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SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST-KATRINA, PART I

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST–KATRINA, PART I

Thursday, February 22, 2007

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2:10 p.m., in the Lawless Memorial Chapel, Dillard University, 2601 Gentilly, New Orleans, Louisiana, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Present: Representatives Waters, Green, Cleaver, Sires; Biggert, and Neugebauer

Also present: Representative Jefferson.

Chairwoman WATERS. Ladies and gentlemen, this hearing of the Subcommittee on Housing and Community Opportunity will come to order. Thank you very, very much.

Before we start, we would like to call on President Hughes for some remarks. President Hughes.

Ms. HUGHES. Good afternoon, everyone. I am Marvalene Hughes, president of Dillard University, and it is indeed a pleasure for us to have you, Honorable Congresswoman Maxine Waters, here to chair this hearing.

The Dillard University family considers this to be absolutely an appropriate event for us to host and we consider it so because we know the devastation that has occurred to many of the residents in this area and in New Orleans.

We join you in wanting to provide the kind of service and housing that they need and we promise you that we will continue to be the best citizens that we know how to be in providing educational opportunities and in servicing our community.

And so we thank you so very much for highlighting the needs here today and we look forward to the outcomes of this event and to participating even after you have gone.

Thank you very much for coming.

Chairwoman WATERS. Thank you very much, President Hughes. We are delighted to be here at Dillard and we thank you for your kindness and for hosting us today.

Ladies and gentlemen, I would like to thank all of the Members of Congress who are here today. First, I would like to thank Ranking Member Biggert for being here today. Second, I would like to

thank Representative Green, who is with us today, as well as Representatives Neugebauer and Sires. They have all taken time from their busy schedules and changed their plans in order to be here. Also, Representative Jefferson is here; of course, we are in his district and hometown, so we certainly cannot forget that name. And finally, Representative Cleaver just joined us, having had to make a lot of changes in his schedule to be here. We are delighted that they are all here.

I am now going to call on Governor Blanco. We thank you for coming today. We know that you have a busy schedule and we would like you to share with us in any way that you see fit your observations, your directions, and your advice about what is happening here, particularly with housing. This is the Subcommittee on Housing and Community Opportunity and that is what we will be focused on. So welcome, Governor Blanco.

STATEMENT OF THE HONORABLE KATHLEEN BABINEAUX BLANCO, GOVERNOR, STATE OF LOUISIANA

Governor BLANCO. Thank you. Thank you, Chairwoman Waters, and distinguished Members of Congress. We are very pleased that you have taken this opportunity and taken the time out of your busy lives to join us here at this renowned and respected Dillard University, here in the City of New Orleans.

The immediate recovery of the Gulf Coast region depends on solutions to affordable housing and there is definitely a crisis in trying to bring back housing, affordable and otherwise. So I want to thank you for providing a forum to help identify steps that we can all take to expedite this recovery.

I traveled to Washington, D.C., earlier this month and I presented a Hurricanes Katrina and Rita Recovery Agenda to many Members of the new Congress. And although it was an unusually cold week in Washington, I received a warm welcome in the halls of Congress, so I thank you for that. Your hearing here today is definitely proof that the 110th Congress is committed to our recovery.

Today, you are going to hear from a number of experts who are well-versed in the details that you may want to talk about. They will be well-versed in the program specifics. An example of someone who will testify before you is Mr. Walter Leger; he is a member of the Louisiana Recovery Authority.

So my goal with you today is to provide an overview of the State's actions to expedite the Road Home Program, to discuss our rental program and public housing, and to recommend Federal actions.

Members of this committee are well aware that the full funding needed to run Louisiana's Housing Program was delayed some 6 months after Mississippi. But we are not here to debate, you know, all of the things that went on in the past. For the first 10 months after the storms, I fought alongside Congressman Jefferson here to secure adequate funding needed to put together a housing program, an equitable relief package that we are presenting to the citizens. So I want to thank you and I wand to thank the members of this committee who voted on securing that funding for us. We are extremely grateful for your actions.

The Road Home Program offers homeowners up to $150,000 to repair, rebuild, or sell their homes. With over 200,000 homes and rental units destroyed in Louisiana, this is the largest housing program the Nation has ever seen, so the challenge is enormous. Did the fact that we did not receive our Federal housing money until almost a year after the hurricane delay our progress? Well, I would have to be honest and say of course, it did. But nonetheless, our focus has to be on solutions that we can do now, and that we need to be able to move forward.

The Road Home Program has received over 109,000 applications; more than 78,000 families have received their appointments; nearly 38,000 families know the amount of their award as of today; and over 17,000 families have selected their awards; but as of today, only 782 closings have been held, and this is unacceptable.

It is maddening. I am on the phone every day pushing for solutions. When we have met obstacles at the State level, we have broken through them.

For example, when mobile home owners were excluded, we found a way within Federal regulations to include them. When senior citizens were being penalized for moving away, we removed the penalty. When FEMA and insurance companies refused to release federally-required data, I intervened, and when appraisals for homes were grossly under-valued, I forced a change. Too many homeowners disagreed with the pre-storm value of their home. Our contractor was relying on an industry-accepted standard called an automated valuation method. This does not work in the City of New Orleans. This is a flawed methodology because our neighborhoods here are unique. It is not unusual to find a home worth $75,000 sitting next to a far, far more expensive home, in the hundreds of thousands. At my insistence, the contractor is now relying on trusted local appraisers and new Federal data to make sure that homeowners are treated fairly. As more people are comfortable with their pre-storm values, I believe that people will select their award options.

In order to break through the closings bottleneck, I asked the contractor to ramp up the resolution team at the back end of the process. We believe they did not have enough people hired to do this volume of work. I have asked the clerks of court and the recorders of mortgages to extend their hours to do title work. We have also implemented a procedure to avoid the necessity of opening secessions on property that would have caused significant delays.

This brings us to today. The company promises us that by the end of this month, we will see a rapid increase. I will be satisfied when I see the results and I am expecting some positive results. I hope they can perform.

In addition to the homeowner program, we are leveraging Federal housing funds to restore affordable rental housing. Walter Leger will discuss this program in detail. I do want you to know that we have thousands of applications ready to move forward pending approval of a HUD waiver declaring this to be an incentive program. I discussed this waiver just yesterday with Secretary Jackson.

Forgivable loans will be provided to landlords who own a small number of rental units if they keep the rentals at HUD-approved rates. We are leveraging Federal housing dollars with Federal tax credits to help developers build mixed-income communities. Our long-term goal is not to bring back substandard public housing, but to transition these units to mixed-income housing.

However, as a temporary, interim measure, I have asked HUD and the Congress to bring back readily rehabilitated public housing units. Let us rehab as many as possible to allow immediate occupancy while we are proceeding with the long-term redevelopment plan. We must repatriate our citizens and this means affordable housing now, as quickly as we can do it.

In closing, there are several steps the Federal Government can take to speed up our housing recovery.

First, get rid of the red tape. Chairwoman Waters, thank you, and Chairman Frank, for agreeing to work with us to remove the obstacles holding up our hazard mitigation funding. Just this week, FEMA again claimed legal impediments to freeing up this $1.2 billion intended for the Road Home Program. The White House required Louisiana to use hazard mitigation funding as a part of our Road Home Program. Red tape is keeping us from being able to reach it. Please allow a FEMA waiver or a transfer of these funds to HUD dollars.

Second, exempt the Road Home awards from Federal tax penalties so homeowners can use the grants as they are intended, to rebuild. We do not want our people taxed on this money.

Third, extend the placed-in-service deadline for the Go-Zone tax credits. This will facilitate the development of affordable rental housing.

Finally, I would like to thank Majority Whip Jim Clyburn for the legislation he introduced to authorize 100 percent Federal cost share. This will cut through the paperwork and financial setbacks slowing down our recovery.

I know you are also working to reform the Stafford Act, and I thank you for that. And I also know that you are looking at potential Federal insurance solutions, because the insurance crisis will be the second crisis after the storm, if we do not have something sensible.

This is just the beginning agenda of housing-related items that we deal with.

I want to thank you for your assistance and I look forward to working with you to rebuild housing along the Gulf Coast. It is an investment that will more than pay off for this country. And we thank you for the fact that you are here, the fact that you care enough, and the fact that you are willing to work with us to try to make sense out of a situation that makes no sense to any of the citizens here experiencing it. Thank you so much.

Chairwoman WATERS. Thank you very much, Governor Blanco. Thank you. We are not going to keep you. We know that you have a very busy schedule and you advised us of that prior to coming.

I would simply like to ask you whether you have set some goals for your expectations for the Road Home Program? How many completions would you like to have by what time, what would you consider progress and success? And if you do not get it, would you be

willing to try and back out of that contract and find another way by which to implement the program?

Governor BLANCO. Yes, we have goals. We expect by the end of this month, which is coming to an end very quickly, to see more than 2,300 completed applications, where people have their money. Next month, we expect 7,000 more, and in the ensuing months, we expect to see no less than 10,000 per month. That is what we are asking of the company. We have been told for months now that once it gets into the pipeline, it will be rushing through the pipeline. We want to see it rushing through the pipeline.

If this cannot happen or does not happen, we are certainly going to take measures to put in a new operation.

Chairwoman WATERS. All right. Well, thank you very much, Governor Blanco. We appreciate you being here today, we look forward to working with you, and we, too, intend that the Road Home Program, which is Federal CDBG money, be spent in the way that we intended it to be spent. We would like to see that application process speeded up and we would like to see the applications completed. We are also concerned about the fact that even though the program could use up to $150,000 per applicant, it appears that the rules are such that nobody has received $150,000.

We are going to talk in detail with the company that is responsible for the contract, and we would like for you also to keep a close eye on that, because we think that the program has been designed in such a way that it is so focused on trying to keep down fraud or reduce fraud, and that it is not allowing it to move as fast as it possibly can.

I know, because you and I have talked about some other issues that you are paying attention to, that we are concerned about not only some of those things that you have mentioned that we will correct in the Federal Government, but also everything from the appraisals and how they are being done, to the fact that there are applications that are stuck because they cannot clear title. We think there are some creative ways to do that and so we are looking forward in a short period of time to you telling us whether or not these goals are being met, what you intend to do about it, and how we can straighten it all out.

Governor BLANCO. Thank you.

Chairwoman WATERS. Thank you very much.

Governor BLANCO. I appreciate it. Thank you so much.

Chairwoman WATERS. We would like to thank you very, very much, Governor, and we will stay in touch with you.

Governor BLANCO. I appreciate it. Thank you again for being here, and we appreciate your time.

Chairwoman WATERS. At this time, I would like to call the Mayor of the City of New Orleans, Mayor Nagin, and the president of the City Council, Mr. Thomas. Thank you for being here with us today.

If I could get your attention. While the panel is being seated there, I will recognize myself for an opening statement and then I will recognize the other members for opening statements.

First of all, again, we would like to thank President Hughes, and Dillard University, for their hospitality and for allowing us to be here today.

As the chairwoman of the Subcommittee on Housing and Community Opportunity, I have the responsibility to provide leadership in the development of housing policy in America.

The Gulf Coast was devastated by Hurricanes Katrina and Rita with a severe loss of homes, rental properties, and public housing. Thousands of Americans have been displaced and 17 months later are living in trailers, sharing space with family members and friends and strangers, both in the Gulf Coast region and, still, in cities and towns all over America. There is indeed a housing crisis here in New Orleans and in the Gulf Coast.

Whether it is public housing, rental housing, or homes that they own, people are desperate to return, to rebuild their lives. However, there is very little, if any, affordable housing to return to. Some public housing that had not been adequately maintained for years received additional damage. Also, we have been told that the infrastructure in the City is still inadequate to support all the housing that is needed. Homeowners who want to rebuild are being asked to do practically the impossible through the Road Home Program. Many homeowners have lost everything and have yet to receive a dime from the State of Louisiana for damaged or lost homes, although the funds for rebuilding their homes is being financed through Federal Community Development Block Grant Program funds that the Congress appropriated last year, $16.7 million in CDBG funds with $10.4 billion—I am sorry, $16.7 billion with CDBG funds with $10.4 billion to Louisiana. Unfortunately, much of the response of the Federal Government to the housing needs in the Gulf region can be best described as temporary.

FEMA received the major portion of funds that were contained in two appropriations bills for the initial emergency response and repair, approximately $62.3 billion. And on June 15, 2006, Congress gave FEMA an additional $6 billion. We now question whether FEMA was the correct agency to address housing issues related to this disaster.

The House passed legislation last year which would have removed responsibility for housing from FEMA and transferred it to HUD. As you know, FEMA was providing rental assistance to 700,000 households. Currently, 33,000 households are receiving rental assistance. So does HUD have the infrastructure to better serve the housing needs of these 33,000 households? FEMA just recently extended housing assistance to households displaced by Katrina through February 2008.

Part of the housing crisis in the Gulf region is linked to the state of public housing. This is an area that we are going to pay an awful lot of attention to and so today, we made a tour in the City and I think I can remember all of the places we stopped. We were at Iberville, Lafitte, C.J. Peete, and St. Bernard. We went through the Desiree redevelopment and we were in the 9th and the Lower 9th, and we were particularly paying attention to public housing because there are a lot of things to be resolved. There is a lawsuit that has been filed against HUD. There are people who are living in Dallas and Houston and other places who want to come home.

They are desperate to come home. Some of these residents have said to us, as they have traveled to Washington, D.C. to talk with us, that they had every expectation that the units would be reha-

bilitated and they would be returned to the units, only to find out that there is a proposal to dismantle all of these public housing units.

And so, one of the things we must do in our work is to determine whether or not units should be rehabbed, whether or not they are habitable units, whether or not HUD has a responsibility because of the lease agreements to return people to the homes that they had a lease on, and we need to look at some of the HUD policies where there were units that were scheduled for development pre-Katrina that sat boarded up for years, or whether or not there should be wholesale dismantlement or whether or not there should be a moratorium or indeed whether or not there should be more planning between HUD, the City, and the residents to talk about the future of public housing.

So these are some of the issues that we are concerned with. And you heard the testimony of the Governor and a general kind of statement that I shared with her about some of our concerns about the Road Home Program. We certainly intend to do everything that we can to straighten out that program so that implementation is faster and that people receive at least the subsidies that they deserve in order to get their homes started again, to start rebuilding, and to get back into some kind of regular form of life.

With that, I thank you very much, and I am going to then go to our ranking member, the Honorable Judy Biggert.

Mrs. BIGGERT. Thank you very much, Madam Chairwoman. I want to thank you for putting together this afternoon's hearing to focus on the housing needs of the Gulf Coast region. I would also like to thank you and HUD for arranging our visit to many of the devastated sites around the City so that we can better understand the task at hand and how we can best assist in this effort.

I would like to also recognize and welcome today's witnesses; my colleagues from the House; local, State, and Federal officials; the President and administration of Dillard University; volunteers and businessmen and businesswomen; and, most importantly, the residents of this wonderful City. Thank you for being here today to testify, for showing us your neighborhoods and homes, for sharing with us your difficulties in rebuilding, and for revealing to us your hopes for the future of New Orleans.

By all accounts, to call Katrina a hurricane is an understatement; it was the most destructive and costly natural disaster in United States history. It led to the evacuation of a major city and the surrounding areas and it destroyed housing and infrastructure on an unprecedented scale.

During the 109th Congress—that was last year and the year before—the Financial Services Committee was at the forefront of the hurricane relief efforts with three hearings and four briefings, with approximately 80 witnesses participating. In the months following the disaster, the committee shepherded needed relief legislation to the House Floor, helping not only families in the immediate hurricane-ravaged areas, but also those who suffered in the aftermath due to flooding.

The task of recovery and rebuilding in this area continues to be a monumental one. We are more than 18 months removed from Hurricane Katrina, yet the challenges seem unending. To many of

those affected, the recovery has seemed slow and uneven. Rebuilding has been hindered by the severity of the damage, the need to limit future flooding damage, and the need to coordinate the recovery among many levels of government. There are still too many people who are without permanent housing, jobs, and infrastructure.

How best to go about the reconstruction of the region and the problems facing communities, public housing authorities, renters, homeowners, and the mortgage and financial services industry are certainly all issues that must be addressed.

One thing is certain; disasters will continue to happen. We need only to look at the devastating tornado that went through New Orleans recently and the recent storms in Florida as reminders.

We, in Congress, need to learn from our mistakes in the Gulf Coast. We must ask the difficult questions about how the $110 billion has been spent in these localities. Should it have been spent in a more efficient way and cost-effective manner? What accountability should there be? What Federal organization should be in charge of the national government's response and what should be done about uninsured losses? These are difficult questions, but we must figure out how to get it right.

As the new ranking minority member on the Financial Services Subcommittee on Housing, I certainly have an interest in this. Clearly, the availability of affordable housing is critical to the overall recovery after such a devastating storm. If there is no housing, there are no businesses; if there are no businesses, there are no jobs; and without jobs and businesses, residents will fail to return and provide the economic base that will spur the economy for the New Orleans metropolitan region.

I hope that today's hearing will shed light on specific issues that Congress should consider in order to better plan for future disasters and how to improve the capability of all levels of government to respond to disasters effectively.

Again, I thank the chairwoman for this important hearing and I yield back.

Chairwoman WATERS. Thank you, very much.

Members, without objection, I would like to call on the Representative from this district. He does not serve on this committee, but we certainly want to afford him the opportunity to address us and give us his advice and his thinking on this.

I would like to recognize Mr. Jefferson for 5 minutes.

STATEMENT OF THE HONORABLE WILLIAM J. JEFFERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. JEFFERSON. Thank you, Chairwoman Waters. I want to express how extraordinarily lucky I think we all are in this country to have at a time like this—when we need so much in our City, particularly in the housing area—Maxine Waters chairing this important committee at this critical time.

I prevailed on her early after the elections in November to, among the first things she would do as she assumed her chairmanship of the Subcommittee on Housing, come to New Orleans this time, not to visit in a normal way as we have before. We have all

brought many Members of Congress down here, we have traipsed around and looked at things and all of that was wonderful and good and necessary. But this is to be a different visit. This one is to come away with something and to get something done about the problem. We are tired of talking and looking and seeing. We want to have some bills passed in Congress that are going to bring relief to our folks and bring our people home.

That is what this committee is committed to do under her leadership, and I want to thank all the members who have taken the time to come to our district, to our City. I want to welcome you all in the warmest way.

I want to just state as a predicate two things. The first is that Dr. Hughes, thank you very much—before I say that—for hosting this event at this wonderful, historic university. Dillard is a wonderful part of our community and you give so much to us and we thank you. This is another example of what Dillard does for New Orleans and for the region.

I want to say two predicate things. First of all, it is important for this committee to remember, and for the Congress to remember, that the flooding of the City of New Orleans was not the result of a natural disaster.

It was the result of the failure of our Federal Government, particularly the Army Corps of Engineers, to do its job. And it was because of its negligence in designing, constructing, and maintaining our levees that our City drowned. So that gives the Federal Government a special responsibility. It is more than a response to a humanitarian disaster, it is a response to a Federal Government responsibility for not having done its job that, I think, brings us here. So that is an important thing to note.

The second thing is this—the second thing is that while $110 billion is a lot of money, it is important to understand how the money has been allocated, first of all. And second of all, to what the current money has been applied. Of the $110 billion, about $59 billion was allocated for Louisiana's purposes. Of that, $18 billion or so was spent in the early stages of rescue and maintaining people in different places and FEMA workers coming here and all the other things. $14 billion of it was spent to shore up the flood insurance program that was not adequately capitalized to meet the needs of people who had flood insurance. That leaves about $26 billion for everything else to be done—for the homeowners program, which is the $10 billion just mentioned earlier, and the rest of it for public infrastructure for the rebuilding of police and fire stations and all the rest of those things. And the City itself—that is for all of Louisiana. The City itself has assessed that it needs about $14 billion for its own infrastructure needs, so if the City just applied it to New Orleans, it would not be enough.

But here is what I really want to make the point about. If the figure for Mississippi is right, Mississippi got $5 billion out of the $16 billion. If it is right, then Louisiana's figure is necessarily wrong, because Louisiana suffered 4 to 5 times the damage that Mississippi did and got twice the money.

And so while I would agree with the committee observation on this, that the Road Home Program is not working right even with the money we have, it is important that we think about this in

larger terms and somebody needs to figure out exactly what is needed to bring back this City as it should be brought back, because of what I said as a predicate—the Federal Government failed in its responsibility to keep us whole.

So with that, I will let the others bring the details. I want to welcome our Mayor and the president of our City Council, and to thank them for appearing here. All of our local officials who are here, glad to see you here and thank you for the work you are doing to bring back our City. And for the people out here, most importantly who want to come back home, we are here to make sure that this can happen for you and happen for you soon. That is our responsibility and that is our job.

Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you, Mr. Jefferson.

We will now hear from the gentleman from Texas, Congressman Green.

Mr. GREEN. Thank you, Madam Chairwoman, and I especially thank you for bringing this hearing to Louisiana. I have been here with you before and while you were not the chairwoman, I thought you were.

And I want you to know, friends, that I am honored to be in New Orleans because I was born in New Orleans. I am a Charity baby, and now I represent the 9th Congressional District in Houston, Texas.

This problem that we are facing, and it is a problem, it is a huge problem, is much larger than we have contemplated in some quarters, because we have approximately 20,000 persons in my district in Houston, Texas, many of whom still want to come home.

And I want to do all that I can to make sure every person has an opportunity to come home. Whether you were born into riches, or whether you inherited a legacy of poverty, I think you should have the opportunity to come home.

To do this, I am honored to be here with the chairwoman so that we can find out about the housing situation. We hear a lot of rumors, and we want to see for ourselves what the situation is. To do this, we have to hear not only from the persons who are going to be before us today, but we have also talked to people in the housing projects. And we have talked to people with ACORN, and we are going to talk to people who want to talk to us, so that we can get a clear vision of what is going on.

Finally, let me say this, because time is of the essence and this is important—my desire is that we rebuild those levees, not to Category 3 standards, but to Category 5.

I want businesses to feel comfortable here, but I want people who live here to feel equally as comfortable.

