establishment of a web-based wiki to facilitate collaboration of persons concerned with the development of this policy. The web site is located at: [www.rebuilding.wikispaces.com](http://www.rebuilding.wikispaces.com)

The initial proposals that will serve as a basis for the discussion were developed by a group of graduate students and professors from the University of Texas at Austin. They include: Tamar Greenspan, Holly Bell, Jenny McKay, Jeong-II Park, Colleen Flynn, Michelle Ng, Marianna Salazar, John Henneberger

The goal is to produce a policy document that details a federal housing policy in three areas: pre-disaster preparation, emergency housing response and providing assistance in rebuilding permanent housing.

### **5. Develop an "on the shelf" state low-income housing rebuilding program**

We should develop an "on the shelf" program to provide assistance in future disasters.

A federally funded planning grant should be provided to develop the program and an agreement should be developed with FEMA to provide funding to implement the approach and test it out in the next small scale disaster that affects a low income population in Texas.

We suggest the following outline could form the basis for such a plan.

1 In the immediate wake of a disaster be prepared to quickly conduct accurate damage assessments.

2 Identify and collect household economic and demographic data needed to determine the type of financial assistance that will be required. Develop a protocol with FEMA to get them to collect useful data about survivors needs.

3 Establish a housing delivery infrastructure, including program administrators and construction contractors who are prepared to go to work quickly. Develop pre-need contractual relations with private program managers and modular housing providers to allow them to deliver housing very quickly in the wake of a disaster.

4 Work out in advance the type and terms of housing financial assistance that the State will make available.

5 Design a program to minimize temporary housing costs. Use funds that would be spent for temporary housing to provide housing equity to disaster survivors.

Secure authorization from Congress to carry out a pilot program that modifies the federal Stafford Act to use savings from temporary housing for permanent housing.

6 Be prepared to quickly inform disaster survivors about what long-term housing options they have and how they can apply for assistance. Prepare public information materials including web, printed and video presentations that can be quickly modified to provide survivors immediate access to information about how to obtain housing help.

7 Establish relationships and protocols with faith-based organizations that will be providing housing assistance to prioritize the effective use of their volunteer resources and prevent duplication of effort. Integrate their efforts into public long-term recovery programs by conducting joint work write-ups and directing volunteer efforts into emergency rehabilitation that can be preserved as part of comprehensive home rehabilitation.

8 Conduct war game type disaster scenarios with government agencies, FEMA, faith-based groups and housing contractors to prepare for real disasters.

9 Build support among members of Congress to work quickly with the State in the wake of disasters to identify and secure funding for needs and break through federal logjams.

10 Establish, train and place under contract a rapid response team of state and private organizations to prepare damage and needs assessments. Agree upon the data

to be collected and the standards to be consistently applied in arriving at damage estimates.

## **6. Develop cost effective architectural models for rebuilding low-income owner-occupied housing**

The FEMA disaster recovery program is designed around the provision of temporary housing. While the program provides modest amount of long-term rebuilding assistance, primarily through SBA loans, the program has come up short in providing any longer-term housing stability to low-income families whose homes were destroyed, or who were permanently displaced from their communities. Hurricanes Katrina and Rita have taught us that temporary housing alone is an inadequate response to the physical, economic, and emotional devastation that lasts far longer than the few months in which emergency housing relief is provided.

Congress has looked to state government to develop and administer supplemental long-term housing recovery programs to help families recovery who need more help that FEMA and SBA can provide. Two models for state assistance have emerged: direct payments to individuals as implemented by Louisiana and Mississippi and a program to repair or reconstruct homes using contractors hired by the State as implemented in Texas.

We believe that when the affected population is largely very low-income, elderly and disabled, as was the case in Texas with the homeowners suffering losses from Hurricane Rita, the State contracting model is the appropriate model. The difficulty of managing contractors and subcontractors coupled with labor and supply shortages make it extremely difficult for low-income populations to manage reconstruction contracting on their own.