My desire is that we work together—Federal, State, and municipality—to make sure that every dollar that we can get to the people will get to the people. We in this country had another catastrophe—9/11. It was horrible. And we did the right thing. We took care of a good many people and we gave cash to people. I want to make sure that we treat the people in New Orleans equally as well as we treated the people in New York.

And I say this with love in my heart for the people who suffered and I believe that they were treated fairly and I want to do more

for the people in New York, but I just want to make sure that the people in New Orleans are treated with the kind of compassion that they richly deserve.

Madam Chairwoman, I thank you again for your dynamic leadership and I am honored to serve under you.

For edification purposes, history has been made in Congress, and we need to talk about it sometimes, I think. This is the very first African-American to chair the Housing Subcommittee in the U.S. Congress. And I think that means something to people. It ought to mean something to you.

Chairwoman WATERS. Thank you, very much.

Next, we will hear from a gentleman who paid a lot of attention this morning on the tour, and asked a lot of questions, the gentleman from Texas, Congressman Neugebauer.

Mr. NEUGEBAUER. Thank you, Chairwoman Waters, and thank all of you for being here. I think this speaks volumes of your interest in your community. Last evening, I arrived in New Orleans and I was in the cab, and you know, you can find out a lot about a city just talking to the cab drivers, right? I think he recognized my voice, maybe I talk a little bit different than he did, I do not know, but he said you must be from Texas. I said yes, I am. And he said well, I spent 3 weeks in Texas after Katrina, and I just want to thank you on behalf of my family. He said, I have three children and my wife and we were over in Texas. And I said you do not have to thank us, because that is what neighbors are for, right?

This was a disaster in historic proportions and we hope it is the only one of this proportion that this Nation will have to endure. And America has responded with historic resources, over $100 billion has been put forward and authorized for this effort.

New Orleans has a long history. In just a few years, you are going to celebrate your 300th birthday. This is a community that has evolved over almost 290 years and it has suffered a major blow. But looking out across this audience, I know it is not a blow that you cannot come back from, but it is going to take time. You did not get to be the great city that you are overnight, and as some have said, Rome was not built in a day and neither was New Orleans built in a day, and it is going to take time.

But you know what? It is time to get started. And as we get started, we have to make sure that we have the best plan in place. And I know your leaders have been working on that planning process. We need to make sure that we have a plan that will succeed, because we do not want to go down a road of failure for the people of New Orleans. You deserve a plan that will succeed and we are hopeful that plan is evolving and will be in place.

And the second piece of that is when you say we are going to get started, is now that we have a plan or we finish up our plan, we have to make sure that it is a plan that we execute in the appropriate way.

The American people have responded in a large way, putting forward $100 million of their hard-earned tax dollars to make sure that New Orleans and the communities along the coast are able to rebuild and families restored. We owe them a stewardship to make sure that the plan is good, that the people are in place to make the plan work, and that the plan, in the long term makes sense, not

only for you, but makes sense for the American people, because that is what makes America great. Because as some of us go, all of us go.

I look forward to spending the next few days with your leadership listening. We have already had a wonderful tour of this City today. I have seen the devastation. This is my second trip back to the region and I look forward to hearing from the witnesses today to begin to enlighten this committee on what is the plan, how we intend to implement it, and what are some of the stumbling blocks that are in the way that are keeping us from getting started.

And so thank you for being here, and thank you, Chairwoman Waters, for bringing this very important hearing to the City of New Orleans, and I look forward to our time here.

Chairwoman WATERS. Thank you, very much.

Next, we will hear from the gentleman from Missouri, Representative Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman.

I do not have much of an opening statement, I would like to express appreciation to you for your leadership and your relentless push for the Federal Government to address the problems of what has been the greatest national disaster in the history of this republic.

I would also like to say, Madam Chairwoman, that I am embarrassed that the United States of America, the world's only super power, has been woefully inept in dealing with this problem. And I feel as if the government has let people down.

I want to thank my hometown corporation, Black & Beach, representatives, they have come down and volunteered to work here in New Orleans. After all is said and done, there has been more said than done, and so I have nothing else to say.

Chairwoman WATERS. Thank you, very much.

And now we will hear from the gentleman from New Jersey, Representative Sires.

Mr. SIRES. Thank you, Madam Chairwoman. I just want to say thank you for inviting me and thank you for your leadership.

This is my first time in New Orleans ever. My district lies in New Jersey, across from the World Trade Center, and I saw that devastation; I lived it. I saw the plume of smoke all those weeks burning. And as I rode around this morning, I could not believe the devastation here. I had seen it on television, but until you see it for yourself—and I am sure that you have lived it—all I can tell you is that I am here to learn, I am here to work with the chairperson and the other Members of Congress, I am here to get all the facts and whatever I can do to help you with this horrible situation that you have here in New Orleans, I am here to help you.

So thank you very much for having me here.

Chairwoman WATERS. Thank you.

Without objection, all members' opening statements will be made a part of the record.

Before I call on the Honorable Mayor, I would just like thank ACORN for the work that they did in helping to build two new houses that we had an opportunity to share in the ceremony at this morning. The Members of Congress were asked to present the keys to the residents who will be occupying those homes. So I would like

to thank you, ACORN, and all of the groups that work with ACORN. You give us hope, you give us inspiration. Thank you very much.

There are some legislators in the room. I recognize one whom I have worked with for many years, Senator Bajoie. Senator Sheppard is also in the room, and Mr. Danatus King, the local president of the NAACP.

Thank you very much. With that, the Chair will now recognize our first panel and start with the Mayor of the great City of New Orleans for a 5-minute statement.

Mayor Nagin.

STATEMENT OF THE HONORABLE C. RAY NAGIN, MAYOR, CITY OF NEW ORLEANS, LOUISIANA

Mayor NAGIN. I am C. Ray Nagin, Mayor of the City of New Orleans, one of America's most beloved and culturally distinctive cities, and a city which is facing the challenge of recovery and rebuilding after the worst disaster to occur in United States of America.

Chairwoman Waters, thank you for your leadership on this particular issue. Distinguished members and guests of the Subcommittee on Housing and Community Opportunity, I want to personally thank you for coming to New Orleans.

You know, there is lots of information that is out there, lots of news reports. It is probably 50 percent right. It is not until you come to this City and actually see and experience somewhat what we are going through on a day-to-day basis that you can surely understand this.

I hear the audience. There is lots of frustration out there and it is understandable.

[Audience reaction]

Mayor NAGIN. But I am going to—

Chairwoman WATERS. Quiet it down for a moment. Mr. Mayor, I am so enthused about being here and I know that you are too, but we can really make better use of our time if we just kind of hold it down and let's listen to the Mayor and our other witnesses. And I thank you very much.

Mayor NAGIN. Madam Chairwoman, I am going to shoot straight with you. You know me, I have always done that. I believe in the spirit of truth. It prevails all the time, so I am going to do what I normally do.

Let me first thank the American people, because there are lots of people around the country who have helped us out tremendously.

As I start my testimony, I am not going to go over all my notes, but I am just going to cover a couple of the highlights. Pre-Katrina, this City had a population of 455,000 people, we had $3 billion worth of construction activity, 215,000 housing units, and a viable and growing central business district. We were setting back-to-back records relating to tourism; we topped off at about 10.1 million tourists in 2004, and we had something going on that was unique in this country. We were creating Hollywood South where we had lots of multimillion dollar films being filmed in our City. The economic landscape of this City was definitely improving prior to Katrina. We saw thousands of people move off the poverty rolls and

we were starting to see our business community really start to pick up prior to Katrina.

Then Katrina hit. And like Congressman Jefferson said, we in New Orleans did not do anything other than we normally do. We just live and breathe and work and try and have a good time and raise our children in this City. Then, the levees broke. The levees broke and all hell followed it. And it is not necessarily what happened when the levees broke, it is what is happening or has happened after the levees broke that is the story.

Your committee deals with housing. We have talked a lot about the Road Home and I am going to touch upon that in a minute. But you need to understand that in this City, 54 percent of the people were renting. And right after Katrina happened, the rental stock went away for the most part, and when you have a supply and demand issue, where you do not have enough supply, demand goes up high, and prices follow it.

So we are in a crisis at the moment. It is getting a little bit better but it is not much better than it was 16 to 17 months ago. Everything was impacted after Katrina. Schools, hospitals, infrastructure. You name it, it was impacted. You need to understand the devastation as far as the amount of water that sat in our City for over a month. It represented 480 billion pounds of water that totally devastated this City. Portions of our City literally collapsed under the weight of this water. Entire areas were pushed even further below sea level and hundreds of miles of underground utilities were damaged.

We have patched it up. Every area of this City can get utilities, but it is with bubble gum and tape that that system is put together right now. We have not been able to see all the dollars that are promises via the Stafford Act to repair our public facilities.

Let me move into what is the crux of this issue. Why, in America, would we be struggling 18 months later?

You know, I have lived and breathed this 24 hours a day for the past 18 months and in my humble opinion, the slow pace and awkward bureaucratic regulations of how these Federal funds are flowing present a critical challenge to the recovery at the local level. All the dollars that you have been talking about, $110 billion, very little, almost none of it, has gotten to the local level, and that is the crux of the issue.

If I had known in all my lobbying trips when I went to Washington, that I would have to sit here and borrow money to avoid bankruptcy in a great American city, I would have lobbied totally differently. But the money flows through the Federal system to the State system, and we are still waiting. And the money is not in New Orleans as we speak; it is a shame.

Chairwoman WATERS. Mr. Mayor, could you wrap up your testimony? We do have it in writing and it will be an official part of the record.

Mayor NAGIN. I will wrap it up, ma'am.

Public housing, ladies and gentlemen. I have been very consistent in my position about public housing. I have gone in public housing units to inspect them after the event, I have talked and met with Secretary Jackson and his staff. I have been very consistent. Every citizen who was in public housing prior to Katrina

deserves the right to move back into this City in a better unit than they had before.

According to the Secretary and his staff, at least 60 percent of the public housing residents want to come back to the City of New Orleans. That means we need about 3,000 units immediately. All right, they have delivered 1,000 or 1,200 units and about another 1,000 Section 8 certificates. So we are short, and that is what is causing all the stress that you are hearing behind me today. We need to ensure that as we move forward, there is a phased redevelopment of public housing, that we upgrade all the units and whatever units are available to be repopulated are immediately put back on line.

[The prepared statement of Mayor Nagin can be found on page 149 of the appendix.]

Chairwoman WATERS. Thank you very much, Mr. Mayor.

The Chair now recognizes Mr. Thomas, president of the City Council, for 5 minutes.

STATEMENT OF THE HONORABLE OLIVER M. THOMAS, JR., PRESIDENT, NEW ORLEANS, LOUISIANA CITY COUNCIL

Mr. THOMAS. First of all, let me thank President Hughes and the Dillard family. Let me also thank the person whom I call "Super Maxine", you are doing what you have always done for years, and that is fighting for the oppressed or depressed, whether it is in your district in L.A., or anywhere around the country. Let me thank our Congressman Jefferson for helping host this much needed hearing. Also, let me thank the other members of this panel.

You know, let me say that we appreciate the $110 billion that have been committed to this region. We appreciate that even though every expert around the world says we have a $200- to $300 billion problem—we appreciate that. We appreciate the $110 billion even though we provide 25 percent of the Nation with its oil and gas to the tune of trillions—we appreciate the $110 billion.

We appreciate any and everything that people—we are the greatest survivors in the history of the world. In New Orleans, we are used to being messed over.

And so we appreciate any and everything, we appreciate you, and we appreciate this committee. We thank you all for holding this hearing. I am going to hurry up and get through my remarks because my remarks are probably less important than the solutions that we are going to have to find.

There is a housing crisis in New Orleans. This is beyond dispute. There is an affordable housing crisis in New Orleans; this, too, is beyond dispute. By best estimates of professionals and statistical analysts from all over the world, we had 188,000 units occupied before Katrina; 124,999 of those units had at least 2 feet of floodwater. By FEMA's own estimates, 54.91 percent of all housing units in New Orleans received 75 percent to 100 percent damage.

But numbers tend to be meaningless, particularly when you have heard as many different versions as we have heard down here—and we have heard a lot. But let me say it the way we say it down here—if you did not lose your house, your mama probably lost hers. If your sister did not lose her house, then your brother probably lost his. And if you are a family struggling to get by, working poor

by no fault of your own, the chances that you lived in the unaffected areas were remote, and the chances that your house is gone are almost implausibly high.

There is a housing crisis in New Orleans and affordability is the key. If you would just think rationally about our situation—and that has been difficult for people all over, to think rationally, and we understand that—you would realize that every step that we have taken has been frustrated, the Mayor, the City Council, every step we have taken has been frustrated by the fact that we cannot bring our family members home, our friends back home. So you cannot separate us from everybody else. Some people may try, but we love our family members and we love our friends too.

Businesses cannot hire employees who cannot afford an apartment. Schools cannot hire teachers who cannot find a house. And customers cannot shop in neighborhoods where no one can come home.

We need affordable housing and we need it now. I am sure you are all aware of the Road Home Program, $7.5 billion designated to help homeowners repair their property. We heard the Governor, she is trying to step up and speed up that program. Well, if you do the math, less than 5.58 percent of the people have received assistance now. Less than three-quarters of one percent of applicants have received funds to rebuild their homes. And that just covers homeowners, not renters. Some of us wonder if we would have been better off waiting on the Second Coming. But what we have is what we have.

In fairness, the Road Home Program has recently launched their rental assistance program which is designed to help rental property owners and their properties and bring them back into commerce. If it works, it will help. I am an optimist by nature, so I am always hopeful. But I am a politician by profession and so right now I am skeptical about everything.

My final point, and I promise to be brief, is that we have thousands of units of public housing that are lying dormant. Some are damaged but some can be repaired. We have already received an agreement from HUD for rolling reconstruction rather than mass tear-downs that were initially proposed.

And let me say there is another thing that HUD can do. We have qualified, competent professionals who live and work in this City. They do not have to keep bringing in these multimillion dollar professions from outside the City to keep telling competent professionals how incompetent we are when they have been doing a good job for years.

Every step we make is a step in the right direction. Every effort to help is such a step. But now, having labeled all of the problems, hopefully we can work toward a solution and a common goal where we can bring all of New Orleans back.

And Madam Chairwoman, as I close, let me use this song that is the Women's Anthem right now, to tell you how we feel. We feel like the guy in the Beyonce song, "To the left, to the left."

All of our stuff is in a little box to the left. All that other stuff in the closet, all those oil and gas reserves, all of those trillions of dollars of taxpayer dollars we have donated over the years—I am a little boy who lived in a shelter after Hurricane Betsy, whose

family lost everything. But we still, "to the left, to the left." And then to cap it off, even when we get frustrated, you can keep talking that stuff, that's fine, but they tell us keep walking and talking at the same time.

We ain't walking no more. It is time for everybody to stand up and listen to us. We do not want to be, "to the left, to the left" or "to the right to the right", we want to be in the middle, in the middle.

Chairwoman WATERS. All right, okay.

Thank you. If you will allow us now to raise some questions of our witnesses. I will recognize myself for 5 minutes, and let me start with the Mayor, if I may.

Thank you again, Mr. Mayor, for being here and for sharing with us your honest opinion and your thoughts about everything.

Obviously, the Road Home Program is a problem, and I do not think that you have any oversight or authority in dealing with this program, that the CDBG money did not come to the City.

Mayor NAGIN. Right.

Chairwoman WATERS. It ended up in the State, and I suppose it was organized out of the Governor's Office.

Mayor NAGIN. Yes.

Chairwoman WATERS. And now having said that, and having watched the program at work, or not at work, what specific recommendations do you have to make it a more viable program? What would you do, based on your observations, that would move this program?

Mayor NAGIN. Thank you, Madam Chairwoman.

You know, back in February, after the event happened, I got all of the parish presidents together and we made a presentation to the State about a program that is similar to Road Home.

To cut it short, there are a couple of things I need to—the Road Home Program in its current format will not work. I do not care what they do with that program right now, it is overwhelmed, undermanned, and technically flawed.

It is technically flawed because they are starting with pre-Katrina values and that has nothing to do with today's environment. They should start with replacement cost and then process from that point. That is the first problem.

The second problem is they tried to start a big organization from scratch with this company called ICF. You just cannot do it, Madam Chairwoman.

We recommended back February last year for them to use the financial institutions in the community to process these loans.

I have taken $11 million of the City's money and we really probably should have used, or could have used it in other ways, we leveraged it 5 times and we put together what we call a Fast Track Program. We have launched that, it has been in existence now about 3 weeks and we have already—we are pretty close to capacity on it.

Chairwoman WATERS. What does the Fast Track Program do?

Mayor NAGIN. It is a loan program, it is a no-interest loan program that is designed to give people money, up to $50,000, in anticipation of the Road Home grant. So if you are waiting for it, this is front money.

Chairwoman WATERS. Well, excuse me, because I understand that in the Road Home Program, they deduct everything that someone has received, including insurance money, money from SBA.

Mayor NAGIN. They do.

Chairwoman WATERS. Now does that mean that they are going to deduct the loan money from the Fast Track Program when they—

Mayor NAGIN. Yes, they will. This is designed to get people money who are waiting on their Road Home check. And then once they get their check, they are required to reimburse the fund so we can replenish it. We can only help 1,000 families at a time. So that is a program we have.

But the other solution that I would suggest to you, is let us carve New Orleans out. Let us take New Orleans, all the people who have registered for the Road Home Program, whichever status phase they are in, and let us administer the program with the banking institutions and let us change the formula to start with replacement value. And I think we can get it done for you pretty quickly.

Chairwoman WATERS. Thank you very much.

Honorable Oliver Thomas, you mentioned that you support residents being able to return to public housing that has been rehabilitated so that they can get back home. And you sand that HUD had talked with you about some kind of phased redevelopment.

Mr. THOMAS. Yes.

Chairwoman WATERS. What I understand, having talked with many of the residents and some of the activists around the country is that people are fearful of dismantling public housing for several reasons. One is that many people think they will never get back in and they point to the Desiree project that took 10 years to get started and many people did not get back in. Also, they say that once you do the redevelopment, most of the configurations are such that you will never replace the number of units for public housing in these mixed use developments.

That, as with the Hope VI Project with mixed use, you have homeownership, you have market rates, and you have two-thirds less in public housing, and they are afraid of that.

And then the other thing that they say is that in New Orleans, there was a tremendous waiting list for housing, even though there was boarded-up housing.

Have you heard these kinds of complaints?

Mr. THOMAS. Yes, I have. But Madam Congresswoman, I think one of the answers—potentially one of the solutions to that is you place people while you are doing redevelopment or while you are working on new plans to make them better. You know, people have experienced that while they are waiting on a new unit, they do not get a unit. But if people are placed and people are in affordable housing while they are waiting on improved housing, then that is a solution to that. Not to have them wait while you say I promise you a unit, but to give them a unit while we are improving all of the housing stock in the City of New Orleans.

Chairwoman WATERS. So you are talking about one-for-one replacement.

Mr. THOMAS. Absolutely.

Chairwoman WATERS. Okay.

Mr. THOMAS. Look, if we have an opportunity—and I wrote these down because, you know, we all come from different planets on this issue. Why can we not have better housing in New Orleans? Why can we not have better public housing in New Orleans? Why can we not have training? Why can we not have day care? Why can we not have more homeownership? Why can we not have more homeownership programs? Why can we not, even after Katrina, we hope for and pray for a better place than we had before? Why can we not?

Chairwoman WATERS. Was the City involved in the HUD plans for redevelopment?

Mr. THOMAS. I called a special hearing, the day after HUD released their plan on national television, I called a special hearing to bring them before Mr. Davis and his group before the City Council when they announced mass demolition, and said that was not going to happen.

Chairwoman WATERS. Okay.

Mr. THOMAS. I also called for a commission on public housing.

Chairwoman WATERS. Okay, all right.

Thank you very much. And now I will turn to Congresswoman Biggert.

Mrs. BIGGERT. Thank you, very much.

Mayor Nagin, it sounds to me like you are not a big fan of bureaucracy, from your testimony.

Mayor NAGIN. Right.

Mrs. BIGGERT. And I am not a big fan of it either. Could you tell us, is it the bureaucracy of the Federal Government or the State government that seems to be standing in the way of New Orleans' plan for rebuilding? Could you give me some specifics?

Mayor NAGIN. Yes. I think it is two-fold. It is two bureaucracies that are clashing right now. And as soon as we get the money or approvals from the Federal level, we have to go through pre-audits and post-audits before the money starts to flow from the State.

In addition to that, we have a local law that basically says until we have the money in the bank, we cannot let the contract. And based upon the Stafford Act, everything that we do for infrastructure redevelopment is a reimbursement program. And we basically do not have the funds in the bank to start the process.

Mrs. BIGGERT. When you are working out your plans and working with HUD and working with the State government, do you all sit down and discuss this? Or is this just kind of a—

Mayor NAGIN. I have sat in so many meetings, Congresswoman, you know, you name it, we have done it. We make a little progress and then we go backwards. It is really a two step dance.

To me, the solution is to try and get as many dollars as close to the people as possible. You know, I have been in office now a little over 4½ years. I have had no major scandals, no scandals at all. We know how to handle the money, we can stretch it, and we can do a good job and get our citizens back and prove to the Nation that we can do this.

Mr. THOMAS. Congresswoman, that is a good question. Let me say as someone who has dealt with Dr. Pajorno and Hyasse and others from around the world in trying to study disaster and recov-

ery, there is a fundamental difference in how we deal with disaster in America.

If you look at other countries, their central government, which is their Federal Government, their prefects, their State governments, and their local governments, there is no separation. In those other countries that have emerged from disasters, they do not say okay, we are the federal government, you are the State government, you are the local government, and here, we are going to give you this, you do this. All three of those heads stay in the same room and hold the same hands until you go from disaster to recovery.

So the amount of separation that we have had here—and you say, okay, I am going to send you all this amount of money, but the expertise in many cases and the manpower and the additional resources that are needed are not accompanied the way they are in other countries that deal with disaster and recovery in a different way. So you are absolutely correct, the process has to be different.

And then some of think and believe that what happens with a natural disaster is much different than what happens with a terrorist disaster. They are both unfortunate, but a lot of the policies and requirements how you would deal with and react to each are different. The U.N. has specific solutions, where other countries have offered expertise and helped where they deal with from around the world. So the principles about recovery and about dealing with disaster are there, we just choose to deal with it differently here in the United States.

Mrs. BIGGERT. Thank you.

Just one other question. We had a continuing resolution to continue the government this year because we did not pass all of our appropriation bills last year.

Mayor NAGIN. Yes.

Mrs. BIGGERT. And there was a change in the formula for the Section 8 housing. Have you heard anything about that? I know that—I am from Illinois, right outside of Chicago, and in the suburban Illinois counties there was a definite loss of Section 8 housing money. And from what I have heard, this is also true of this area, New Orleans. I know there has been a loss in New York and a loss in Los Angeles.

Mayor NAGIN. Well, we know that there is a change coming, we just do not have the specifics, not only to the Section 8 funding but also to the Community Block Development Grant money, the annual allocations that we get that we use for a whole host of different sources. That is being cut, and has been cut; every year I have been in office, that money has been dwindling.

Mrs. BIGGERT. Okay. I think that according to my numbers, estimates that St. Bernard Parish will lose $1.3 million, Jefferson Parish public housing will lose $12 million, and New Orleans will lose $70 million in funding.

Mayor NAGIN. Those numbers are something that we are watching very closely. But yet and still, we will spend $75,000 on a FEMA trailer.

Mr. THOMAS. Congresswoman, you hit on something that is extremely important and I think is within the realm of Congress to deal with.

All cities qualify for Federal funding in certain areas, period, based on your population, your demographics, and your income statistics. So in many cases, to assist us, you do not have to have Road Home, Road to Rome or Road to the Moon. To assist us, all they would have to do is increase our allocation based on our recovery for this period of time. Even if you would take a look at future allocations, which sometimes cities apply for future allocations based on their need right now. So there are several areas that you do not have to have a special appropriation. If you know there is a need, increase our allocation right now, this year, and next year and then deal with us in the future when we go back under the formula that all cities qualify for. That information is already there.

Chairwoman WATERS. It would be great if Congress worked that way, it really would be. But it does not. However, I would like staff to make a note to review the formula.

Mrs. BIGGERT. I am concerned and I think we would all be committed to work to make sure that—

Chairwoman WATERS. Well, not only that, I mean when we reconcile the continuing resolution, if there is something that we can do to make up, we should do that. So I will focus on it and you will and we will see what we can do.

Mrs. BIGGERT. Yes.

Chairwoman WATERS. With that, let me go to the gentleman from Louisiana, Mr. Jefferson.

Mr. JEFFERSON. Thank you, Madam Chairwoman.

Mr. Mayor, I talk to you and Mr. Thomas all the time and other folks on the panel cannot do that, so I do want to take advantage of their time here. I just want to ask you about one thing.

You have borrowed a lot of money, the City has, to fill in the gaps here. How much money is that, that the City has borrowed so far?

Mayor NAGIN. The total, by the end of this year, we will be at $240 million in community disaster loans, and we have before Wall Street now another $150 million instrument—

Mr. JEFFERSON. How much of your tax base is back in position?

Mayor NAGIN. How much what?

Mr. JEFFERSON. Tax base do you have now, 25 percent, 30 percent of what you had pre-Katrina?

Mayor NAGIN. Probably about 65 to 70 percent. We are very tight; we barely avoided bankruptcy a couple of months ago.

Mr. JEFFERSON. So if the Congress was to go back and forgive these loans, this would be a tremendous help to this City and to this region?

Mayor NAGIN. It would be a tremendous, tremendous help.

Mr. JEFFERSON. The community disaster loan is part of it. Some of it came from private banks as well.

Mayor NAGIN. Yes. The Congressional history has been that after a disaster, communities that need these dollars would get them, but it would be forgiven. But just for us, we are special, so there is no forgiveness clause in the current legislation.

Mr. JEFFERSON. Thank you, Mr. Mayor.

Our job is to get back to Chairwoman Maxine Waters and get these loans forgiven for the City. We already have it in the works.

We hope by Easter, we will have a bill out of the Congress, out of the House at least, to make sure that this problem goes away.

Now the last thing is, did you say, with the money you have gotten that you put together for advancing homeowners up to $50,000, you have all your money out already?

Mayor NAGIN. We do not have it out, but we have enough people that have applied for the loans that we are going to probably oversubscribe pretty soon.

Mr. JEFFERSON. And the last thing is, you emphasized local recovery, the local responsibility for recovery. If the Congress went back up there and changed the Stafford Act such that it does not always require everything to go to the State, if we could take some formula and say, if it is 60 percent of such and such damages, it could get control of getting itself fixed up and we then give money to Jefferson Parish, Plaquemines Parish, St. Bernard Parish, and Orleans Parish and let them get at their own recovery, would that be a help to this area?

Mayor NAGIN. I think that would be an absolute home run for every community. I think the State is doing the best they can, but they were a bit overwhelmed by this disaster also.

Mr. JEFFERSON. I am going to pass it.

Chairwoman WATERS. Thank you, very much.

Now I turn to the gentleman from Texas, Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Madam Chairwoman.

Mayor, the housing issue is one of the primary reasons that I came down, although I am very interested in the economic development piece of it. I have been in the land development business, I have built homes, and I have been on the city council, so I have dealt with a lot of these issues.

One of the things that was kind of interesting to me though today was we were in a project, one of the housing projects here and they have 90 units that are vacant that are ready for somebody to move into, but they do not have anybody moving into them. So while I know there are a lot of people who want to come back to New Orleans—but what we do know about economic development and how communities are built, they are built with, you know, two or three ingredients, but infrastructure is one of those. You have to have an infrastructure to support people to be there, but jobs is the primary reason that people come to communities. Opportunity is the reason people come to America, they come to America for opportunity.

I think that one of the things that I want to hear from you and the President of the Council is should we be focusing equally as much on growing back this economy, because you were talking about a very vibrant economy pre-Katrina. I think we can keep up with the housing demand, I think there are things in place now—we need to get some of the bureaucracy things out of the way, but I think—I hear people saying we can deliver the housing, we have housing under construction, but I do not see this pent up demand that everybody is talking about, that people are standing in line for houses when we have 90 vacancies in one project.

Mayor NAGIN. Congressman, I think what you are—New Orleans is an interesting City, and it is a City where people are comfortable with their neighborhoods. So when you hear that there are vacant

units, they are being offered in a neighborhood that the residents are not comfortable in, and have never lived in. So therefore, they are somewhat skeptical about going there and being stuck there for the rest of their lives. And one of the things—wait a minute.

Chairwoman WATERS. Excuse me one moment. This is very, very important. And if in fact—just a moment—if the members are to learn, we must hear what is being said. This is very important. Please continue, Mr. Mayor.

Mayor NAGIN. I am relaying to you what I have had discussions with many public housing residents, okay? They want to come back to the City, but their first choice is to come back into an area they are familiar with. And if there are units that are available, that is the only logical conclusion that I could come up with, other than HUD may not be communicating to the residents that these are available.

Mr. THOMAS. Congressman, that is why I called for a commission of public housing almost a year ago. I think it is a perfect opportunity to get residents with developers, with activists, with housing experts, with HUD, with HANO, and with everybody in the same room at the same time to talk about the future of public housing. Because you get one story one place, and you get another story another place. And I think hopefully one of the things that will come out of this is a commission on public housing so that we can strategically analyze its condition right now and get everybody together in the same room to work it out right now. I think if we had done that some time ago, a lot of those units would be filled already.

Mr. NEUGEBAUER. And you were reading my mind because—

Mr. THOMAS. I have been a mind reader; we have to be mind readers down here.

Mr. NEUGEBAUER. I hear you. I think, as I was looking and touring so far, and obviously we are going to be doing some more, but one of the things that I think is a tremendous opportunity for New Orleans is you have a chance to start over and correct some things that maybe were not right. And some of these huge concentrations do not make sense any more. I think one of the things we have to be very careful about here is going back and creating environments that people are, as the Mayor said, reluctant to come back to.

So I think what we want to do is do bring the private sector, do bring everybody to the table and talk about ways to create a legacy of opportunity and not necessarily repeating things just because we were comfortable with that. Because in many ways some of those were not positive things, but in some ways some of them were. Well, let us take the best part of it, but let us also use the opportunity. And I think the Mayor in his opening statement talked about—or maybe it was the president—about having better housing than we had pre-Katrina. And I think there is an opportunity for people to have, the residents of New Orleans, to have better housing post-Katrina but I think it is going to take all the factions working together. And so I think your idea—and I hope you will follow up with that—of bringing all of those folks to the table and keeping that dialogue open.

Chairwoman WATERS. Will the gentleman yield?

Mr. NEUGEBAUER. Yes, please. Thank you.

Chairwoman WATERS. Mr. Mayor, is it true that you need housing for workers, city workers, to do a lot of the jobs that are going to be needed to be complete projects, and that you would entertain some type of lease arrangement with public housing for maybe 500,000, 600,000, or 700,000 units to put workers in; is that true?

Mayor NAGIN. We have a need for housing, period, among all of our city workers, and absolutely we would entertain a lease with HUD or anybody else to put permanent housing—for example, Madam Chairwoman, we have police officers, we have clerical people who are living in FEMA trailers or doubling up with their families and they need housing. And we have these stocks that are available. Some of it can be restored pretty quickly and we would definitely be interested in that.

Chairwoman WATERS. Thank you. I yield back to the gentleman from Texas.

Mr. NEUGEBAUER. Thank you. Well, those were my comments and questions, and I thank the gentlewoman.

Chairwoman WATERS. Thank you, very much.

The gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, Madam Chairwoman. And I neglected to thank the ranking member and the minority members for being here with us. It means a lot to me that you came, thank you very much.

Mr. Mayor, I know that for some time you were trying to get a list of the survivors and you wanted that list to include addresses, contact information. Were you able to secure the list? You came to Houston a number of times and you had to literally hold meetings in places and beg that people would come to you. Did you ever get a list of the survivors and their locations?

Mayor NAGIN. We have never gotten a list of people. Every time we have asked for it, it is some privacy law or something that holds back us getting that information.

Mr. GREEN. For my edification, because I would like to try to do what I can to help you with this, tell us how you would benefit, how the City would benefit from having the list, so that I can have that for edification purposes when I present it to other persons.

Mayor NAGIN. Well, a list like that would allow us to communicate a little more directly with our citizens. Right now, we have some recovery centers that are in Houston and other cities that allow our residents to come in and find out information about what is going on and how they can get back. But most of these cities are spread out and out citizens do not really understand how to get to these particular centers. So a list would allow us to do direct mail, to target our radio and television or whatever advertising we have, to make sure that our citizens understand what is going on in New Orleans, how to get back, what assistance we can provide, and what job opportunities are available.

Mr. GREEN. More specifically, would it allow you to target them with reference to housing information? There are many persons who are looking to come back and they are disconnected from the people who can tell them how to get back, it seems. Would that help?

Mayor NAGIN. Yes. It would help tremendously. We are working with a number of apartment complex owners, I think there are

12,000 units that are coming online, but as those units come online, it is very difficult for us to get that information effectively out to the people who need the housing.

Mr. GREEN. This is a good segue into the notion that we need an independent commission to find all of the people and to do a survey, if you will, so as to ascertain the number of persons who truly want to return, where they are, and whether they have decided that they are going to stay on. Because we continue to have guesstimates as to what their desires are.

Mayor NAGIN. Yes.

Mr. GREEN. Would an independent commission established just to find out where they are, would that be of benefit to you?

Mayor NAGIN. That would be a tremendous benefit to us. We have been going through a little duel, if you will, as far as how many people are actually back and how many are not back. The State has a number, we have a number, and there are probably two or three others out there. So an independent commission to really assess who is back, and the people who are not back, where are they, would be tremendously helpful.

Mr. GREEN. And there is a lawsuit that is pending right now concerning the housing, public housing.

Mayor NAGIN. Yes.

Mr. GREEN. Give me your impression as to how this can be best settled with the parties? What would your recommendation be if you had an opportunity to have input into that settlement negotiation?

Mayor NAGIN. The settlement, in my opinion, hinges upon how quickly we can get the units or affordable housing in the community, to satisfy the residents who want to come back. We still are about 1,000 units short as far as what I can determine, based upon the surveys that we have looked at, as far as how many people want to come back, as far as families, and how many units are actually available.

Mr. GREEN. And finally, the elections were quite a challenge for persons who were running for office here in Louisiana.

Mayor NAGIN. Yes.

Mr. GREEN. You did have to campaign at least in one other city that I am aware of and my suspicion is that you went to more than Houston, Texas—

Mayor NAGIN. Yes.

Mr. GREEN. —to try to locate people.

Mayor NAGIN. Yes.

Mr. GREEN. In these circumstances wherein we have these disasters that are just of mammoth proportions, would it be beneficial to have some sort of emergency means by which persons can vote away from the city, out of the State, as we have seen in other countries, Iraq, for example, where people could vote in various places around the world.

If you would, give us some testimony as to how that might be helpful under these circumstances.

Mayor NAGIN. Congressman, you know that question could take us a whole number of different directions, but I will tell you this, this past election was made harder than it should have been for an election in the United States. Our citizens had to come back to

the State to vote or either to the City to vote. And where we allow Mexican-Americans or people from Mexico, we allow Iraqis, we allow soldiers, to vote where they are. but that was not—that did not happen in the City of New Orleans. So I would encourage Congress strongly to pass some legislation that in the event of a disaster, that process be allowed, where a voter, if they are registered in the disaster area, that they can vote where they are.

Mr. GREEN. Thank you. I yield back the balance of my time. Thank you, Mr. Mayor.

Chairwoman WATERS. Thank you, very much.

And now the gentleman from Missouri, Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman.

Mr. Mayor, I served as mayor of a city about the same size as New Orleans and I cannot imagine how crippled Kansas City, Missouri, would have been had the low-income citizens ended up in States all around us. Does not the economy of New Orleans also depend on low-income workers and what is the impact of low-income citizens being in Congressman Green's district? Are there jobs that could be taken right now if they were here?

Mayor NAGIN. Congressman, that is the tragedy of what we are doing with this housing crisis. Besides families being dispersed, there are significant numbers of jobs here, good paying jobs that people can take advantage of, but since they are not here, they cannot do it. Our economy is being hindered as a result of that. All the workers that we need, a lot of them were in the public housing units or in the communities surrounding that. So now, some of the restauranteurs—I can tell you, our service levels at the restaurants are not as good as they were pre-Katrina, because some of those skilled workers are not back. So absolutely that is a problem, and then the Road Home is basically hindering our middle class citizens from coming back to the City and participating in this recovery.

Mr. CLEAVER. Well, what can we do, if you have some suggestions, either you or the president of the City Council, what can we do in order to try to help bring back to the City the workers and if we had a process by which to bring them back into the City, is there comparable housing? Would FEMA be able to accommodate workers if the call went out and said, you know, we have 10,000 jobs available right now and we have temporary housing for those workers until they get back on their feet?

Mayor NAGIN. My suggestion is that, first, we push for as many units in the housing developments that are safe and that can be rehabbed, we push for their redevelopment as quickly as possible. Second, we use whatever public land is available and we try and push for modular homes to come into this community to house workers. I think if we do those two things, we can jump start this economy.

Mr. THOMAS. I think the Mayor is right on, but hopefully they will pay them better now that they miss them. And hopefully they will have some benefits, healthcare and others, when they eventually come back. There are a lot of people here who worked real hard for very little. So hopefully now that they are missed, when they come back, those good wages will be there and those benefit programs will be there.

Yes, a lot of things could be done. Hopefully a lot of those units that are not re-occupied could be—a working preference could be given to people who are part of the traditional workforce. A lot of those apartment complexes will receive some type of subsidy, whether it's the Road Home or Federal subsidy, there could be a cap on a lot of those units for a lot of our traditional working class citizens who were originally part of our economy.

But those things, you could help us by mandating some of those things, especially with the disbursement or use of Federal funds whether it is homeownership, whether it is housing authority, or whether it is apartment complexes. But if you do not do that, just to allow the market to—the market is going to try to bleed you out of everything they can get. So if we can have some stipulations from Congress to deal with our traditional workforce, especially those that are part of the tourism community and our cultural economy, that would help tremendously.

Mr. CLEAVER. One final question, Madam Chairwoman. Three of us were in a meeting with President Bush on this past Thursday, and he had at the meeting Secretary Jackson, and we raised the question with Secretary Jackson similar to what I just asked you. Here was the Secretary's response, and I want to try to be fair with him. He said that the housing units needed to come down, that he would have new units up and running in 2 years.

He further said that the units that, I think, some of my colleagues saw today, even though they are not in a condition to be torn down, that they need to come down and that in 2 years, if people are patient, we will have housing. I was just interested in your response.

Mayor NAGIN. Well, I am not sure about the timeline, I have not seen a construction schedule. I think what we should ask of HUD is to give us an independent assessment of how quickly they can bring back certain units. Let us get a hard number on that.

Mr. CLEAVER. Well, he also said—and I think my colleague was in this conversation, Congressman Green—that the people did not want to come back, which contradicts what you had said earlier. And I think I am being fair, aren't I? He said that the people do not want to come back, Mr. Mayor.

Mr. THOMAS. Well, we need two things. We need new units and we need now units. So new units and now units. So now units have nothing to do with the new units. If we can get some now units, then you can develop some new units.

Chairwoman WATERS. Thank you, very much.

Mr. Sires of New Jersey.

Mr. SIRES. Thank you, Madam Chairwoman.

Mayor, I used to be a mayor years ago and you have some job here.

Mayor NAGIN. Yes.

Mr. SIRES. One of the things that has struck me being here, we talk about low-income affordable housing, we talk about all the things that we need. There seems to be a population that sometimes falls through the crack, and that is our senior citizens. What happened to the senior citizen population who lived in those places after Katrina and what is the Administration and FEMA and everybody that is supposed to be helping out doing to help those most

vulnerable people in our society? What are we doing to assure that it is not just people who need housing, but also that senior citizens have a place to live in their last years?

Mayor NAGIN. Right. You know, the senior population is one that we have tried to focus on from the beginning, whether it be working with HUD, some of the initial units that they opened up were specifically targeted for seniors. In addition to that, all of the other programs that we put in place, whether it be with apartment complexes or Section 8 certificates or our adjudicative process, all have a senior component to it, to try and get as many of our citizens, our seniors, back as possible.

Mr. SIRES. Did a lot of the seniors that were here before Katrina, did a lot of them leave and have not come back?

Mayor NAGIN. A lot of seniors are out there but looking to come back to our City.

Chairwoman WATERS. Please, we have the testimony going on now. Let us hear the question.

Mr. SIRES. I am sorry, Mayor, I did not hear that.

Mayor NAGIN. Many of our senior citizens are trying to come back to New Orleans. We get communications from seniors all the time, whether they be homeowners or renters or whether they are in a public housing unit. So they definitely want to come back to this City.

Mr. THOMAS. Congressman, this is extremely disturbing to all of us because if there is any population or any group that deserves special treatment, it should be our senior citizens.

Let me say, one of the stark contrasts about a lot of our fact-finding with the mayor and some of the research we have done around the world, in Japan, they had 30,000 units for their senior citizens, their disabled and elderly, 6 months after one of the worst earthquakes in the world—6 months. So to have a population that has paid more tax dollars than some of us will ever pay just because of longevity, be in a situation that they are in right now—you know, they are American citizens and they fought harder for that label than any other group that exists today.

But let us put it in real terms, let me give you a lady by the name of Ms. Mumford, I know her. She has been a homeowner for 50 years in the Lower Ninth Ward, the area I grew up in. So for 50 years, they have owned their property. Well, guess what, she has gone from homeowner to homeless. So now her house is not worth very much because houses just are not worth very much in that neighborhood. So insurance cannot build her a new house in today's value. Well, Road Home cannot do it either. So how do you go from being a homeowner for 50 years, from being independent, to being dependent, hopeless and homeless? And if you do anything—a lot of us youngsters, we can fend for ourselves, but if anything comes out of this, our seniors ought to have special first-class fast track treatment.

Mr. SIRES. Well, Mr. Mayor, and Council President Thomas, I certainly agree with you and anything that I can do, please. They certainly deserve that. Thank you.

Mr. THOMAS. Just get a list. The Mayor has been trying to get a list of people for quite some time. You know how that list would help us, Congressman? That list would help us by saying where are

you, what do you need, how much can you afford, here is what is available, how we put a package together.

Chairwoman WATERS. Thank you very, very much. We really appreciate you being here.

Mr. JEFFERSON. Chairwoman Waters, may I just say one thing with respect to that question?

Chairwoman WATERS. Yes.

Mr. JEFFERSON. When we were in Houston, we found out that nobody is sharing data, that the senior population, the Social Security folks know who they are, where they are, and what they need, they receive checks from them every week—every month, whatever. They will not share the data with HUD so that HUD can do special things for them. That is one thing this committee ought to think about addressing too, so we can meet the housing needs of people by having these agencies share data so we can take care of our senior population.

Chairwoman WATERS. All right, we will take a look in the bill that we are putting together to see if we can waive what they say are the privacy laws about the sharing of information, so that we can make these databases available.

Thank you very much for being here.

Mr. THOMAS. Thank you guys, very much. God bless you.

Mayor NAGIN. Thank you, thank you for being here.

Chairwoman WATERS. Thank you, so very much.

Mr. THOMAS. We appreciate you all coming.

Chairwoman WATERS. The Chair will now call the second panel and I would like to, while they are coming, recognize Councilwoman Cynthia Willard-Lewis, who is here from the 9th Ward.

We also have members of the Parish Council of St. Bernard's Parish, Joey DiFatta, council chair and Judy Hoffmeister, member of the Council. Thank you for being here.