A problem Texas is confronting is how to cost effectively provide large numbers of home reconstructions, in close proximity to one another in a timely and cost effective manner. A secondary problem is how to design the structures to avoid a similarity of design that gets the houses labeled "government housing" and how to architecturally integrate the homes into the fabric of existing communities.

The dictates of the Round 2 timeline means that Texas will probably not implement a good solution to these problems through this program, but TDHCA and the Texas



housing community are aware of the challenges and are working together to devise a future solution. We call the pilot program the Texas Grow Home Project.

The Texas Low Income Housing Information Service (TxLIHIS), in partnership with TDHCA, the Texas Society of Architects and Covenant Community Capital (Covenant) decided to develop and model a new way to respond to the growing need for a post-disaster, long-term housing solution: the Texas Grow Homes project. Through this project, are modeling a whole new approach to responding to the housing needs of low-income, disaster-impacted populations.

The Texas Grow Home project is unique because it takes on both temporary and long-term housing needs at once. By culling the best architectural talent from across the state, it seeks to promote and build modular homes that are simple, well designed, efficient, affordable, and can be delivered immediately following a disaster. Most importantly, the Texas Grow Home can evolve into a permanent home.

In what is estimated to be the largest statewide affordable housing design competition in Texas history, 160 teams of architects competed to design the four Texas Grow Homes that are now being built into model prototypes. These 1,100 square foot prototypes will include one “core” and one “add on” module, so that the “core” can be used as emergency housing and the add-on can transform it into a permanent residence.

Since the hurricanes, a number of organizations have proposed brilliant and inspiring new designs for post-disaster replacement housing, beginning with the highly acclaimed “Katrina Cottage.” Yet the Texas Grow Home project doesn’t just end with good design. In a way, good design is just where it begins.

Based on model prototypes, we are modeling a whole new programmatic approach to providing housing to low-income disaster survivors and other low-income Texas families. It is a program that values long-term over short-term, and quality and efficiency over waste. It is also a program that engages the desire of volunteers and faith-based organizations to contribute to long-term—not just short-term— recovery.

Department of Homeland Security (DHS) Secretary Michael Chertoff told the Senate Homeland Security and Governmental Affairs Committee in February 2008 that DHS was going to get out of “the trailer business.” Yet clearly, a new post-disaster solution must be developed to replace the failed one.

The ultimate goal of Texas Grow Homes demonstration project is to make substandard, overpriced FEMA trailers a thing of the past. By modeling four low-cost, sustainable, modular prototype houses in hurricane-impacted areas, TxLIHIS and our partners will show that “temporary” post-disaster housing can be two things it rarely is: a quality permanent home and a home embraced by local communities.

The Texas Grow Home initiative draws upon the best architectural talent in Texas, the passion and production capabilities of Texas’ nonprofit community development corporations, the demonstrated needs of low-income hurricane survivors, and the willingness of survivors to contribute the labor toward building their own home.

TxLIHIS is currently partnering with Houston-based Covenant Community Capital to build the three 1,100 square foot Grow Home prototypes, consisting of a core 700 square foot module and an add-on 400 square foot module.

These prototypes will demonstrate to the public and to hurricane survivors that Texas Grow Homes are functional, flexible, affordable and fast.

### **Functional**

The four winning Texas Grow Homes are designed first and foremost to resolve the array of post-disaster housing problems facing survivors. During the competition, architects were charged with developing a simple, functional solution to a very complex problem of poverty, social vulnerability and government neglect.

Each of the winning Grow Home designs meets survivors’ essential needs, including a quality, efficient living space and the capability to be transformed into a long-term home. As envisioned, the Texas Grow Homes meet the practical goals of providing a healthy living environment and protecting against future natural disasters. However, this project is also a response to the failed status quo of housing low-income survivors in small, institutional, toxic travel trailers. Thus, during the Grow Home planning and design competition process, architects, policy makers, advocates, and low-income people worked together through design *charettes* and the judging process to agree upon sound, long-term planning as well as design elements that provide hurricane survivors with dignity in their home.