For this panel, we have Dominique Blom, Deputy Assistant Secretary of the Office of Public Housing Investments at HUD. We also have Gil Jamieson, FEMA Deputy Director for Gulf Coast Recovery; Jerry LeBlanc, commissioner, Louisiana Department of Administration; Walter J. Leger, Jr., chairman, Housing and Redevelopment Task Force, Louisiana Recovery Authority; Dr. Edward Blakely, director of recovery; and C. Donald Babers, board chairman, Housing Authority of New Orleans.

Each witness will be recognized for 5 minutes for an opening statement, which will be made part of the record.

Thank you very much. Our first panelist is Dominique Blom.

STATEMENT OF DOMINIQUE G. BLOM, DEPUTY ASSISTANT SECRETARY, OFFICE OF PUBLIC HOUSING INVESTMENTS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. BLOM. Chairwoman—

Chairwoman WATERS. Could we get a little order, please, so that we can hear the Deputy Assistant Secretary of HUD. This is very important. Thank you.

Ms. BLOM. Thank you very much.

Chairwoman Waters, Ranking Member Biggert, and distinguished members of the Committee on Financial Services, it is a

privilege to appear before you today on behalf of the Department of Housing and Urban Development.

I am Dominique Blom, the Deputy Assistant Secretary for the Office of Public Housing Investments at HUD. My office administers the HOPE VI, the mixed financed, mixed income public housing development program.

Since Hurricane Katrina, my staff and I have been directly involved in the recovery plans for New Orleans public housing. Today, I share with you HUD's efforts to help the Housing Authority of New Orleans recover from the devastating effects of Hurricane Katrina. From assisting the relocation of low-income families to safe and decent housing to planning for and carrying out the repair and redevelopment of public housing to creating opportunities of public housing residents to return, HUD has marshalled significant resources to support the recovery effort. Notwithstanding the significant level of physical destruction, I believe we have made great strides in the recovery effort.

Allow me to provide you a brief list of our efforts over the last 18 months. HUD created and implemented the Katrina Disaster Housing Assistance Program (KDHAP), to assist poor families who were being assisted by HUD prior to the hurricane.

HUD sought and received from Congress supplemental appropriations to continue assisting vulnerable families under the disaster voucher program (DVP).

Immediately after the hurricane, HUD deployed its own staff to Houston, Dallas, and Fort Worth to assist families in finding decent temporary housing. HUD increased the Section 8 payment standard so vouchers could be used for more private units.

HUD inspected 100 percent of the public housing portfolio affected by the storm. HANO has made nearly 2,000 units ready for re-occupancy and through HUD approvals, HANO has dedicated $98 million to the redevelopment effort.

HANO has secured tax credits and CDBG piggyback funds to redevelop four distressed public housing developments, and HANO is partnering with private developers to assist in the reconstruction to create mixed income affordable communities. Also, HUD deployed staff to New Orleans to relocate families willing to come home.

Madam Chairwoman, this is merely a short list of HUD's efforts to bring families home immediately while at the same time planning for meaningful reconstruction of affordable housing in New Orleans.

We are also aware that there are many challenges that lie ahead. The Department, in particular my staff, remain committed to the principles outlined by Secretary Jackson in August 2006 when he visited New Orleans. That is, and I quote: "Every family who wants to come home should have the opportunity to come back. HUD's goal is to bring back families to quality housing."

HUD is working with the local community the redevelop New Orleans' public housing so families will have the opportunity to return to better, safer neighborhoods. We do not intend to waiver from this commitment.

As you know, HANO is one of the Nation's largest public housing authorities and also one of its most troubled. For decades, its hous-

ing stock was substandard and ridden with crime. At the time of the hurricane, HANO's public housing inventory consisted of 7,000 units, of which only 5,000 were occupied due to deplorable conditions. Of the 5,000 units that were occupied and affected by the disaster, nearly 2,000 have already been repaired and are habitable. As soon as possible after the hurricane, HANO began to repair and reoccupy 1,000 units at Iberville, Gust, River Gardens, and Fischer. And due to the critical housing shortage, HANO and HUD decided to repair and reoccupy another 1,000 units at those projects and portions of B.W. Cooper. Now over 1,200 families have already come back to New Orleans.

At the same time, HUD and HANO determined that four of its largest public housing projects, consisting of approximately 3,900 units in St. Bernard, Lafitte, B.W. Cooper, and C.J. Peete were not fit for human habitation. Where possible, these projects will be redeveloped in phases, allowing residents to return to repaired units while redevelopment begins.

The redeveloped sites will have a mix of income to create low density communities that provide safe and decent environments for families to thrive.

Chairwoman WATERS. Let us hear.

Ms. BLOM. By the end of 2008, there will be over 3,000 public housing units and new vibrant neighborhoods. In addition to the 3,000 units, there will be 1,000 affordable units and 800 market rate and homeownership units to be built.

To implement this redevelopment plan, the Louisiana Housing Finance Agency awarded these four projects with $30 million in tax credit allocation, which will result in private equity commitments of approximately $300 million. The Louisiana Recovery Authority awarded the projects $108 million in CDBG piggyback funds.

Combining these valuable State resources with $88 million of HANO funds, HANO was able to partner with nationally recognized affordable housing developers to create vibrant mixed income communities.

But time is of the essence. These four projects, which will create 744 public housing units, and over 2,000 units in total, must be built by December 30, 2008. This is the deadline associated with the tax credit award. To meet this deadline, construction must begin this summer. And to meet this construction deadline, demolition must begin this spring.

Chairwoman WATERS. Would you wrap up your testimony, please. We have it in writing, it is in the record, we will review it, and we may have a few questions for you, but our time is a little bit limited here, and I would like to move on to our second panelist who will be presenting here today.

[The prepared statement of Ms. Blom can be found on page 90 of the appendix.]

Chairwoman WATERS. So with that, I am going to call on next the FEMA Director for Gulf Coast Recovery, Mr. Gil Jamieson.

STATEMENT OF GIL JAMIESON, DEPUTY DIRECTOR FOR GULF COAST RECOVERY, FEDERAL EMERGENCY MANAGEMENT AGENCY

Mr. JAMIESON. Good afternoon, Madam Chairwoman, Ranking Member Biggert, and distinguished members of the subcommittee.

My name is Gil Jamieson and I am FEMA's Deputy Director for Gulf Coast Recovery. I lead and coordinate FEMA's Gulf Coast recovery efforts. I have been in the region since the early days of the disaster, previously serving as the Deputy Principal Federal Official during the response, as the principal Federal official during last year's hurricane season. I am a long-time civil servant, having worked in the Agency since its inception. My current position was established in order to ensure that FEMA's programs are consistently and effectively administered throughout the Gulf region. It is my pleasure to be with you here today.

Katrina, in conjunction with other devastating storms in 2004 and 2005, thoroughly tested the capabilities of FEMA, the Department, and the Nation. While these disasters tested our plans and our processes as never before, FEMA, working closely with our Federal and State partners, has provided more assistance than ever before. 44 States and the District of Columbia received emergency declarations and have been reimbursed for over $750 million in shelter expenses. Approximately $6.3 billion has been provided to over a million households through FEMA's Individual and Households Program. More than 120,000 households have been provided travel trailers and mobile homes through FEMA's Direct Housing Mission. And over $7 billion of public assistance funds, money for roads, bridges, buildings, and utilities has been provided to Louisiana, Mississippi, Alabama, and Texas.

We have worked diligently to balance expediency and accountability and support the efforts of our State and local counterparts. This collaboration has resulted in significant progress, though clearly challenges remain.

Under Section 8 of the Stafford Act, FEMA is authorized to provide temporary housing assistance to include rental assistance, home repair assistance, home replacement assistance, and direct housing. I will discuss each briefly but it is important to note that FEMA's temporary housing assistance programs and authorities were not designed to provide long-term housing solutions but rather to provide eligible victims with temporary accommodations while they work with State and local governments and other Federal agencies to find permanent housing solutions.

Under our financial assistance program, $2.1 billion of rental assistance has been distributed to over 700,000 households; 35,000 households continue to receive this form of rental assistance.

Under the home repair program, to date, FEMA has provided $318 million, making over 129,000 homes habitable in the Gulf.

Under FEMA's home replacement assistance, FEMA is authorized to provide up to $10,500 in home repair costs. To date, $300 million has been provided to over 30,000 households across the Gulf.

Under direct housing assistance, FEMA is providing leases to secure housing for evacuees outside the impacted area and manufac-

tured housing was provided within the most heavily damaged areas of Louisiana.

Over the course of the last 17 months, FEMA has housed more than 120,000 households in travel trailers and mobile homes. The total number of households currently living in temporary housing assistance has decreased to 91,000. 83 percent of these temporary housing units are on private sites where individuals are living in those units while they are rebuilding their homes.

Direct housing is authorized under the Stafford Act for up to 18 months, but as you well know, that deadline has just recently been extended 6 months. This extension gives us an additional opportunity to continue our work with disaster victims, HUD, and our State and local partners.

Clearly, FEMA and our Federal and State partners face a challenge in transitioning individuals back to permanent housing. While the National Flood Insurance Program and the Small Business Administration and the State Homeowner Grant Programs help address the needs of homeowners and renters, renters are experiencing difficulties in finding solutions to their long-term housing requirements. This population is significant, as the proportion of renters in pre-Katrina New Orleans was approximately 53 percent of its residents.

While the housing challenge is significant, we must also ensure that the community builds back, and as it does so, it does in a way that makes it stronger and less susceptible to future damages.

FEMA's mitigation efforts have focused on working with local communities to rebuild. FEMA's Hazard Mitigation Grant Program is available to States following a disaster to fund cost-effective mitigation projects. Funds may be used to do such things as floodproofing properties as well as elevating and acquiring homes.

Chairwoman WATERS. Would you wrap up, please?

Mr. JAMIESON. Yes, ma'am.

In Louisiana, over $1.7 billion is expected to be available under the Hazard Mitigation Grant Program. FEMA continues to work with Louisiana to facilitate the implementation of the Hazard Mitigation Grant Program in a manner that meets both the objectives of the Road Home and the statutory, regulatory requirements of HMGP. But barriers do remain concerning equitable treatment in the distribution of Hazard Mitigation Grant Program funds. Specifically, the State has established a 40 percent penalty for funds going to homeowners leaving the State, or staying in the State but not committing to owning property for 3 years. Recently, the State exempted seniors from this 40 percent penalty if they choose to leave the State.

Chairwoman WATERS. The gentleman's time is up, please. Your statement will be made a part of the record. Let me remind you that the members here do not have a copy of your testimony.

Mr. JAMIESON. Madam Chairwoman, I understand that they do not, and we are working to get that provided to you.

Chairwoman WATERS. It is very important; we need to have that. Thank you very much.

[The prepared statement of Mr. Jamieson can be found on page 106 of the appendix.]

Chairwoman WATERS. Now, Mr. Walter J. Leger, Jr., chairman, Housing and Redevelopment Task Force, Louisiana Recovery Authority.

STATEMENT OF WALTER J. LEGER, JR., CHAIRMAN, HOUSING AND DEVELOPMENT TASK FORCE, LOUISIANA RECOVERY AUTHORITY

Mr. LEGER. Chairwoman Waters, it is a pleasure to be with you. Congresswoman Biggert, Congressman Jefferson, and members of the subcommittee, I have submitted about 16 pages of presentation similar to what we did in Washington a few weeks ago when I appeared before you. I have prepared oral remarks but I am going to toss them aside and attempt to address a few of the things that you brought up a little bit earlier.

My name is Walter Leger, and I lived in St. Bernard Parish most of my life, on the other side of the Lower Ninth Ward, down river. I, like so many others in this room, and nearly 200,000 Louisianans, lost my home. I want to just give you one little glimpse into what the loss of a home means to us.

When a house burns down in a neighborhood, it is a horrible tragedy. What we have experienced, all of us in this room, has not been the loss of our house. We have lost our homes. We have lost our barbers, as you can tell by looking at me. We have lost our dry cleaners, we have lost our pharmacist, our dentist, our schools, and our neighbors. We have lost our family valuables and when we find, in digging through that rubbish and wreckage a photograph of family that we thought we had lost, we have captured one of the greatest treasures that we can.

We have had great and significant loss here in Louisiana. I was asked to serve as a volunteer—I guess I was drafted by the Governor—on the Louisiana Recovery Authority, crafted after the Lower Manhattan Recovery Authority.

We have developed a number of policies attempting to utilize the $10.4 billion in CDBG monies, including the Road Home plan. Let me tell you a little bit about the Road Home plan. Our responsibility is development of the policy, implementation of the policy. It was enacted actually before we got the full amount of money in the hopes of the additional $4.2 billion that we fought for and you so graciously allowed us to have in anticipation of rebuilding the homes in south Louisiana.

I was told as a rookie in government a year ago that CDBG money is the best Federal dollars you can get. It has the least strings attached, you can just get it out and you can spend it. If that is true, I do not know how the Federal Government ever spends any money. Because what we have been a victim of here in Louisiana is what I call federalism with strings. We have been directed by Washington and, thankfully, here is some money, you guys go fix it. But the money is sent and it is actually not even really sent, but it is wrapped in red tape with strings leading back to Washington.

Congresswoman Waters, you asked about the regulations, the red tape, what can you do. Let me tell you just a few of those things. HUD has been wonderful actually in helping us try to get around the rules and regulations. But the rules and regulations are

there, they exist, and they tie our hands and make it more difficult to get the money to the people. You talked about, and we have all complained about, the fact that in computing the grants, we have to deduct what HUD calls, the Federal Government calls, duplication of benefits—insurance payments, FEMA payments and all of those things—

Chairwoman WATERS. Will the gentleman yield for a moment? Are you saying these are CDBG rules or are these rules that were developed by the State to implement CDBG?

Mr. LEGER. Oh, no, ma'am. The only real rule—and Congresswoman, you pointed out something that, you know, we are so concerned with preventing fraud that we are tying our own hands. It is not the fraud prevention that is the problem. It is the CDBG regulations that have tied our hands so much, the Federal regulations.

We have to verify everything that the homeowners tell us and ICF has to verify everything they tell us by third party verification. That means we have to get data from SBA/FEMA, we have to get it from insurance companies who are not being paid to give us this information, and we know how insurance companies are when they do not get paid. Those things have to be done in order for the monies to be released. Otherwise, the State may lose the money. So there is a lot of regulations, I could go into detail.

There are a couple of things—several things, that you can do for us immediately. One of the things the Mayor addressed so very eloquently, and that is we are required—FEMA monies that are spent for assistance and public assistance, we are required to make a 10 percent match. State and local governments have to make the 10 percent match. You have probably heard about it. What is difficult about making the match is not only do we have to use a billion dollars of the money you so graciously gave us, and send it right back to you, but basically we have to comply with both FEMA regulations and HUD regulations on all of 20,000 projects. Many times the regulations are conflicting. You—the White House could do it with the stroke of a pen. We ask that you do it by Congressional Act. Waive the 10 percent match. It was waived on 9/11, and waived in almost every major disaster—Hurricanes Andrew, Hugo, and Nikki in recent history of this country.

Secondly, FEMA has indicated—Mr. Jamieson talked about $1.7 billion in FEMA dollars that have been dedicated toward the use with the Road Home Program. That money is still tied up. FEMA has not released it, is either unable or unwilling to release it, claiming that we are discriminating in the program in favor of seniors, who you so graciously and eloquently heard from Mr. Thomas, you know, this cherished group of our citizens.

HUD, on the other hand, has agreed with the program as it stands, that it is not discriminatory. It is my understanding—and again, I am a rookie in government, I am not a regular government guy—HUD is in charge of determining if housing policy is discriminatory. But FEMA is holding the dollars up. We ask you, move the money away from FEMA, give it to HUD, put it in CDBG money, and we will get the money to the people faster.

Another thing you can do for us immediately is teach the SBA that there is a difference between a loan and a grant. We have had enough trouble getting money from the SBA. You talk about the

slowness of the Road Home Program, it is 18 months out, all of the SBA money is not out, all of those loans are not out and they were a bureaucracy in place long before this hurricane took place. But SBA is requiring that if a homeowner gets a grant, they have to take that money and use the money to pay off SBA dollars. That is another $2.3 billion. So you gave us $10.4 billion, we are already giving you a billion back in that 10 percent match. Now we are supposed to give you $2.3 billion right back. So we are only at $7 billion.

Chairwoman WATERS. All right. Thank you very, very much. We appreciate that.

Mr. LEGER. There are a number of other things, a lot of things in my written testimony.

Chairwoman WATERS. We have your testimony, we will refer to that. Thank you.

Mr. LEGER. Thank you.

[The prepared statement of Mr. Leger can be found on page 115 of the appendix.]

Chairwoman WATERS. Let me move on to Dr. Edward Blakely, Director of Recovery.

STATEMENT OF EDWARD BLAKELY, DIRECTOR OF RECOVERY, CITY OF NEW ORLEANS

Mr. BLAKELY. Chairwoman, I am delighted to be here. As you know, since we are fellow Californians, I have been in more than one disaster and had the responsibility for recovering major cities. In each disaster I have been in, speed is very important.

As you know, we got the Santa Monica Freeway up in days, not months. The Oakland Hills fire recovery was the fastest in the history of the United States. All insurance settlements were done and everyone returned to their homes within 3 years. So it is very important, now that we are 18 months out, we have to make up for a lot of lost time.

It has already been pointed out by Mr. Leger, that we are not building houses, we are building total communities. And by building total communities, it requires that we work together effectively with schools, with hospitals, and with all the social infrastructure that is required to build a community. That includes working with the Housing Authority since the Housing Authority makes up so much of the housing in this City and is strategically located. It is absolutely necessary that we enter into agreements with the Housing Authority so that we build on time the same kind of products in the same places. And I think we can effectively do that.

This recovery is guided by five principles. The first is containing the healing and the consultation process. We have been involved for 18 months with planning community level plans. Those plans are now reaching their fruition and we will be working with the communities to implement those plans.

The second is we have to put in the infrastructure required for a modern economy, and we will be doing that. We are not just putting back the infrastructure that was. Although my colleagues at FEMA will pay for certain things, we are going to have to go well beyond that. The Mayor addressed that. We are going to issue

bonds to pay for new and improved infrastructure. We will be doing that very quickly.

The third thing that we are trying to do is to ensure that every neighborhood is safe, and has hospitals, schools, and all the other infrastructure.

And fourth, we are trying to make sure we have a diversified economy. And that is very important because people need to come back to jobs. So we have to build jobs while we are building the rest of the economy. And we are doing that neighborhood by neighborhood. We want to have job centers in every neighborhood and job creation opportunities in every neighborhood.

And finally, a modern settlement system, which I discussed with you earlier today. That means putting people out of harm's way, elevating entire neighborhoods and not just one house at a time, building those houses on platforms so that they will be safe in the future. You saw some of that today. We can do this all over the City.

How do we do it? We are picking strategic and targeted neighborhoods to begin this process so we can build the entire neighborhood at one time. We are putting all of our resources into these neighborhoods in order to be trigger points to attract private investment and to attract other investments. We are making sure that we coordinate this by having a council across the parish of all agencies—Sewage and Water Board, electricity, all those agencies will be sitting at the same table with me as the Chair. I will be coordinating all the FEMA programs that come in here so that we work together to get to the right results and the right places at the same time. We will be making a master schedule for this work so that neighbors and community members know when things are going to happen.

Let me finish with what I think we need to do to make these things work.

First, we need the CDBG flexibility that was alluded to earlier.

Second, we need to know who is coming back, where they are coming back from, and when they are coming back. This is a job that is usually done by the United States Census. And having sat on census committees, I know it can be done. It's called a special census. It is possible to do, we have the resources to do it already within the United States Census. The only thing they have to do is give us the data. It would not violate anyone's privacy. You can get it off the Web.

And third, we have to be very creative about how we re-establish public housing. Much has been said about this already. It has to be a phased program that includes all the ingredients, including the social programming, and not just the housing programming. We talked about that earlier today. That includes job training programs for the people out-of-State and people in-State, so they are eligible in taking the jobs. And we have to have some jobs for workers, for police officers, and for other people within these same housing settlements, so that we provide the security I mentioned earlier.

Those are the things that we need to do and we need to do immediately. Thank you.

[The prepared statement of Mr. Blakely can be found on page 84 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Next, we are going to move to a gentleman I have gotten to know very well, as he has escorted me on every visit to New Orleans public housing, C. Donald Babers, board chairman, Housing Authority of New Orleans.

STATEMENT OF C. DONALD BABERS, BOARD CHAIRMAN, HOUSING AUTHORITY OF NEW ORLEANS

Mr. BABERS. Chairwoman Waters, Ranking Member Biggert, and distinguished members of the Committee on Financial Services, it is a privilege to appear before you today on behalf of the Housing Authority of New Orleans.

Chairwoman WATERS. Let us hear what Mr. Babers has to say.

Mr. BABERS. I am Don Babers, chairman of the board for the Housing Authority of New Orleans, and I have been directly involved in the recovery plans of New Orleans housing since last spring.

The demolition and rebuilding of public housing in New Orleans did not start with Hurricane Katrina. The discussion on how to offer a better public housing alternative in New Orleans started in the late 1990's when the majority of HANO's public housing units continuously failed HUD's physical inspection standards.

Despite millions of dollars appropriated for extensive rehab and modernization, only 5,000 of the 7,000 units were habitable prior to Hurricane Katrina. Of those 5,000 units, many needed extensive work to bring them up to acceptable levels.

In 2002, HUD took over the Housing Authority of New Orleans, cleaned up its books, and embarked on an ambitious $700 million rebuilding plan. HUD envisioned the creation of new safe neighborhoods with homeownership opportunities for anyone who wished to pursue the American dream, including public housing residents.

Since HUD took over, 1,000 affordable housing units have been built and are being built at Fischer, Gus, Florida and St. Thomas and another 300 are underway at Gus, Fischer, and St. Thomas.

Let me just say, litigation and public debate about new construction certainly has slowed the rebuilding progress. We have had every form of architectural expert here assessing the bricks and mortar of public housing. However, those experts have not addressed the toll of the crime plagued, racially segregated public housing units. Both factors in HUD's evaluation of the densely built decayed old public housing, and our decision to rebuild.