“The three day judging of the 84 entries was very challenging in that many judges favored traditional bungalow designs, while others thought the victims of Rita deserved

a wider range of design options,” said Tom Hatch, competition judge from Hatch + Ulland Owen Architects. “After lengthy deliberations, the judges selected four very different and unique solutions, giving Port Arthur and the state of Texas a bouquet of architectural solutions, celebrating the talents of the architects.”

### **Flexible**

One of the key criteria of the Texas Grow Homes competition was to design a home that can be delivered under a variety of scenarios. This includes CDC sponsored urban in-fill, voluntary charitable home construction, self-help housing, and post-disaster housing replacement. While the Grow Homes are a response to an unjust and inhumane way of housing low-income people following a natural disaster, it can and should also be a response to affordable housing crises beyond the Gulf Coast. Texas’ segregated and impoverished inner cities and under served border colonias are disasters of another kind. Yet the Texas Grow Home should be flexible enough to respond to an array of housing needs.

The Grow Home itself is flexible. The two-module approach will demonstrate how the core can be transformed from emergency housing into a long-term home, allowing the value of the emergency housing to be retained as the core of a larger permanent home.

### **Affordable**

At a cost of no more than \$54,000, the Texas Grow Home is affordable to people earning as little as \$15,000 a year. Compared to the cost to taxpayers of a single FEMA trailer during its 18-month life cycle — \$59,800 — the Texas Grow Home is a far more fiscally prudent option. Moreover, the Grow Home is designed to last a lifetime, rather than be a throw-away temporary solution.

In May 2007 the Texas Department of Housing and Community Affairs (TDHCA) agreed to provide \$250,000 in State funds to fund Grow Home prototype construction costs and 0 percent, 30-year mortgages with monthly principal and interest of \$200 for three families who will eventually live in the completed models. This sets the groundwork for a more expansive State-supported Grow Home housing program.

Additionally, energy efficiency and the use of green building techniques were among the key design criteria in the competition. The winning designs have features including: rainwater harvesting, utilization of natural light, locally-produced recycled glass

countertops, and sustainable construction materials such as bamboo that will reduce energy costs and improve air quality.

The Texas Grow Homes project is thus part of a growing trend to merge two concepts that once seemed diametrically opposed: “green” building and affordability. In cities across the country, decision makers are recognizing that energy efficient buildings, while they can cost more to build, are more affordable than traditional housing—they cost less to maintain and they provide a healthier atmosphere that in the long term will save on healthcare costs.

### **Fast**

The White House admits that “Moving evacuees into trailers was delayed because of FEMA’s failure to plan for the provision of delivery transportation and infrastructure support such as water and electrical hook-up.” In recognition of this failure and of the importance of an expedient delivery of emergency housing, each Grow Home should be deliverable in the immediate wake of a disaster. The modular approach supports this goal, allowing homes to be installed on-site.

Feasibility of mass production also topped the list of Texas Grow Home design criteria. During the Texas Grow Home prototype construction process, TxLIHIS and Covenant will monitor construction to ensure that each home will be able to be reproduced at a fixed cost. TxLIHIS and partnering organizations will widely promote the models as a template Community Development Corporations (CDCs) can use to build quality houses quickly and to meet the unprecedented need for affordable housing in hurricane-impacted cities.

## **6. Pass the National Affordable Housing Trust Fund to expand the supply of rental housing available to extremely low income households**

All of the Texas cities where Hurricane Rita and Katrina evacuees relocated had a severe, preexisting shortage of affordable housing. This shortage has reached a crisis level from the infusion of tens of thousands of additional extremely low-income families. Evidence of this can be found in the swelling of public housing and Section 8 waiting lists in the affected cities.

As we have noted in an earlier recommendation, one part of the solution is the provision of additional Section 8 Housing Choice Vouchers to these impacted cities. But tenant-based assistance alone will not fully address the need. There needs to be an effort to

increase the overall supply of housing affordable to extremely low-income families. The National Housing Trust Fund is the correct program by which to finance the production of these housing units. We thus recommend that Congress enact and fully fund the National Housing Trust Fund and target the financial resources for the first two years of the program's operation to providing funding to cities that received substantial numbers of evacuees. This funding for evacuee housing should be for the specific purpose of funding construction of affordable housing in desegregated, high opportunity neighborhoods.