Hurricane Katrina struck the City while HUD's receivership team was in the midst of redeveloping New Orleans worst developments. Outwardly, the homes appear to have survived the storm. It is when you evaluate the insides of the homes, the electrical wiring, the plumbing, the power receptacles, the roof structure, the mold, and the overall infrastructure damage, that one comes to realize the time for change is now.

We believe now is the time, for a variety of reasons. The cost of renovating public housing is not cost-effective. Our engineering firm estimated it would cost $129 million to make only Katrina-related repairs to St. Bernard, B.W. Cooper, C.J. Peete, and Lafitte.

Extensive modernization of these same four would cost approximately $745.2 million. On the other hand, demolition and the redevelopment of similarly configured units would cost $597 million. It would be an irresponsible use of taxpayers' dollars to follow any other path, which is why we came to the conclusion that redevelopment was the best option on so many levels.

Economically, HANO is poised to rebuild affordable housing by December 2008. We were awarded approximately $300 million in tax credit equity to redevelop the big four. The projects include the development of nearly 2,100 affordable units that collectively have a total development cost of approximately $540 million, including approximately $300 million in tax credit equity. This funding could be lost due to the December 31, 2008, deadline.

Chairwoman Waters, Ranking Member Biggert, and distinguished members of the Committee on Financial Services, whether you agree with our plan or not, you should know we are in this fight solely to provide a better tomorrow for our New Orleans public housing residents.

Repairs may be cheaper and more expedient in the short run where costs are measured in dollars, but in the long run where costs are measured in lives, they are too great. While HANO has been charting the course ahead, we have also worked hard to ensure all former residents of New Orleans public housing are receiving a rent subsidy. We are also working, where possible, to bring residents back to safe environments. Thus far, we have 1,200 families residing in public housing. We are calling other families and advertising for all others to keep us apprised of their situation on the anticipation of return.

Chairwoman WATERS. Mr. Babers, would you wrap up? We have your testimony in writing and would you wrap up, please.

Mr. BABERS. We realize that the mistrusts of HANO have left many doubters. As proof that such a revitalization plan can work, we would ask that you look to a neighbor to the east, Atlanta. Atlanta last week announced plans to raze most of their distressed public housing.

Chairwoman WATERS. Thank you, your time is up. Thank you very much. We do have your testimony in writing. Thank you.

All right, if I could have your attention, please. We are going to ask some questions. And maybe some of the questions we ask will help you to maybe understand or to gather some thoughts for some recommendations through some of the representatives who will be in the next panel.

With that, I will recognize myself for 5 minutes. Let me start with not so much a question, but a statement relative to CDBG.

We are going to have an omnibus bill that will correct the need for the 10 percent match and we are going to do some waivers and all of that.

But I want to be clear that we are going to correct the $1.2 billion that FEMA has in the Hazards Mitigation Program, but that $1.2 billion has nothing to do with the slowness of the project at this time. The fact of the matter is, you have all of that other money that has not been spent. So I just want to—and also I want you to be clear about the difference between CDBG requirements and the requirements that were created by the Road Home Pro-

gram rather than CDBG. So put a pin in that while I go directly to public housing and Mr. Babers.

I want to ask about your numbers. First of all, is there a problem in contacting the public housing residents who are living in other States? How good is your database? And what can you tell us about how many have been actually contacted, what did they say and how can the Congress, how can this committee get from you the complete information on the numbers that are out there, the numbers that have been contacted, the numbers that said they did not want to come back, the numbers who said I need some money for relocation to come back, the numbers who said I will be back as soon as school closes because I do not want to take my kid out of school—help us to understand this.

Mr. BABERS. Yes. We have a team of 15 individuals calling daily that we have brought in who are actually making calls.

Chairwoman WATERS. Let us hear. Yes?

Mr. BABERS. Just our recent calls, we have made 978 calls in the last couple of weeks and we have been unable to reach 736 of those. We have heard that within 30 days, 79—

Chairwoman WATERS. I really do need to hear him. 978 calls and what was your next sentence?

Mr. BABERS. We are hearing that in 30 days, 79 would be able to come back; in 90 days, 50 would be able to come back; and in 90-plus days, 34 would be able to come back. We are hearing different reasons in terms of leases, doctors, the infrastructure, and many reasons, school—68 percent of our families have children in school. Many of these are saying that it would have to be after school is out. So we are hearing numerous things.

On the other side of the coin, one thing that would certainly be helpful is us getting current information from FEMA. We are having a problem. We are getting a lot of wrong numbers—

Chairwoman WATERS. What percentage of telephone numbers do you have of residents who are living—

Mr. BABERS. Out of the 978 calls, we were unable to reach 736 for various reasons.

Mr. BABERS. Many of them we were leaving messages.

Chairwoman WATERS. Wait just a minute.

Mr. BABERS. Bad information.

Chairwoman WATERS. Excuse me, one moment, one moment, one moment.

This is very important, very important. Out of 978 calls, how many people did you reach?

Mr. BABERS. Again, 900, and we were able to get a total of 237 that we made contact with. And I can get you definitive numbers on this and the various reasons.

Chairwoman WATERS. Okay, so you were able to reach, out of the 978, you were able to reach 237?

Mr. BABERS. Right.

Chairwoman WATERS. Okay. As I understand it, for those people who have signed leases, HUD is making a commitment to take care of those leases so that they will not be stuck and not be able to return; is that correct?

Mr. BABERS. We are making provisions to deal with the leases, to buy out the leases.

Chairwoman WATERS. I am sorry. Do you have—have you developed a policy that is applicable to everybody about how you will handle the lease responsibility at this time?

Mr. BABERS. We are still working on that. We did hearings in five cities and met with the various residents in the cities and we are in the process of pulling that process together.

Chairwoman WATERS. All right, okay. So there is no consistent lease policy at this time?

Mr. BABERS. No, not at this time.

Chairwoman WATERS. Okay, what is HUD's position on relocation costs?

Mr. BABERS. We are negotiating and working with our families in terms of trying to do the relocation costs.

Chairwoman WATERS. Do you have a policy that is applicable to everyone on relocation?

Mr. BABERS. We pay relocation costs.

Chairwoman WATERS. Just a moment. Let me ask you, do you have a policy that I could put my hands on right now that describes how you handle relocation?

Mr. BABERS. Yes.

Chairwoman WATERS. Is that known? Has that somehow been communicated to the public housing residents who are in other States?

Mr. BABERS. I would say so, yes. Many of them have already received relocation checks.

Chairwoman WATERS. HUD—excuse me, I need you to give me your attention now. Can someone get for me the HUD policy on relocation by tomorrow morning or tonight or sometime?

Mr. BABERS. Yes, ma'am.

Chairwoman WATERS. Would you get me that policy in writing? Okay, so also, I know that many of our residents did not leave with their household goods, because I saw them in the housing development.

Mr. BABERS. Right.

Chairwoman WATERS. Does HUD have a policy on replacement of household goods or assistance with replacement of household goods in any way?

Mr. BABERS. Not at this time, no.

Chairwoman WATERS. All right. And just a minute. For those families who have children in school, is there a policy developed by HUD about how many months you will wait for them to return, based on the fact that their children are in school and they do not want to take them out, what is your policy?

Mr. BABERS. We have a policy. We make a call and you have an opportunity to come. If you do not come at a certain point, then you drop down, not to the bottom of the list, but there is a policy in place.

Chairwoman WATERS. Just a minute.

When they are contacted, how much time are they given before they drop down on the list?

Mr. BABERS. How many days—30 days.

Chairwoman WATERS. Okay, so there is a 30-day policy. So if you call Mrs. Jones and Mrs. Jones says, "I have three kids in school and I do not want to take them out, but I do want to come back,

but I cannot come back until June." What happens to Mrs. Jones' family?

Mr. BABERS. At some point, then they would drop down on the list. They are still on the list, but we go to the next person. We offer the first right of refusal.

Chairwoman WATERS. Okay, all right. My time is actually expired and I was just trying to find out what the policies are because if you do not have clearly defined policies and rules so that people can understand them, it causes a lot of confusion.

Mr. BABERS. We have a clear policy.

Chairwoman WATERS. But I am going to move on so that our ranking member can raise her questions now. Ranking Member Biggert. Thank you very much.

Mr. BABERS. Yes, ma'am.

Mrs. BIGGERT. Thank you.

I would like to ask all of the panelists one question. Is there anything that we, in Congress, have not done? In other words, have we provided any barriers to what you are trying to accomplish here? Dr. Blakely.

Mr. BLAKELY. The rules that Mr. Leger talked about are sometimes barriers and I think they can be waived administratively, but apparently the Congress is going to have to weigh in on these. I think that we need some guidance from the Congress as to exactly how we handle our housing infrastructure as a whole, not just public housing. That would be very helpful because the money has to arrive for both at the same time. If we are discoordinated there, then that means the schools will not work, it means I cannot put the sewer in, and the water systems, etc.

Clearly we can do some of this at the local level, but if the money does not come at the same time, we are hamstrung. So I think these things are very important. And as the Mayor said, here in New Orleans, we would like handle those infrastructures ourselves, including the Road Home Program.

Mrs. BIGGERT. Well, you know, we went and visited so many of the public housing complexes, and they were really hard hit, there is no doubt about it.

Mr. BLAKELY. They were.

Mrs. BIGGERT. And need so much repair. But it seems like then we talk about the services, the infrastructure, the schools are not there, the kids cannot go to school. But it still seems to be this cycle, this circle. How do we break that circle and where would you start? We see that the housing is still there; it has not been cleaned up or torn down. What would you recommend doing first? What would be the first thing, let us say you would say okay, we are going to start this now, what would you do tomorrow?

Mr. BLAKELY. Tomorrow I would select a zone and that zone would be a concentrated zone in which we put all of our infrastructure and things in and we would go from area to area doing that and within 3 years, like I did in Oakland, we would be finished.

Mrs. BIGGERT. Mr. Jamieson.

Mr. JAMIESON. Congresswoman, from an appropriations standpoint, with what Congress has done through the disaster relief fund, that provides funding assistance for us for temporary housing assistance, public assistance. If it was anything, I think both the

Mayor and the president of the Council mentioned that community disaster loan program; in the specific appropriation for that, Congress was removing the payback option that had historically been associated with that. But certainly from a funding perspective, we have the resources that we need.

Mrs. BIGGERT. Mr. Leger, what would you do first and what is an impediment that you find from Congress?

Mr. LEGER. What would be the first thing we would do? In terms of Road Home, we would eliminate some of the restrictions and regulations. And by the way, the restrictions and regulations that I discussed before, you asked were they CDBG? Staff corrected me, they are not HUD regulations, they were regulations in the appropriations bill that HUD cannot waive certain restrictions including duplication of benefits and others.

Mrs. BIGGERT. Can you give me those specifics?

Mr. LEGER. Yes. Specifically—as a matter of fact, correcting something I said a little bit earlier, the reason there is a $150,000 cap, the reason there is a pre-storm value cap, is because in December 2005, in the original appropriation, we were given $6.2 billion. It was insufficient for our needs. We came back and got an additional $4.2 billion, but we needed $8 billion. So we have had to, with the budget available, deal with infrastructure, and we have had to deal with economic development issues, and $7.5 billion allocated to housing including rental housing development and homeowners' assistance. So what I would do first is to give us more money, give us more money to fully compensate people who have sustained losses.

You know, Congressman Jefferson has been good to point out that there is an exemption or an immunity in the Flood Control Act with respect to the U.S. Army Corps of Engineers. If a private party were responsible for the damage that was done in Louisiana, then the homeowners could be compensated by the course of civil litigation. Accordingly, we are capped, so we cannot fully compensate them. We are restricted by HUD regulations and appropriations regulations from compensating for loss of goods and property and contents and otherwise. We would remove those specific restrictions, and my written comments provides some very specific aspects.

Mrs. BIGGERT. All right, thank you.

Mr. Babers.

Mr. BABERS. We would ask for social service monies as well as job training. We have a tremendous need for job training, job placement, and counseling. So certainly there is a tremendous need for that.

Mrs. BIGGERT. Okay, and what would you do first here as far as the circle of the house and the jobs and the services? How do we really start where you can come and say we are on our way?

Mr. BABERS. Right. We are in the process of entering into an agreement with Odyssey House to do case management, which will actually, as each family comes back, get a defined idea of what their needs are and from that we would then be able to make the referrals to the necessary social service agencies.

Mrs. BIGGERT. Ms. Blom.

Ms. BLOM. I think there are three major items that we would seek Congress' assistance on to be able to allow for phased redevelopment.

The first is an extension of the placed-in-service date. Currently that placed-in-service date for all the tax credit projects is December 2008, and in order to accommodate phased redevelopment, we will be doing repairs first and having families come back and then doing development in phases, would really require at least a 2010 deadline for the placed-in-service date.

Second, we would seek for additional flexibility under the 901 provisions that were provided under the emergency supplemental that was passed in December of 2005. It allowed housing authorities in the Gulf region to commingle their funds from HUD and use it for development efforts. And in this case, if that were extended for another year, that would give HANO additional funding to be able to carry out the redevelopment effort.

Third, as you mentioned earlier, the reduction in Section 8 funding for Gulf States housing authorities as a result of the continuing resolution, we would ask for restoration of those fundings to be able to allow persons on Section 8 to be able to continue without assistance.

Mrs. BIGGERT. Thank you. Thank you, Madam Chairwoman.

Chairwoman WATERS. All right, Congressman Jefferson, 5 minutes for questioning.

Mr. JEFFERSON. Yes, ma'am.

Mr. Jamieson, I do not think that anyone expected this recovery to take so long and the storm to be so devastating. None of the laws we had contemplated this sort of disaster. You have a $26,200 cap on assistance. How many folks are bumping up against that cap now, how big a problem is that, and what does the Congress need to do to fix the problem, if anything?

Mr. JAMIESON. Forgive me, but I am not sure I heard all of your question. I think you were dealing with the $26,000 cap?

Mr. JEFFERSON. Yes, the $26,200 cap. My question is how big a problem is that now for individuals and families and what do you think—does the Congress need to address that now? Because a lot of folks must be bumping up against that cap now.

Mr. JAMIESON. Yes, what we have done, sir, is we are not bound by that cap. What we are doing is continuing to provide direct financial assistance and as opposed to it bumping against an individual's cap, for those folks who are in rental assistance, what we are doing is providing direct assistance to the landlord of that rental unit. So that we are not bound and will continue to provide rental assistance as long as they are in those rental units.

Mr. JEFFERSON. How long can that work, using this method, because there is enough money in the pipeline to do that sort of thing without getting a release on the cap? So we do not run out of money and tell people they have to get out their places because they do not have any more cap available to them? You mean you can carry out this program without a cap increase?

Mr. JAMIESON. Congressman, I am terribly sorry, but with the acoustics in here, I am not getting all of your question.

Mr. JEFFERSON. I just want to know whether or not the cap—we will never have to address this cap increase issue, you can always

get around that and there is enough money in the pipeline to do that? That is what I am asking.

Mr. JAMIESON. As long as—with the extension of housing assistance for that 6 months, we will—

Chairwoman WATERS. It is very difficult to hear. So if you would keep the noise down.

Mr. JEFFERSON. We are down here to fix things. So the issue is on the $26,200 cap on assisting individuals, families.

Mr. JAMIESON. Yes.

Mr. JEFFERSON. And the question is whether we need to do anything about that or not. Do you have a way to work around it that will take us through the whole process here? Because we do not want to have to run out of money and you say now we are out of money and therefore we cannot assist families any more. So just want to know today whether that is—we need to raise that cap or not.

Mr. JAMIESON. Yes, sir, sorry for taking you the long way around there. But I think that is something that the committee should look at in terms of that cap. It is not going to affect disaster victims down here because of the work-around that we have done. But I think that it is an issue in today's rental markets, because not only is it dealing with rental assistance, but it is dealing with other needs such as medicines and clothing for the folks who left without anything. They are getting up to $10,000. That is all running up against that cap. So I think it makes sense to have a cap, but I think it should be expanded and I think there should be discretion at the director's level to waive that and adjust it to the circumstance.

Mr. JEFFERSON. Will you make recommendations to the committee or someone in your organization as to how we get at this problem because it is—

Mr. JAMIESON. I am sorry, I will get with the chief of staff and do that; yes, sir.

Mr. JEFFERSON. The next is, the Mayor tells me that there is a whole lot of controversy over valuations of what the losses are for various public infrastructure needs. For instance, the Mayor says for the sewage and water recovery, $400 million, some number like that.

Mr. JAMIESON. Right.

Mr. JEFFERSON. And FEMA looks at it and says no, no, it's $100 million.

Mr. JAMIESON. Yes.

Mr. JEFFERSON. Then the Mayor is criticized for not submitting work orders when he says, "God, if I do that, we will never get the place fixed back again." How can we fix this issue of valuation?

Mr. JAMIESON. Sir, I think we have a fix there and let me just say that the total estimated public assistance costs down here are some $5 billion. We have obligated almost 75 percent of that funding, but the Sewer and Water Board is a very, very complicated project. I am dealing with Dr. Blakely, the members of the Sewer and Water Board, the Mayor, and the State. And what we have agreed to is putting in place an MOU between all of us that says we are going to get an independent contractor in here to do a base-

line assessment of that, we are going to determine what is disaster-related damage.

Mr. JEFFERSON. A contractor that you and the Mayor would agree on to come in here? You called this person independent. Someone—the two of you would agree on some independent appraisal of this thing and then go with the numbers, that is how you would do it?

Mr. JAMIESON. Yes, sir, it is. And the contracting process allows us to not have it be strictly a Federal activity, but to bring the City in so that we are all in agreement that this is the right contractor to use for this particular job and we are going to live with the results.

Mr. JEFFERSON. Mr. Blakely—Dr. Blakely, I am sorry, you described a process, a very extensive process. In the short term, because the Congress is trying to address the short term and long term needs down here—in the short term, what are the most important things that—three most important things that Congress ought to go and address right now to help you through the short term part of this recovery for the City?

Mr. BLAKELY. The three are pretty simple. First, we need to know who is coming back. That data is vital to us. The second is—

Mr. JEFFERSON. Now how can we help you to find that out?

Mr. BLAKELY. The U.S. Census is pretty good at that and there are other devices that we can use, but we do need—and some of that data is with FEMA, and some of that data is with ICF. It is all over the place, so it would be helpful if we could bring it together in a coherent fashion.

Mr. JEFFERSON. All right, that is one thing.

Mr. BLAKELY. All right. That might require the U.S. Census to help us, but they have the expertise.

The second thing that we have to do is to focus very clearly on the fact that we do not have enough housing for our workers. If we do not have workers here, we cannot build anything. So we need a carve-out through a lease or something to lease some of the existing structures, rehab those structures, and then have them for workers and then have those workers phased-out and have the residents phased-in. That is essential. And we need Congressional approval to do that, because we do not have that kind of approval now.

Chairwoman WATERS. Thank you very much. The gentleman's time has expired.

I will now call on Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Madam Chairwoman.

I want to kind of go down the road here just a little bit of managed expectations, because I think a lot of people here are here out of frustration because of the expectations that they have.

You know, one of the things that a lot of commercials do today is they take an object apart over a long period of time and then in a 30-second commercial, we get to see them run it in reverse and it is all back together again. And what the people in New Orleans, I think, want to see, is New Orleans back together again.

But Dr. Blakely, you have a distinguished career of looking at these rebuilding programs. What is a reasonable expectation, if we could hit the rewind switch and put everything back together the

way it was pre-Katrina, what kind of time frame are we talking about?

Mr. BLAKELY. Well, at the outside, we would be talking about a rebuild of this City to about 600,000 or 700,000 people—it would take between 15 and 20 years, at the outside.

Mr. NEUGEBAUER. Okay.

Mr. BLAKELY. But within that, I think we can get back to around 400,000 citizens in 5 to 7 years, using the existing infrastructure cleverly. And I think the citizens, as long as we are moving, will be with us. We have lost almost 2 years in that kind of a program. But I think we have now the capacity to do that with the monies that we can receive, with the leverage we can generate and the flexibilities that I have asked for.

Mr. NEUGEBAUER. And really what I heard you say awhile ago is that we really do not even—today if we could bring everybody back, we do not have the capacity to do that, nor the economy probably to do that.

Mr. BLAKELY. No, we do not. Just for schools, we do not have enough hospitals available, and we do not have the social infrastructure Mr. Babers talked about, so it is very important to bring this about in a phased way. And this is about my sixth time around on this, so you learn a few things by doing it.

Mr. NEUGEBAUER. And speaking of learning something, I want to go somewhere with Mr. Jamieson. What do you think FEMA's role is in a national disaster of this magnitude as far as it relates to housing? What do you think FEMA's role should be?

Mr. JAMIESON. I think, first of all, sir, there does need to be clarification there. I think what FEMA does, and does pretty well, is to get interim emergency housing to folks. But we are clearly not resource authorized or appropriated to deal with the long term permanent housing issues. And I think because FEMA is so present down here, we are associated with a lot of those issues—we were not as quick as we could be in terms of even providing emergency housing with the 120,000 travel trailers that were here.

One of the things that Congress has recently done is authorized $400 million for us to explore alternative emergency housing measures and I think there is a clear distinction that needs to be made between emergency housing and what FEMA does, and what our partners at HUD do, in terms of permanent housing assistance.

Mr. NEUGEBAUER. I guess the question then I have is have we learned some things in this situation where we manage those expectations of what FEMA's role really is, and that is to get as many people housed as soon as possible, and then moving more quickly to the permanent solution. Are there some structural things that Members of Congress, my colleagues who are sitting up here, need to be looking at so that if, God forbid, we have another Katrina, we know what to expect from FEMA, and we know what action items need to begin to take place? Because I think the Congress was very generous. I mean every time somebody brought a request to the President, the President sent it over to the Congress, and we appropriated the money. But I am not sure we were—that the systematic transfer of what was FEMA and what was HUD and what was the local community and what was the housing authori-

ties. So did we learn something to make that transition? I just kind of open that up to the panel really.

Mr. LEGER. Congressman, if I may, I think that there is a psyche in the post-disaster south Louisiana and the psyche is, and particularly if you look at New Orleans and St. Bernard Parish which was so severely devastated, and a question gets to be once the immediate disaster is over and actually Senator Lieberman said that there ought to be a new category of event, a catastrophe. You know, FEMA was designed to deal with a disaster, we have something of that proportion here. And the psyche is that some things become self-fulfilling prophecies.

As Dr. Blakely pointed out, we have lost 11 hospitals here—11 hospitals here in New Orleans. St. Bernard Parish lost its only hospital. We were in a meeting with Councilman DiFatta just the other day about the need a hospital for people to come back. Sixty percent of the people are questioning whether they are going to go back. They need to know they are going to have levee protection and coastal restoration. And then people individually are looking at their neighborhoods and saying, "Well, do I want to go back and rebuild my home, what are my neighbors going to do?"

So in our transition—infrastructure, schools, hospitals, and roads. The roads are full of potholes developed by the longstanding water. Those things have to come before there is a feeling of confidence that the community is coming back. And then, of course, we have to get the funds, the insurance monies, the grant monies, and that type of thing.

Chairwoman WATERS. The gentleman's time has expired.

We are going to move on now to the gentleman from Texas, Mr. Green.

Mr. GREEN. Thank you, very much.

Mr. Leger, would you be so kind as to submit a letter requesting relief with all of your concerns in it? And this way, with that codified document, we can give you an intelligent response.

Mr. LEGER. Yes, sir. In fact, a lot of those are listed in my written testimony, which we have submitted, but we will make it much more pointed.

Mr. GREEN. There is some question as to where your written testimony is right now.

Mr. LEGER. Oh, I apologize. We have it, and we submitted it to the Financial Services Committee 2 weeks ago.

Mr. GREEN. If you would, just codify the requests for relief as opposed to giving me and the committee the entire testimony. And we will sift through that and look through it, but I think that would be beneficial.

Mr. LEGER. Yes, sir.

Mr. GREEN. Mr. Babers, sir, the people seem to want to come back to what they had. The Mayor, while he did not use that language, seems to want to get as many people back as he can to what they had.

Now let me ask this, because there seems to be an assumption that this is a great time to improve upon public housing. I have no argument with you; I would like to see it improved too. I think the people who want to come back to what they had would like to see

things improved, but there seems to be the assumption that people are doing better where they are.

Now I have people who are living from deadline to extension and many of these deadlines will end right around Christmas or some holiday and many of them are not comfortable where they are and they really want to return.

So I am asking you to factor in, when we factor that into the equation, the money that we are going to have to spend, hopefully that we will spend to continue to house people where they are, how do you reconcile that with a desire to do a really good job, but at the same time you are keeping people away from the house and the home that they know and they want to return to?

And friends, I am going to ask, if you would, do not applaud because I only have 5 minutes and I have some more questions.

Mr. BABERS. I am trying to get exactly what you are asking me. Come again in the sense of being satisfied where they are. Let me—first of all, we want to bring our families back. We have identified up to this point 2,000 units that we have identified as low lying fruit that had the least number of trouble in terms of fixing these units up for habitation. Again, 67 percent of our units were uninhabitable prior to Katrina, so we have identified the 2,000 units.

One of the things that Dr. Blakely and I—

Mr. GREEN. Permit me to intercede for just a moment, I do not mean to be rude. But let us not talk about those that were not habitable, let us just talk about the people who want to come back to what they had.

And I have to add one more element to the equation. If you are only contacting one-fourth of the people that you try to reach, can you truthfully say that you have an efficacious effort to contact people in place?

Mr. BABERS. That is a good point. Our initial tallies gave us 60 percent of the families wanted to come back, which would equate to about 3,000 units, which is what we are proposing to put on the ground. But again, if we are talking about bringing the families about, what we are talking about total, just Katrina-related cost, $130 million to fix up just Katrina-related costs. If we are talking about extensive mod, our figures are saying $746 million.

So that is what we are grappling with, the numbers. And so, you know—

Mr. GREEN. Excuse me, Mr. Jamieson, my time is about up, so let me quickly ask, the 403 to 408 transition, why is that transition so nebulous that people seem to just drop through the cracks and courts have to be involved?

Chairwoman WATERS. Quickly. The gentleman's time has expired. Would you quickly wrap it up, please?

Mr. JAMIESON. Yes, I would. Congressman, 403 was what FEMA could do under emergency assistance, it was the quickest way that we could get our hands on the money for folks and housing assistance. 408 of the Act is what actually allows us to provide temporary housing assistance.

I do not think we were as clear as we could have been, but I do not think anyone has fallen through the cracks. I think we have been over in Texas, the 16,000 folks from Louisiana who are still

over there, we have case managed every one of those cases. Those who are eligible for assistance are receiving it, sir.

Chairwoman WATERS. The gentleman's time has expired.

Next we have the gentleman from Missouri, Mr. Cleaver.

Mr. CLEAVER. If you would be economical in your response, so I can get through. Mr. Jamieson, I am familiar with this school, my son graduated just prior to the flood; he was still here when the flood hit. And are you familiar with the letters that have gone out to students from Dillard University and other universities telling them to send $2,000 back that they received after the flood?

Mr. JAMIESON. I am.

Mr. CLEAVER. Thank you for the economy.

Mr. JAMIESON. I would be happy to address it. I have a daughter in high school and a daughter in college as well, so I am sensitive to those concerns and I have, in anticipation, quite frankly, of this hearing, we have set up a separate call number for those students so that we can work through each one of their cases on an independent basis, not only here, but also at Tulane University, the University of New Orleans, and other schools.

Mr. CLEAVER. Yes. Okay, and I am glad you are doing that. I think it would have been better if there had been, you know, a little more effort put into deciding whom to send the checks to in the first place. If you are 19 years old and you get a letter and you are up in Tennessee, you just left here and you are in another school, and it starts talking about prosecution, the FBI and Rin Tin Tin and the Lone Ranger all coming after you, you know, I mean these are kids and I am personally involved with two young ladies who are in colleges elsewhere and I just think that was a terrible public relations blunder.

Mr. JAMIESON. I agree.

Mr. CLEAVER. Secondly, Ms. Blom and Mr. Babers, do you agree with Secretary Jackson that the people who have left do not want to come back?

Mr. BABERS. We are hearing 60 percent say they would like to come back and so that is the figure that we have been dealing with.

Chairwoman WATERS. All right, Mr. Cleaver needs time to raise his questions.

Mr. CLEAVER. The Secretary said to me and some of my colleagues, he said he would take 3 days off, come down to point out door to door that people didn't want to come back, if we went to Houston. So I am just asking, since you are on the ground here, the two of you are on the ground, is that your—

Mr. BABERS. Let me say this, we have 338 key-ready units right now. I said we have 338 key-ready that we could give to a family today.

Mr. CLEAVER. Okay. That is not the number that the Secretary gave us.

Mr. BABERS. And we gave the Congresswoman the addresses, I think Scott Keller gave you some information last night on some units.

Mr. CLEAVER. Okay, well if she has that, I am satisfied if she has the information.

Mr. BABERS. Right.

Mr. CLEAVER. Final question.

Chairwoman WATERS. Let me, if I may, if the gentleman will yield, so that everybody will understand. I requested information from HUD about where these units are, they did send it to me last night, and I am going to spend as many days as I can visiting and finding out about the units, and also Dr. Blakely is looking at some of this, and I will share it with the members. Thank you.

Mr. CLEAVER. My final question, we have $10 billion missing in Iraq and I am wondering what the situation is here. We get information that there are no bid contracts being let, that the local contractors are being excluded, that there is preferential treatment for contractors who are being brought in to do the work here. Do you have a Reader's Digest version of an answer?

Mr. JAMIESON. Sir, I do. I am very proud to say that there are no contracts down here in the Gulf now, no new contracts, that are no bid contracts. And all of those contracts are heavily—I will give you the statistics, but 8(a) contractors, locally based contractors. That did happen in the early days of this response, it was well-documented, but I am very proud of what we have been able to do since that time. And I would be happy to provide you the exact statistics.

Mr. CLEAVER. Yes, I would really like to have information on that, because the elected officials here do not seem to have that information. They are saying otherwise, as well as local business people.

Mr. JAMIESON. Congressman, I would be happy to provide it to you.

Mr. CLEAVER. Mr. Jamieson, do you have a rough estimate of the number of people who are still in trailers?

Mr. JAMIESON. In Louisiana, sir, there are some 60,000 folks who are still in travel trailers.

Mr. CLEAVER. Did you say sixty?

Mr. JAMIESON. Yes, sir.

Chairwoman WATERS. What did he say? What was the number?

Mr. CLEAVER. 60,000.

Chairwoman WATERS. In trailers?

Mr. JAMIESON. Yes, ma'am.

Chairwoman WATERS. We need to hear this.

Mr. CLEAVER. What will happen to those individuals and families who are living in trailers, what is the plan?

Mr. JAMIESON. Well, sir, the plan is to try to get them into permanent housing as quickly as we can.

Mr. CLEAVER. I know, but what is the plan?

Mr. JAMIESON. Well, part—

Chairwoman WATERS. Okay, all right, okay. We are going to give him an opportunity as soon as we complete the questions of our next member and before we go to the next panel, we will give him an opportunity.

With that, I would like to ask Representative Sires.

Mr. SIRES. Thank you, Madam Chairwoman.

Mr. Babers, is that how you pronounce your name?

Mr. BABERS. Yes. I would just like to offer an observation. It seems to me that there is a lot of insensitivity from the Authority in trying to reach these people who want to come back. I do not

sense an urgency, I do not sense the human hurt that people have gone through. So I would plead with you that this 25 percent of the people in these phone calls, there has to be a stronger effort. You know, I would implore you, because what I have seen here—and this is my first time in New Orleans—you know, I will never forget. So I just offer you that observation.

I want to say that certainly, we are taking that very seriously. We were doing the calling and the surveying internally. We have brought in 15 people from around the country who are doing these calls all day. We are trying to improve on that system, but I do agree with you.

Mr. SIRES. But there seems to be almost a cavalier attitude when you address some of these things, and I do not think that helps the situation.

Chairwoman WATERS. Excuse me, one second, Congressman.

This is very, very serious and we need to hear the response from HUD and the question is being raised in a very serious way. So please give us your undivided attention. Okay.

Mr. SIRES. Have you worked with the Mayor's office in trying to put together a plan to reach these people? You know, is there any work with the Housing Authority and the Mayor's office and the Council people and the Council president?

Mr. BABERS. I have met with the Mayor's office, I have met with—

Mr. SIRES. Or a tenants' council that you have or, you know.

Mr. BABERS. I beg your pardon?

Mr. SIRES. A tenants' council?

Mr. BABERS. Yes. As a matter of fact, we work very closely with the resident council. We have board meetings, we have a resident board relationship with two members of the resident council that we meet with monthly. So we are trying to do—and certainly I agree, we can improve on our efforts, but it is not a lack of not making communication or contact with the council, with the City. I have met with the Mayor in Houston, we have yet to go out to the various other cities. We had planned a tour and we had mentioned it to the chairwoman about going to Atlanta, Baton Rouge, Dallas, and Houston, and that meeting has not taken place yet, but certainly that is something that we have been planning to do, to do just what you are talking about.

Mr. SIRES. But this is precisely the point. The chairwoman asked you if there was a plan or there was a policy. Here we are 18 months later, you are still developing a policy.

Mr. BABERS. Sir—

Mr. SIRES. This is just an observation of a freshman Congressman.

Mr. BABERS. Sure. The thing is we just started our plan—the Secretary made the announcement in June and we have been continuously trying to fine-tune our efforts, but I applaud what you are saying and certainly have no problem in terms of putting a plan together.

Mr. SIRES. Thank you. Do I have time for one more question?

Chairwoman WATERS. Yes.

Mr. SIRES. Mr. Leger, you testified before the full committee on February 6th and you discussed the problem your organization had

in getting full funding for the Road Home Program. You explained how the difficulty resulted in delays in implementation. And you testified that 500 homeowners had received their awards the week of February 6th. Can you tell me how many more families have received their awards since then?

Mr. LEGER. Yes, sir. The latest numbers are as of today probably about 800 now. The commitment, the Governor spoke about the commitment of ICF, the contractor. Again, we are the policymaking entity, Louisiana Recovery Authority. You will have ICF before you. The commitment that they made was delivery of a total of 2600 by the end of this month, by the end of February, that is next Wednesday.

Mr. SIRES. So how many do you have total today?

Mr. LEGER. Eight hundred, approximately 800 or possibly more by today. So they have 1,500 or so to do.

Mr. SIRES. And how did you decide who gets first? You know, how did you decide—

Mr. LEGER. Who decides who gets—

Mr. SIRES. Yes, how do you award it first, who gets the award first?

Mr. LEGER. That is a process that is performed by ICF, the contractor. They have taken 100,000 applications, scheduled 72,000 appointments, and they are working their way through the process. They claim that there have been a lot of administrative hold-ups including the verifications. And they have awarded—they have made awards to about 17,000 homeowners who are now going through closings.

Chairwoman WATERS. The gentleman's time has expired.

Mr. SIRES. Thank you, Madam Chairwoman.

Chairwoman WATERS. Thank you, very much.

We are going to call up our third panel. I would like to make two deviations from our normal way of doing this. One is I am going to ask Mr. Jamieson to remain while the other panel is coming up because the question of how many people are still in trailers and what do you plan to do with them has not been answered and it is key to everything.

And let me say to Mr. Leger that we really do respect you as a volunteer and the work that you are doing and the way that you have spent your time on this program. But the numbers about how many actually have been completed and how many have gotten—keeps changing on us and so we are going to put it on Ms. Isabel Reiff when she comes up and if I get a different number, then I am going to put somebody under oath on this one because we keep getting a different number.

Chairwoman WATERS. Okay. Thank you all, so very much.

Mr. Jamieson, if you can answer Mr. Cleaver's question while the other panel is coming up. Mr. Jamieson, please.

I need your attention. Mr. Jamieson is getting ready to tell us how many people are in FEMA trailers and what they are going to do about it. It is very important.

Mr. JAMIESON. And Congressman Cleaver, your question was about the folks who are in travel trailers. There are some 60,000 travel trailers out there, and I do not want to underestimate that number. In an average family size of three folks, that is a lot of

folks. Those are units, not families and people, so that number is significantly larger than that.

We have had 23,000 units that have already been deactivated. Of the 60,000 units that are still there, 83 percent of that number are on private sites. That means an individual homeowner is living in that unit while they are repairing their home. In addition to that—

Chairwoman WATERS. Would you please hold your response until we can get some quiet. This is very important. What is going to happen to the 60,000 people in the trailers? Okay, would you start again, Mr. Jamieson?

Mr. JAMIESON. Yes, Madam Chairwoman, I would be happy to.

Of the 60,000 units, you know, that is units, not family members, it is a larger number than that. But 83 percent of that number are on private sites. That means they are rolled into a driveway while those folks are either with a friend or they are rebuilding their home. So the good news there is that because that percentage is so high on private sites versus a group site, they are going to be rebuilding their home. That other residual number that is there are the folks who were renting before the disaster. And in fact, and indeed the purpose of this hearing is, how are we going to provide permanent housing assistance for those folks who were renting before? And until we get landlords rebuilding, until the Road Home money starts to flow through, those folks will be in those travel units until permanent housing is available to them.

Chairwoman WATERS. All right, thank you, very, very much.

I thank all of our last panel. Now we will start with our next panel: Mr. James H. Perry, Greater New Orleans Fair Housing Action Center; Mr. James R. Kelly, chief executive officer, Catholic Charities; Mr. Steve Bradberry, Association of Community Organizations for Reform Now; Dr. Sherece West, executive director, Louisiana Disaster Recovery Foundation; Ms. Gloria Williams, tenant; Ms. Donna Johnigan, tenant; Mr. Ben Dupuy, The Cypress Group; and Ms. Emelda Paul, president of Lafitte Resident Council.

Okay, we will start with Mr. Perry.

STATEMENT OF JAMES H. PERRY, GREATER NEW ORLEANS FAIR HOUSING ACTION CENTER

Mr. PERRY. Good afternoon. I was lucky enough to speak with you only a few weeks ago about many of the fair housing issues that the Gulf Coast has been facing. In particular today, I want to focus on two issues.

The first that I want to make clear is some of the difficulties that citizens have had with the Housing Authority of New Orleans in the past, and this will make clear, I think, the reason that so many residents are so distrustful of the Housing Authority and of HUD.

Second, I want to discuss CDBG funding and the requirement to affirmatively further under the CDBG funding program.

With regard to HUD handling the public housing, I think it is very important to consider one particular case, and that is the case of the St. Thomas public housing development. St. Thomas was pitched as an opportunity to redevelop public housing and to make mixed income housing that would give opportunity to public housing residents in New Orleans. Public housing residents were told that 50 percent of the units would be reserved for public housing

residents and another 30 percent would be reserved for low-income residents. So 80 percent of the units were supposed to be set aside for low-income and public housing residents. Instead, at the end of the day, 80 percent of those units have gone to market rate residents. Only about 20 percent of those units have gone to low-income residents, 9 percent were set aside for public housing residents. Particularly, 122 units were set aside for public housing residents. Of those 122 units, 59, as of today, have been occupied by public housing residents. The remaining 63 have yet to be occupied by public housing residents even though they are set aside for public housing residents.

In fact, as I mentioned in my last testimony, after the storm, instead of public housing residents being able to move into these remaining units, regular citizens were moved into the units, citizens who did not have the public housing preference at St. Thomas. It has been extremely troublesome. This is the story of public housing in New Orleans.

So when HUD or HANO comes in and says that they are going to redevelop housing and that we are going to get people back in public housing in only 2 years, it is very difficult, if not impossible, for us to believe it. There was a switcheroo. We were told 80 percent of the housing would be for low-income residents and instead only 20 percent or less have been reserved for public housing residents—a switcheroo.

So I think that members should really consider each statement that HUD and HANO makes because I can tell you that citizens do not trust HUD or HANO and do not trust their positions.

The second issue is about Community Development Block Grant funding. There have been a lot of calls in today's testimony about lessening the rules, and I had specific conversations with members of this very subcommittee where you said that you specifically made sure that the affirmatively furthering for housing components were not taken out of the Community Development Block Grant funding program.

Well, I want to give you two examples. In one case, St. Bernard Parish, a parish that does receive Community Development Block Grant money, passed an ordinance. Its ordinance said that in order to rent a single family home in St. Bernard Parish, you had to be related to the owner of the property. In St. Bernard Parish, 93 percent of the people in the parish are white, which means that nonwhites could not rent single family homes in the Parish.

Our organization filed a lawsuit against the Parish and since then we have forced them to repeal the ordinance. But I would say that any parish or any county or any municipality that would pass such a heinous ordinance should not be able to receive Community Development Block Grant money in the future.

I will give a second example, and that example is Jefferson Parish. Jefferson Parish has gone out of its way to make it nearly impossible for developers to use low-income tax credits for development within its borders, particularly in Terrytown in Jefferson Parish. They have even attempted to get the legislature to pass a law that would require their specific authority in order to use tax credits within their borders.

This is an action that would specifically limit housing for low-income residents. In particular, Councilman Roberts, who has pushed this ordinance said—

Chairwoman WATERS. Would you wrap it up, please, your time has expired.

Mr. PERRY. Sure. I submitted my written comments and they go into these issues in great detail and I would urge that members consider strengthening the Community Development Block Grant terms for affirmatively furthering fair housing.

Chairwoman WATERS. Thank you, very much.

Next, we have Mr. Kelly, chief executive officer, Catholic Charities.

STATEMENT OF JAMES R. KELLY, CHIEF EXECUTIVE OFFICER, CATHOLIC CHARITIES

Mr. KELLY. I would like to thank Chairwoman Waters, Ranking Member Biggert, and the other members of the committee. I am Jim Kelly, CEO of Catholic Charities and CEO of a new nonprofit, Providence Community Housing.

In the past 17 months, Catholic Charities has reached out and served over 700,000 people. We have delivered 70 million pounds of food and water, provided counseling and information to over half a million people, and through our emergency centers distributed millions of dollars in direct assistance to families in need.

Shortly after the storm, a group of Catholic organizations, charities, and CDC's came together to see how we might use our joint talents, experience, and resources to help bring people of all races, income, and backgrounds home. Last April, Providence was formed with the mission of bringing home 20,000 victims of Katrina by repairing, rebuilding, or developing 7,000 homes and apartments. In partnership with Catholic Charities, we have recently—with the assistance of 9,000 volunteers—gutted and cleaned out 800 homes and 800 apartments. Now we are working to help repair the homes of these elderly.

In partnership with Ujama CDC, Tulane Canal CDC, Mary Queen of Vietnam CDC, and a soon-to-be-formed Hispanic CDC, we are exploring any and all options to rebuild our housing stock, our homes, and our neighborhoods for our friends and our neighbors. We soon hope to refinance 902 apartments for elderly seniors. Insurance costs are 400 to 600 percent over pre-Katrina. We are hopeful that some type of special insurance reserve or some type of new income can be afforded us so that we can reach out and open these facilities for these seniors.

Providence, with our partner Enterprise, is anxious to have all residents of public housing come home as soon as possible. We concur with today's elected officials about a phased redevelopment of public housing, and in particular Lafitte. I attended a pubic meeting recently where the historic value of these buildings was under discussion. Ms. Johnson, a member of the resident council, asked me who all the people were. I explained that most of them were preservationists. She said they did not represent her. Yes, she wanted to come home as soon as possible, but she also wanted new homes and apartments for her family and friends like the ones they had voted on in October at our week-long planning meeting. No

large apartment buildings, but instead singles and shotgun doubles that were both apartments and homes. She wanted new apartments that were larger and had more bedrooms for the children.

I explained that we had been advocating for a phased redevelopment where apartments would be reopened for all those who wanted to come home right now. Redevelopment of the new homes would then begin on the other unoccupied blocks. I reminded her that when complete, there would be a one-to-one replacement of all 900 units plus 600 new homes for working families and first time homeowners.

I asked Ms. Johnson, based on her knowledge, how many families wanted to come home today. She thought between 300 and 400. This is the same number that our resident outreach staff have estimated. In December, we raised $2.5 million to help former residents, both here and in other States, and will soon initiate counseling, direct assistance, job placement, and healthcare.