### **7. Authorize waivers in LIHTC statutes and additional LIHTC allocation to produce more rental housing**

Texas needs an allocation of an addition \$30 million in Low Income Housing Tax Credits coupled with special waivers.

Following Hurricanes Rita and Katrina, the greatest demand for affordable rental housing in the region most impacted was overwhelmingly among very poor families, according to a report released by TDHCA in 2006. The report evaluates government subsidized rental housing financed by the Low Income Housing Tax Credit program in the Houston metropolitan statistical area. The tax credit program is Texas' largest producer of subsidized housing, providing apartments to families earning less than about \$40,000 a year. The program as currently structured does not generally house very low-income families who earn roughly less than \$26,000 a year. In 2005, when the hurricanes struck, about 400,000 households in the Houston area fell into this "very low-income" category, constituting about 20 percent of all Houston area households.

It is perhaps not all that surprising then that according to the study, there is a need for about 14,000 more apartments affordable to very low-income families in the Houston metro area, and a surplus of 2,685 apartments for families in the higher income group served by the tax credit program. Study after study indicates that Katrina evacuees in Houston are predominantly extremely poor, given that seven in 10 that arrived in the city did not even have a savings or checking account. The evacuees' presence has dramatically heightened the need for rental housing affordable to families earning less than \$26,000 a year.

Congress allocated \$3.5 million in special tax credits to Texas for housing hurricane evacuees, yet this has done little to address the real crisis of very poor evacuees in

need of a place to live. Congress needs to give hurricane impacted states the flexibility to award additional tax credits (a 160 percent increase) to developers who agree to rent up to one-third of their apartments to very low-income families. This way, the State can adjust the credits to produce apartments with deeper subsidies that rent to families earning between roughly \$18,000 and \$26,000 a year.

### **8. Establish a fair housing counseling and "Moving to Opportunity" program in Houston to overcome the segregated housing patterns of Katrina evacuees created by the temporary housing program**

We have identified three areas of fair housing concern with the State's ongoing program.

- 1) The requirement under Round 2 that rebuilding or rehabilitation must occur on the homeowner's property prevents families from moving from existing segregated neighborhoods into higher opportunity, integrated neighborhoods.
- 2) The City of Houston's poorly designed program not only offers no opportunities for Katrina survivors to move out of the intensively segregated housing they were placed in under the Temporary Housing Program, but it also uses CDBG disaster relief funds to rehabilitate and enhance the existing segregated housing opportunities while providing no housing assistance outside of these neighborhoods.
- 3) The State's proposed partnership between the FEMA Affordable Housing Pilot Program and the Harris County Housing Authority will create a subdivision of Katrina Cottage Demonstration units in a remote rural area of the county and will restrict occupancy to Katrina evacuees

Each of these areas merits close examination for their negative effects on fair housing opportunities. We feel that it is incumbent upon Congress to provide financial resources and program guidance to ensure that hurricane evacuees are not consigned to live in low-opportunity, segregated communities simply because the Temporary Housing Program resettled them into such communities. These families lacked the local housing market knowledge and financial resources to find alternatives and should not be permanently segregated as a result.


«Organization»

We propose that Congress establish a "Moving to Opportunity" program to provide Housing Choice Vouchers, counseling and support services to help Katrina survivors in major cities move to higher opportunity areas.

United States House of Representatives  
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

<b>1. Name:</b>  John Henneberger	<b>2. Organization or organizations you are representing:</b>  Texas Low Income Housing Information Service
<b>3. Business Address and telephone number:</b>  508 Powell St, Austin, TX 78703-5122, (512) 477-8910	
<b>4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?</b>  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?</b>  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>6. If you answered "yes" to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>	
<b>7. Sig</b> 	

Please attach a copy of this form to your written testimony.