A successful community will also need good schools, Head Start, senior centers, playgrounds, and parks, as well as literacy, job training, and women and minority small business development programs.

We pray each day for a resolution to the public housing debate. We do not believe that it is an either/or proposition. We believe a phased redevelopment is not the middle ground, but rather the right ground. It allows all residents, who have suffered greatly in these 17 months, to come home today while also allowing the building of healthy, diverse vibrant communities where families and children's lives are filled with plenty of opportunities and a host of dreams.

I will close by saying that Katrina has taught us many lessons, that to be successful will take a spirit of humility and collaboration. We have to focus on the victims of Katrina, and then God, who loves these families infinitely more than we do, will bless our efforts together.

I do want to point out that you, Ms. Waters, have come from the beginning and have come time and time again. And we thank you for that. My prayers of gratitude to this committee for all you have done and will do for the good and great people of Louisiana.

Chairwoman WATERS. Thank you, very much.

Mr. Bradberry.

STATEMENT OF STEPHEN BRADBERRY, ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW

Mr. BRADBERRY. Good afternoon.

Chairwoman WATERS. Good afternoon.

Mr. BRADBERRY. Chairwoman Waters, Ranking Member Biggert, and members of the committee, I would like thank you all for the opportunity to testify here today. My name is Stephen Bradberry and I am the head organizer for Louisiana ACORN, the largest grassroots community based organization in the City of New Orleans, and the State of Louisiana, as well the United States of America. I am not only the only American individual to receive the Robert F. Kennedy Human Rights Award, but I am also a graduate of fair Dillard.

I would like to point to two things that helped to set the stage, at least for everyone in the City of New Orleans, that occurred very shortly after the storm as we watched the recovery process unfold before our eyes.

In the September 8th Wall Street Journal, Jim Reese, who was later appointed to the Bring New Orleans Back Commission to be the Chair of the Infrastructure Committee, was quoted as saying, coming out of a meeting in Dallas with the power elite, which included our Mayor, that the City of New Orleans would have to change demographically and economically or these families would be pulling their money out of the City of New Orleans. New Orleans, prior to the storm, was demographically primarily African-American and economically working class.

On September 28th, in the Houston Chronicle, Alphonso Jackson, Secretary of HUD said that New Orleans will not be returning as black as it was before the storm and that HUD would not be putting monies into public housing the way it had prior to the storm.

These two statements by these two gentlemen who are decision-makers non-par, have set the stage for all the confusion, the heartache, and the trauma that we have been dealing with ever since.

In spite of that, days after the storm, ACORN found myself and two other people sending text messages to get people off of the road into homes in Texas, Georgia, Alabama, and Mississippi. In December, with a threat for us to march across the bridge into the Lower Ninth Ward, on December 1st, the Mayor finally opened up the Lower Ninth Ward, the only neighborhood that people were not allowed to go into up to that time. We began our "No Bulldozing" Campaign, which became known nationwide and others followed with their "We're Back" signs. We also initiated the first gutting program in the City, wrapping up about 2,000 homes to date.

In February 2006, President Bush said he would not be sending any more money to the Gulf region for recovery—that the Community Development Block Grant monies he had sent were enough. A week later, 500 people in red shirts like this one here chanting "ACORN" showed up on his doorstep. The week after that, $19 billion more was allocated to the Gulf region.

In May of that same year, the City Council passed an ordinance that said that the first anniversary of Hurricane Katrina, August 29th, would be the deadline by which people would have to gut their homes or risk losing them. They had not put up a single penny to assist any of the gutting organizations, not the ones by ACORN, not the ones by Catholic Charities, not the ones by Common Ground, not the ones by any organization in the City of New Orleans. And just so that you know, the Mayor just gave out $15 million to private corporations to gut houses, although all of us used volunteers to leverage the private funds that we have been receiving.

Immediately following August 29th, people had to get in the streets again to fight to have water certified in the Lower Ninth Ward because people were not able to get FEMA trailers or clean out their properties because water was being afforded them. And you all came down today to see the first two houses that were constructed in that very same neighborhood.

I would like to wrap up with a few recommendations:

Place a moratorium on imminent domain;
Preserve the existing housing stock;
Restore HUD's public housing;
Ensure affordability of replacement housing;
Rein in the insurance companies;
Provide more CDBG funds;
Provide adequate oversight of State disbursement of the Road Home funds; and
Include community groups in emergency preparedness plans and mitigation.

Thank you, very much.

[The prepared statement of Mr. Bradberry can be found on page 95 of the appendix.]

Chairwoman WATERS. Dr. Sherece West.

STATEMENT OF DR. SHERECE Y. WEST, CEO LOUISIANA DISASTER RECOVERY FOUNDATION

Ms. WEST. Chairwoman Waters, distinguished members, and staff and guests of the Subcommittee on Housing and Community Opportunity, thank you for coming to Louisiana and for your continued interest in the families and communities damaged or destroyed by Hurricane Katrina.

I am Sherece West, CEO of the Louisiana Disaster Recovery Foundation, Louisiana's fund for Louisiana's people. By way of background, the Louisiana Disaster Recovery Foundation was established in the aftermath of Hurricanes Rita and Katrina. We provide resources for relief, recovery, and betterment to nonprofit organizations throughout the State that provide services and support to displaced individuals, families, and organizations that work in hurricane-damaged communities.

Our support comes from the generosity of individuals, corporations, and foundations, including the Bush-Clinton Katrina Fund, and others from across the United States and around the world. To date, we have awarded $14.7 million to nonprofit organizations working Louisiana's recovery. I am proud to say that ACORN and ACORN Housing Corporation are among our grantees.

We are not just a grant-making organization. We are a vital resource in the State's recovery effort.

My written testimony speaks to, and previous witnesses spoke about, why there is little to no progress in restoring affordable housing and the obstacles to the success of restoring affordable housing. I will discuss how the affordable housing dilemma can be resolved and the role of LDRF in addressing the affordable housing crisis.

At the Federal level, the housing dilemma can be resolved through Congressional intervention. We appreciate and support Representative Waters' proposed Memorandum of Understanding with HUD to guarantee the right of return of displaced persons and one-to-one housing replacement—very important to us.

We appreciate and support Representative Jefferson's proposed rehabilitation and reoccupancy of public housing developments, not in major disrepair and Section 8 voucher portability.

We appreciate and support Representative Frank's proposed National Affordable Housing Trust Fund and Representative Clyburn's amendment of the Stafford Act.

At the State level, the housing dilemma can be resolved through the Governor and the State legislature's promotion of innovative housing policy and funding through enactment of a State housing trust fund with sizable funding from the State surplus, enactment of a low-income tax credit, enactment of additional piggyback funds for affordable housing and enactment of provision of soft second loans for any household below 80 percent of median income.

At the local level, municipal government has an opportunity to advance creative land assemblage and resettlement of homeowners and renters.

LDRF supports the New Orleans Road Home Fast Track Program as described earlier by the Mayor, expansion of the City's programs for disposition of property, gutting, remediation, and adjudicated properties, and we especially support flexible use policies that promote inclusionary zoning and land trust authority.

These opportunities will need and require flexible Federal funding streams from HUD and we support the City's efforts.

What is the role of LDRF in addressing the affordable housing crisis? The role or the Louisiana Disaster Recovery Foundation and our philanthropic partners is to promote and fund affordable housing strategies.

We are embarking on a Housing Recovery and Development Initiative and Equity and Inclusion Campaign. The Housing Recovery and Development Initiative is a place-based strategy to adopt a number of neighborhoods in New Orleans and invest $7- to $11 million dollars in that Initiative. We will leverage additional resources and partner with nonprofit housing developers, housing intermediaries, community development corporations and local residents.

Second, with my testimony today, the Foundation is embarking on an Equity and Inclusion Campaign that will build a coalition of elected and appointed officials, policymakers, community activists, faith-based leaders, and others to promote affordable housing and community development.

As part of our leadership through social section, we are sponsoring a statewide legislative affordable housing convening for our grantees and the Louisiana Housing Alliance on March 22nd and 23rd in Baton Rouge.

On March 30th, we will serve as co-sponsor and host of a right of return forum convened by the Congressional Black Caucus and the Congressional Black Caucus Foundation, also in Baton Rouge.

We will convene a forum on policies of equity and inclusion hosted by the Brookings Institute in June, and in September we will conduct an equity and inclusion issues forum as part of the Congressional Black Caucus legislative conference.

We invite all of you in the subcommittee and those here to participate and work with us on those convenings.

In the spirit of non-partisanship, we have met with the White House to promote our Louisiana faith-based leaders who remain champions of the recovery.

As part of my testimony for the record, I submit to you a set of housing policy papers and other papers prepared in partnership with Rutgers University's Initiative for Regional and Community Transformation. We lead with policy and we follow with social action.

I am proud to represent the Louisiana Disaster Recovery Foundation and I thank you for providing me with the opportunity to speak today.

[The prepared statement of Dr. West can be found on page 191 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Now we will hear from Ms. Gloria Williams, who is a tenant.

STATEMENT OF GLORIA WILLIAMS, TENANT

Ms. WILLIAMS. Chairwoman Waters, and members of the committee, you will hear me say "our" because I am a twin and everything we do, we do it together. My name is Gloria Williams, her name is Bobbie Jennings, and we are twin sisters.

Prior to Hurricane Katrina, we were residents of public housing in C.J. Peete. I lived there for 24 years, and she lived there for 37 years. Respectfully, we are here today asking all of you to help us come back home.

Since Hurricane Katrina, we have been displaced six times. We have vouchers for over $1,100, and our utility bills run $400 a month. I am going to tell you my income; I cannot tell you hers. My income is $667 a month, so I cannot afford to live outside of public housing.

At C.J. Peete, we lived next door to each other. Our units did not get any water damage. As a matter of fact, no units in C.J. Peete had any water damage; HUD and HANO made that up. We did not get any water. The damage that was done to our home was done by looters after our homes were left unlocked. Everything was taken from us, all the tenants of C.J. Peete, and I know I can speak for C.J. Peete because my sister and I went in and cleaned up units.

HUD and HANO claimed that it would take them 3 years—which today I heard 2 years—to do one unit. It took us—me and my sister—4 hours to do one unit.

We do not have—HUD cut the water off—HUD or HANO cut the water off to keep us out. They cut the lights off to keep us out. We went in and we cleaned up 15 units. It took us 2 days to clean up 15 units until they put a sign on there that we were going to lose our vouchers. I have a family, and my sister has a family, and we cannot afford to live on the streets.

We went to Baker, Louisiana, to visit some of our friends because we wanted to know if they wanted to come home, and we cleaned up their units. It is a concentration camp, Congress. You all ought to see it. I heard FEMA talking about how they have 60,000 or 30,000; they have 600 trailers in Baker. They are close together; it is a cow pasture. A horse fly bit a friend of mine, and she had to travel all the way to New Orleans to get doctor's care, because they were 30 miles from a doctor. They are 30 miles from school, they are 30 miles from a grocery store, and they have one bus to take them to Wal-Mart once a month. Come on now, there is no

reason for us to have to to live like that. We can go home. HUD's plan is about keeping us from home for a long time, probably until we die.

We recently visited C.J. Peete friends at the camp that I told you about. I am not reading; I am just not a reader.

Congresswoman Waters, we are asking you all today to stop HUD from awarding any contracts for redevelopment until the people come back and participate.

Thank you.

Chairwoman WATERS. Thank you.

Ms. Johnigan.

STATEMENT OF DONNA JOHNIGAN, TENANT

Ms. JOHNIGAN. Welcome to New Orleans, Chairwoman Waters, and members of the committee. First of all, I want to thank you for not just coming to listen to the people who make the decisions, but also the people like us who are directly affected by the decisions that everybody is making.

I lived in B.W. Cooper for 30 years, and I have been a part of the resident council. I lost one son to violence, one to incarceration, and I am still fighting. I know what it feels like to lose a child. I am a 16-year survivor of breast cancer, so I advocate for American women on knowing about breast cancer.

But when we left New Orleans for Hurricane Katrina, I was in the Superdome. I do not care how much money you put into the Superdome, I will never revisit it. If you could put that much money into the Superdome, you could put that much money in putting people back into homes, and into educating our children.

When we came back to B.W. Cooper, the Housing Authority did not help us. It took my maintenance director, Mr. West, and three of his people to call my executive director, Darrell Williams, and the board of directors, five of us women who went through training to become resident management of our housing development. We came back, we started the assessment in B.W. Cooper, and we started removing debris, and doing assessments on our own apartments. I do not know if you saw the pictures; I still have the "before" and "after" pictures. This was work done by our maintenance people.

We came in, an then HANO came in and stopped the work, but when they saw that we would not stop, it was us who started. It took us, as residents, because we were responsible.

I heard you ask, how do you track your residents? We went to every city where residents were, every shelter, every FEMA office, every hotel, everywhere residents were, and we know where our residents are, and I can show it to you, because we have it in black and white. We know where they are because we tracked them.

Every other week for a year, myself and my board and my executive director traveled from Houston to New Orleans doing assessments on our development. We kept our residents informed about what was going on. We went to the HANO meetings.

I heard you ask if HANO did anything else to help with personal items, replacing things. Not only did the storm destroy us, but vandalism came in and destroyed 80 percent after the storm and took away personal things. What more could we do? Nobody stood up for

us. The resident leaders, not just in Cooper, in St. Bernard, Lafitte, C.J. Peete, Iberville, and Gus, we found out where our residents are. We do our own tracking. We know what it is to take care of our people because we have been doing it for so long.

All we ever asked the Housing Authority for, or HUD, or anybody, was to give us the resources, the tools, and the funding, and let us take care of ourselves, because we have always done that.

We had approximately 1,078 units occupied. We had a good after school program, and approximately 78 to 80 percent of the residents worked. All of us worked, even if it was at Burger King or McDonald's.

We taught our residents how to deal with what happened when welfare went into its 5-year lifetime term and after that you were not able to go back on welfare.

Our job is as a liaison between a social service agency or anybody who makes decisions on our lives to be a part of it. Everybody does not have to make a decision on what we need to do. When we get angry as a people of color, and go to the schools, we are rioters. When other people go to the schools because things are not right for their children, they are concerned parents. What is the difference?

And everybody wants to say it is not racism. It is not—well, look at the color of the people you see every day, who are begging to come back home, who need to be back home. Because it is a project, look at the violence in the City now. The projects are not open.

Do they arrest them and ask them whether they are from public housing? Because it is not there.

This is what I am saying. You talk about the revolving door. Has anybody taken a step to hire an ex-offender? Has anybody ever talked about giving them a job? No. But you know who picks them up? The drug dealers; the drug dealers are the employers and the entrepreneurs, because nobody else gives them a chance.

Chairwoman WATERS. Would you wrap it up for me, please, Ms. Johnigan?

Ms. JOHNIGAN. I sure will. But what I am saying is if anybody is going to do anything for us, then ask us what you can do to help us. I thought when you helped somebody—say I am a cripple and I drop my crutches—that you help me, you hand me my crutches to help me stand; you do not knock my crutches out of the way so that I cannot stand up on my own.

Chairwoman WATERS. Thank you very, very much.

Next, we have Mr. Ben Dupuy—how do you pronounce your last name?

Mr. DUPUY. Dupuy.

Chairwoman WATERS. Dupuy. The Cypress Group.

STATEMENT OF BEN DUPUY, EXECUTIVE DIRECTOR, CYPRESS COTTAGE PARTNERS

Mr. DUPUY. Thank you. I am Ben Dupuy, I am a native New Orleanian, and I am the executive director of Cypress Cottage Partners. I would like to thank the committee for conducting this hearing. I would also like to thank Governor Blanco for the LRA for their support for the project my testimony describes.

The shortcomings of FEMA's emergency housing options allowed for under current law are well known. The Inspector General of the Department of Homeland Security has reported that some of FEMA's group sites on the Gulf Coast will be operating for 5 or more years and are far from ideal living conditions. The cost of a FEMA trailer is at least $60,000 for an 18-month period. As of the start of this year, there were 70,000 trailers in use in Louisiana. That amounts to a cost of $4.3 billion in this State alone.

The combination of the unprecedented demand for disaster recovery housing and the shortcomings of existing options available prompted Congress last year to appropriate $400 million to FEMA for the Alternative Housing Pilot Program to: (1) identify new solutions for disaster recovery housing; and (2) transition displaced families into housing more appropriate for long-term use. The legislation included a one-time waiver of the Stafford Act so as to make it possible for homes built under this program to be occupied for longer than 18 months. Louisiana will receive $74 million. It is noteworthy that Mississippi received $281 million despite the fact that Louisiana had a far greater number of homes destroyed. The selected proposal for Louisiana was the Cypress Cottage Partners solution to build homes that transition from temporary housing to permanent communities or what we call temp to perm.

The homes we will build are affordable, permanent, quickly constructed, appropriate for various sizes of families, able to withstand winds of up to 140 miles an hour, and easily adaptable to local zoning, building codes, and architectural styles.

We will build several models of single family homes, ranging in size from two to three bedrooms. We will also build two models of single-story, multi-family buildings, with units ranging from one to four bedrooms.

Our homes will carry a higher initial cost than trailers, however, their total life cycle cost will certainly be lower, given that the State of Louisiana will own a permanent and appreciating asset at the end of the 2-year pilot program. Most importantly, our homes will enable displaced citizens to move more quickly into housing appropriate for long-term use. If all of the trailers in group sites in the New Orleans area were instead temp-to-perm homes, the City's affordable housing crisis likely would not be as severe as it is today.

We plan to build our homes at four sites in southern Louisiana, each of which has formally expressed its support. In New Orleans, we plan to build homes in the Treme neighborhood. The State of Louisiana, which is currently developing its guidelines for this program, has indicated a willingness to prioritize former residents of public housing for residence in our homes in the Treme neighborhood.

204,000 homes in Louisiana experienced major or severe damage from Katrina and Rita and there is a much greater demand for permanent homes like the ones we are building than can be delivered through Louisiana's $74 million grant. Several solutions exist. First, the State could use proceeds from the sale of these homes to create a revolving fund that could be used to build additional units. Second, Congress could dedicate part of the funds from the proposed GSE Affordable Housing Program to the appropriate agen-

cies in Louisiana and Mississippi to build additional units. Third, as Governor Blanco and members of the Louisiana Congressional delegation have advocated, Congress could appropriate additional funds to a Federal agency for this purpose. Finally, Congress should encourage FEMA and OMB to write the regulations and policies necessary to implement Congressman Richard Baker's important provision in the DHS Fiscal Year 2007 appropriations bill that amends the Stafford Act to enable the Federal Government to build permanent housing in the wake of disasters.

To respond to future disaster situations, the Federal Government should have among its available solutions the ability to deploy temp-to-perm housing that enables displaced citizens to return quickly to their communities and that prevents the prolonged purgatory of life in temporary group sites.

Thank you for the opportunity to testify today.

[The prepared statement of Mr. Dupuy can be found on page 101 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Our next witness is Ms. Emelda Paul.

STATEMENT OF EMELDA PAUL, PRESIDENT, LAFITTE RESIDENT COUNCIL

Ms. PAUL. Chairwoman Maxine Waters, thank you for the opportunity to speak to you today. My name is Emelda Paul, and I am a 30-year resident of Lafitte, as well as the president of the Lafitte Resident Council.

Shortly after the announcement in August by Secretary Jackson, I was contacted by Providence, who met with the leaders of the Lafitte Resident Council and explained their role with Lafitte.

We asked a lot of questions because we wanted to make sure that they were doing the right thing. Providence wanted to know our views and how we felt about the things that were happening with Lafitte. They wanted to know what Lafitte was like 20 years ago, and what we would like to see happen now, and what kind of apartments we wanted to see.

Providence told us that they would make sure that every resident could come home. Every unit that was taken down would be replaced with a unit that would be affordable to the residents. And most importantly, that they would work with the residents in planning, not against them.

I was skeptical at first. But they have kept their word on their promise ever since. We have been involved in every step of the process.

There was a week-long workshop where they brought in all the local Lafitte residents in New Orleans and one in Houston. As the week went on, I liked what I heard. We were asked what we wanted to see and what we wanted to preserve and what kind of housing we wanted to live in. I was impressed with the presentation. A lot of the residents who were there agreed with the things that we saw. And most importantly, the plan that Providence had produced reflected the things that we said we wanted to see.

I, along with some of the residents of Lafitte, worked with ACT to do a survey of Lafitte residents who were living in different States. We gave them an update on what was happening and lis-

tened to their questions and concerns, and then Providence developed newsletters that responded to the things we were hearing from the residents. Providence did not have their own agenda; they listened to what we wanted. In our survey, we asked how many bedrooms they would need if they came back, what kind of help they would need when they come back, childcare, mental health, and counseling.

I know there are a lot of people out there who need counseling, I am not one of them, but I know those who do.

Chairwoman WATERS. Please allow Ms. Paul to give her testimony.

Ms. PAUL. When I see and hear some of these people who are fighting the redevelopment, I ask myself who the heck are these people and where were they when we really needed them? All of a sudden, they are crawling out of the woodwork saying they want the historic buildings.

Chairwoman WATERS. Please, please, please, you must let her talk.

Ms. PAUL. They are talking about bricks and mortar. We are talking about people's lives.

Chairwoman WATERS. Would you hold on one moment, Ms. Paul?

Ms. PAUL. Yes.

Chairwoman WATERS. Now you may not agree with her testimony, but we must allow her to give her testimony and then there will be questions, so please cooperate with us.

Yes, I know, please, please—please. Listen, we have done a great job today, we are learning a lot, let us keep—

Ms. PAUL. We are the ones who have to live under these conditions. I cannot say for sure how many, but I think there are a lot of people who, like me, want things better than they have now.

I have been back to Lafitte and from what I have seen, I do not want to go back there like that. I do not want to live like that any more. I am living in a senior village over at Fischer, and it is nice, clean, and safe. When I go for my appointment at Fischer and see my old apartment in Lafitte, it is depressing. Beyond the mold and the looting, it is also not safe.

Those who say the buildings would be preserved are looking at the bricks and mortar, but they are not looking at the outside. When you get up close, you see that the ground is sinking. I had mold in my bedroom way before Katrina and now I have mold growing up the walls on both sides. If people are going to come back, I want to see them coming back to something decent, something healthy. I took photos of the development that shows what I saw from the window of my apartment after Katrina.

People are under a lot of stress and want to come home. Something should be done as soon as possible to get the residents back and start working on new Lafitte. Our residents want to come home and they want a new apartment and new homes. They want something better for their families. So why can we not allow those who want to come home to come now and also take down and rebuild part of the sites in the meantime. While we are sitting here bickering about what should be done, the people are the ones who are suffering. In fact, some of them are dying. I lost a sister. I think there are about 300 to 350 individual families who want to

come back now. And probably 100 or 200 would want to come back in a couple of years, because they are happy where they are right now. They have a decent apartment, their children are in school, and they have jobs and medical care where they are. We have to give them something to come back to first, something for the kids to do, schools and medical.

I like the idea of phasing. I know that more and more people are excited about it. People can come home to apartments temporarily and participate in the planning for the redevelopment.

Chairwoman WATERS. Ms. Paul, could you please wrap it up?

Ms. PAUL. Yes, okay.

Ms. PAUL. We want new apartments for our children. In other words, what we want is a new Jerusalem now.

Chairwoman WATERS. Your time has expired and we will now go to our questions.

Thank you very much. I will recognize myself for 5 minutes. I am going to ask the members to be very concise in their questions when their time comes. They have been very, very descriptive in their testimony.

And so I want to just ask one question, and I want to ask this question of the residents. If there was a policy that returned everybody that wanted to return with the kind of support that I alluded to—relocation and getting out of the leases and some support for getting household goods back—and we got everybody back in, do you think that you could engage—and if there was a moratorium on dismantling or tearing down any units, do you think that as residents and as a resident council, you could engage with HUD and the City and talk about the future and give input and take a look at recommendations and make decisions that would be in the best interest of everybody. Would you do that?

Ms. JOHNIGAN. But will they listen? Will HUD, will HANO, will anybody listen?

Chairwoman WATERS. So let me understand. Basically what you are saying, Ms. Johnigan, and maybe what you are saying as well, Ms. Paul, is that we have to guarantee that everybody who wants to come back can come back. Do we all agree on that? Do we agree that redevelopment is not out of the question; it is just a matter of how it is done?

Ms. JOHNIGAN. It is how it is done.

Chairwoman WATERS. Do we agree that if people could get together and get some guarantees because of the fear that this development could not be one-on-one replacement, could exclude folks and may not get done for years like Desiree was done, that if all of these issues could be dealt with, there is a possibility that there could be a meeting of the minds about the future?

Okay, thank you very much. That is all for me. We will go on now and I will recognize Mrs. Biggert.

Mrs. BIGGERT. Thank you.

Mr. Kelly, could you explain exactly how you propose phasing the redevelopment of Lafitte? How many units, and what is the specific timetable?

Mr. KELLY. The number of units on the phase-in, Ms. Biggert, would depend on how many residents want to come home. So I think the first thing to do would be to perform a new survey to for-

mally survey the residents, for example, of Lafitte, to find out how many want to come back to Lafitte or how many might want to come back to New Orleans. That would be the first step. From there, then you could move forward on knowing how many apartments that HANO and HUD would need to repair so the people could get back in them—repair and clean, not rehab or anything, just clean and repair.

Mrs. BIGGERT. Just repair them.

Mr. KELLY. Clean and repair so people could get in right away.

Mrs. BIGGERT. And about how many would that be?

Mr. KELLY. The question out there is, is it 300, is it 400? We hear different numbers. I think you would have to do a formal survey.

Mrs. BIGGERT. Thank you.

Mr. KELLY. And I think one of the things you could do is you could also do redevelopment off-site at the same time so that people would have an option at looking at homes off-site, as well.

Chairwoman WATERS. Right now we want to talk about the developments. Mr. Jefferson.

Mr. JEFFERSON. Thank you, Madam Chairwoman.

If I could, I would like to recognize Dr. Millie Charles, is she out here? Ms. Waters, she is a long-standing dean of the School of Social Work at Dillard University, and she has done so much work over the years with the Housing Authority. Is she still there? She has been ill, under the weather. It is wonderful to see her out. There she is. Thank you for permitting me to do that.

I just want to ask one question of Mr. Kelly. I want to commend the tenants and all of the folks who have testified. This has been wonderful testimony and very helpful.

I want to ask you a question. I wish I had asked someone else, but my time ran out. The problem seems to be that decisions are being made for people when they are not in town.

And the question is, no matter how beautiful these plans may be, do you think it is right for these decisions to be made with people not here able to participate? Or should we make that an essential part of building this case of trust?

Mr. KELLY. No argument from me. We have gone to Houston; we have brought in residents from Baton Rouge; we have tried to reach out. We have had residents survey other residents. Is it ever enough? Absolutely not.

Mr. JEFFERSON. I understand, and the chairwoman has it right. If we get our people back home first so that they can participate and be a part of the decisionmaking, then we can go ahead and make these plans for development and improvement.

Chairwoman WATERS. Mr. Neugebauer.

Mr. NEUGEBAUER. Madam Chairwoman, I do not have any questions for these witnesses.

Chairwoman WATERS. Okay. Mr. Green.

Mr. GREEN. Thank you, Madam Chairwoman, one quick question for our ACORN representative. Would you just quickly please tell us about the two projects that we saw today, if you did not mention it in your testimony, the two houses that were constructed. I would like to know how much it cost to construct those units, please, and

how long it took. And when you are up and running, how long will it take? Just quickly, please.

And I will yield back, Madam Chairwoman.

Mr. BRADBERRY. The two houses that were developed down on Dellary Street were a partnership with Louisiana State University with a grant from Housing and Urban Development that trained gentlemen from Bethany Colony South and Covenant House in how to do construction work. Those houses were funded primarily, construction was funded by Countrywide Bank in the form of grants to go to two Lower Ninth Ward residents. I think it is around $84,000 per property for those two properties and it was an extensive program, including the training and all, I think it took maybe about 9 months for that.

Mr. GREEN. We may have missed that number. Was that $84,000 per unit?

Mr. BRADBERRY. Yes.

Mr. GREEN. Thank you.

Mr. BRADBERRY. If we were to sell them.

Mr. GREEN. I yield back.

Chairwoman WATERS. Thank you very much. Did Mr. Cleaver leave? Mr. Sires.

Mr. SIRES. I do not have a question, but I do have a compliment to ACORN on your advocacy for affordable housing. In my State, you are a force for affordable housing and I compliment you. Keep up the good work and we are here to work with you.

Chairwoman WATERS. We would like to thank you very, very much and we are going to call up our next panel now. Thank you so much.

We are now seating the fourth panel. Each will be recognized for 5 minutes for an opening statement. To the panel, please take your seats and let us ask everyone else to take a seat.

Chairwoman WATERS. We need order please. Please take your seats. This panel is made up of Ms. Isabel Reiff, senior vice president, ICF International, Inc.; Mr. Mark Rodi, president-elect of the Louisiana Realtors Association; Ms. Tracie L. Washington, director, NAACP Gulf Coast Advocacy Center; and Mr. Paul R. Taylor, president, SRP Development.

Ladies and gentlemen, if you would give me your attention, there is going to be some very important information that we are about to hear. It is very important that we keep down the noise so that we can hear our panelists.

We are going to start with Ms. Isabel Reiff, senior vice president of ICF International, Inc.

STATEMENT OF ISABEL REIFF, SENIOR VICE PRESIDENT, ICF INTERNATIONAL, INC.

Ms. REIFF. Good afternoon, Chairwoman Waters, and members of the subcommittee. I am Isabel Reiff, the senior vice president of ICF International, and the deputy program manager for the Louisiana Road Home Program. I am pleased to participate in today's hearing and will discuss ICF's role in the implementation of the program.

ICF was founded as the Inner City Fund in 1969 to provide analysis and advice on public policy issues facing inner city communities.

Chairwoman WATERS. One moment, please, Ms. Reiff, one moment. Ladies and gentlemen, it is very important for you to cooperate with us. We cannot hear up here and we need this information in order to go back and make good public policy. So if you will help us out, we would appreciate it very much. Thank you. Let's start again.

Ms. REIFF. Okay. As I said, I am Isabel Reiff, and I am the senior vice president with ICF International, and the deputy program manager for the Louisiana Road Home Program. I am pleased to participate in today's hearing. I will discuss ICF's role in the implementation of this program.

ICF was founded as the Inner City Fund in 1969 to provide analysis and advice on public policy issues facing inner city communities across the United States. We bring decades of experience with the Community Development Block Grant Program and we have also been involved with major housing disaster recovery projects and emergency response related work.

As many have said, the level of devastation caused by Hurricanes Katrina and Rita is unparalleled.

Chairwoman WATERS. Please. We really do need to get the information. The hour is getting late and it is very important. And I want to ask my witnesses to get to the meat of their testimony. We would love to hear about your background, but we want to hear about Road Home.

Ms. REIFF. Okay. We signed, ICF signed, a 3-year contract with the State of Louisiana in June of 2006. We have been under contract since June and we have been in the operational phase of this program for 4½ months.

During the initial pilot phase of this program, we established 10 housing assistance centers, we hired and trained 2,000 staff, we developed the Road Home application, and we began the planning of the rental program.

In October, with the beginning of the implementation phase, we began to accept applications and move homeowners through the process that culminates in the disbursement of funds. During this implementation phase, we have also opened a center in Houston, Texas, and we are deploying mobile units to Atlanta, Georgia, and Dallas, Texas, to also reach out to homeowners.

Originally, we planned to complete the process of accepting applications, calculating awards, and closing on all of these transactions by the end of 2008. We now project that much of this work will be done and most closings held by the end of this calendar year, a year earlier than the original schedule.

During the 4 months of this operational phase, we have, as of February 18th, received over 105,000 applications. We have scheduled, or held, actually, appointments with nearly 80,000 applicants; we have visited over 65,000 homes to conduct home evaluations; and we have committed in excess of $3 billion in funding for close to 40,000 applicants.

Through the end of February, we expect to close on approximately 2,600 applicants. In the month of February alone, we will

be closing on 6 times the number of applicants in the whole period of the program prior to that. And we have every expectation that the numbers will increase significantly and appreciably as people move through the process.

Chairwoman WATERS. We are going to have to ask you to wrap it up and we will get back to you with questions.

Ms. REIFF. Okay.

[The prepared statement of Ms. Reiff can be found on page 159 of the appendix.]

Chairwoman WATERS. We will move on to our next person on the panel, Ms. Washington.

STATEMENT OF TRACIE L. WASHINGTON, DIRECTOR, NAACP GULF COAST ADVOCACY CENTER

Ms. WASHINGTON. Good afternoon, Chairwoman Waters, and members of the Housing and Community Opportunity Subcommittee, and thank you for allowing me to testify this afternoon. I know you want to get to the meat of what we have to say and so I am going to try to work around what I had prepared.

We are here today in a City that is known for its ability to have a good time, but I am here today because this subcommittee really offers the last best chance to bring some discipline and some sense to what I can only refer to as bureaucrats gone wild.

You have the power and the moral responsibility and fortitude to solve New Orleans's affordable housing crisis, and we need you to step in because those who have been charged with this responsibility have failed miserably. Now you know the problems. You have been to public housing and you have heard, I am sure, about the problems with Road Home.

I want to kind of answer the charge. You asked us to provide you with some proposed solutions, and I want to talk to you today about some of those solutions.

First, let me talk about public housing, and I am going to get to solutions. I want to dispel a couple of myths that you heard today. Public housing residents pay rent. I want everybody in this room to understand that if you have an income, and you live in public housing, 33 percent of your aggregate income goes to pay—is part of your rent calculation.

Public housing residents work. We live in a very poor City, but 86 percent of my clients, public housing residents, work at least one job, many of them work two or three jobs, just to move from being abjectly poor to just poor.

Public housing residents in the public housing communities cannot be seen as the breeding ground for crime. We had a real interesting e-mail from one of our city council members, a breeding ground for crime. Four murders in the last 24 hours during Mardi Gras, not a public housing development big four open. The bricks did not shoot anybody, mortar and concrete do not shoot anybody.

So let us stop the madness about, you know, the public housing buildings commit the crimes.

Next thing, number two, let us debunk some of these fairy tales that you heard today from some of the people who testified. Public housing residents do not "want" to return home, they are here.

They might live with cousin Ray Ray, Aunt Sis, or whomever, but they are here.

Number three, that are 2,000 units open right now. Representative Cleaver, you are from the show-me State. Next time somebody says that, please put them under oath—please. Tell them to please tell you where those 2,000 units are, we do not know where those 2,000 units are, and they do not know where those 2,000 units are. It is fantasy.

And finally, that it costs more to rehabilitate than it does to demolish and tear down; that is just not true. I am not going to go through all the numbers, let me just give you Lafitte. $20 million—now these are HANO's numbers, their insurance company. The wonderful thing about litigation is that when you sue somebody and the judge says to give them the information, we can get it. $20 million to repair, $100 million to demolish and rebuild. Now this ain't Iraq. That math should work for somebody—$20 million to repair, $100 million to demolish and rebuild. This does not make sense.

So what should we do? First of all, all we have been asking for a survey. Now I know HANO cannot do the survey, they cannot find 200 or 300 residents. But somebody surely can do a survey and find the people they are still giving checks to, do a survey, find out when they want to come home—30 days, 60 days, 90 days, or 120 days. Not rocket science. We can get this survey done, but they have to give you the information. Now they will not give it to Tracie Washington, but surely they can give it to Maxine Waters. We can get that information.

Once we find out who wants to come home and when, open the units. We know that the units can be cleaned out and opened. And then once we get people home, we can have a fair, reasonable conversation about what happens with public housing. I do not live in public housing. I will take part in the conversation like the rest of the community, but it is not my home. It is their home.

Bring them home and we will deal with the redevelopment. Just cleaning them up, repair, whatever, but let us get the survey done.

Okay, in my written testimony, I have some other proposed solutions but I want to very quickly move on to Road Home, because Road Home is just—that is just bad. That is just bad and you need to hear some solutions and I am going to just give one because my testimony, my written testimony gives more.

Chairwoman WATERS. I am going to need you to wrap it up quickly. Go ahead.

Ms. WASHINGTON. It is not difficult to give away $10.5 billion if you want to. We know 100,000 people, 100,000 homes had water. Insurance companies did not go to 100,000 homes in the City of New Orleans, they said okay, zip code 70125, you had 3 feet, so we are going to give you 30 percent of your insurance policy. If you need more, write us. 70122, you had 9 feet, so you are going to get all of your money, because we know with 9 feet of water, you need your policy limit.

If insurance companies can do it, and if banks know how to give out money, why do we need—all due respect—to give you $800 million to give away $10 billion? That does not make any sense to me.

I want Congress to simply change the regulation. I say they can do it if they try. But they cannot get it done, but if you could write new law and legislation and help us, so that our people can come home, you would have done a service to this community that we cannot expect now for another 10 years.

[The prepared statement of Ms. Washington can be found on page 180 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Rodi.

STATEMENT OF MARK RODI, PRESIDENT-ELECT, LOUISIANA REALTORS ASSOCIATION

Mr. RODI. Madam Chairwoman, and other distinguished members of the committee, I want to thank you on behalf of the Louisiana Realtors and the National Association of Realtors for allowing us to make comments on public policy that we think would be effective in future disasters and in the current situation we are in.

I have already submitted a detailed testimony, so I am going to summarize quickly what we have.

First of all, it is our knowledge that FEMA, HUD, and Homeland Security struggled to develop a cohesive plan to assist housing needs immediately after. 403, 408, and housing vouchers did not work. The rules were too complicated, and even the officials did not know how to interpret them.

We at the National Association of Realtors and Louisiana Realtors believe that the responsibility for disaster housing should be moved from FEMA to HUD. They have the most effective knowledge of where the houses are and where we could put people. Trailers, cruise ships, and hotels do not work in the short run or in the long run.

We would also like to say that the national flood insurance works. I was one of the beneficiaries, I got paid quickly, and I was able to start my rehabilitation. While we may have some funding problems because of solvency, it is a program that should be continued by the Congress and we would encourage the Congress to do everything it can to encourage the implementation of Bunning-Bereuter-Blumenauer, the Flood Reform Act of 2004.

The Gulf recovery is an ongoing problem. Construction costs have skyrocketed. Already, Dr. Blakely testified that if we did not have affordable housing for construction workers, we are not going to be able to get New Orleans rebuilt. We have to do something with Federal assistance in the reconstruction of housing in this area.

One of the things that we could do is for the Congress to take a look, and this committee, although it might not be in its jurisdiction, to support a continuing House resolution of 1549, the bipartisan bill of the 109th Congress which provided tax credits of up to 50 percent for the cost of construction and rehabilitation of affordable housing. This would allow the capital accumulation that we need from the private sector to help implement the reconstruction in New Orleans and in future disasters throughout the country.

NAR and Louisiana specifically believe that the Congress has to address a comprehensive national disaster policy on insurance. Without affordable insurance, there is no affordable housing,

whether it be for a homeowner or a renter, because renters are passed on those costs for high insurance. The Congress needs to do something about a disaster insurance for—to underwrite and put a limit for the public insurance companies.

We appreciate the fact that you have given us the time to have a short testimony today. Our written report is filed with the clerk and we thank you for this opportunity.

[The prepared statement of Mr. Rodi can be found on page 170 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Paul Taylor.

STATEMENT OF PAUL R. TAYLOR, JR., PRESIDENT, SRP DEVELOPMENT

Mr. TAYLOR. Yes, ma'am. Thank you, Madam Chairwoman, for the opportunity to testify today and submit this statement regarding the affordable housing crisis that New Orleans is facing in the aftermath of Hurricane Katrina. To the other Members of Congress, I am thankful for being given the opportunity to testify today.

I am here today as a follow-up to an invitation Congresswoman Waters extended during the Congressional Black Caucus Foundation's 35th annual legislative conference. The invitation was to develop solutions for the rebuilding of New Orleans as part of the outcome of "The Rebuilding Process in New Orleans: Strategies for Leveraging the Public-Private Partnership Forum" held during the ALC.

We were one of several national development firms, African-American firms, that was brought in to look at how we can take the engines that we have in other cities and bring them in partnership with New Orleans, not to replace jobs and people in New Orleans, but to bring solutions.

We have taken the Congresswoman up on that effort and I am pleased to be here today.

SRP Development is a faith-based development construction firm, which is one of the largest African-American construction concerns in the country. Our organization has done projects ranging from Union Station in Washington, D.C., to the MCI Arena, and Coseco Stadiums—a lot of public works as well as doing housing subdivisions for low- to moderate-income people, and HOPE VI projects all over the country. My resume and background is included in the record.

But what I want to focus on very clearly here, and it is appropriate that we are last on this issue, because once all the conversations are done, somebody has to put a shovel in the ground and get work done. And right now, the challenges that we see when we put that shovel in the ground to get the work done are some very glaring things that are being omitted, being touched on, but being omitted in the process.

The residents have clearly demonstrated that they have lost everything that they have. You have also heard from the recovery fund people and everyone else that the verification of ownership is impacting the ability to collect resources and get access to resources.

What we have looked at when we have come into New Orleans, and you have heard it today, 40 percent of the homes in greater New Orleans were duplex two-family structures. That is a large percentage of homes that are providing rental and homeownership. Public housing is important, and I am a strong advocate of public housing. But we also have to look at the loss of those duplex units from the housing stock, because what it is doing, it is starting to create a cannibal effect of people who have been displaced from homeownership and these duplexes on a limited amount of resources to replace housing.

55 percent of all housing in New Orleans, as the Mayor testified, was rental housing; that means 45 percent of the housing stock was homeowners, and those homes were destroyed or lost also.

What is happening in this equation is that you are starting to see people take, and you have heard it in the testimony, take available housing because you have lost homeownership as well. The effort has to be very well balanced. If not, you are going to continue to create crisis.

The community impact we see once you get the housing on the ground is three points.

The very first one is amazing, a lot of people did not talk about it today. You have a title insurance problem here. You cannot get title or clear title to real estate. You cannot access the Road Home funds, you cannot access Fannie Mae, you cannot access Freddie Mac. You cannot access anything without title. So with that process, we have looked at that and said, "Okay, we have to develop a solution."

The second point, our research has shown that the lack of reasonable property insurance—I am just taking a couple of examples of research we have done here. The average insurance between the flood insurance, the property insurance—and that is not even counting wind insurance—is going to run between $7,000 and $10,000 a home—$7,000 to $10,000. You are not going to put people back in housing with that kind of pricing structure, especially when you are talking about the affordable people. Plus, when you take that and you push it into the rental community, it is going to continue to raise the ceilings.

The last impact, and it is the most important impact, is the financial gap.

Chairwoman WATERS. You need to wrap it up, Mr. Taylor.

Mr. TAYLOR. Yes, ma'am.

You have heard the impacts on the gaps. The gaps are going to range anywhere between $80,000 to $100,000. Funds are not going to be there for people to pick up the housing on the other side.

Our recommendations:

First, title insurance. I had with me today, but he had to leave, the chief underwriter for Stewart Title. Stewart Title has entered into an MOU with our firm and our partnerships here in New Orleans to actually write through the title insurance and actually create, along with members of the Congressional Black Caucus and Congress, a title mitigation fund. The purpose of that fund is that if you cannot verify the title, issue the policy. Mitigate the claim on the back side, because we are doing without housing because we

are coming up with solutions of why we cannot provide the funding.

The second solution is on the insurance side. We are already starting to take it upon our group and organization to meet with some of the top insurance companies in the country. We have gone directly to the top and we are going to challenge them on this pricing structure.

The third piece, and it is one you have heard today, is if we are going to come in as private developers, we cannot work with all this confusion—a lot of confusion. And it is impacting people's lives. We are not criticizing the local system that has been done today. But we are going to partner and work with institutions like Dillard University in developing RFP's so that we can work with that form of government on a smaller scale and then download our entire resources, because they are a stakeholder here and they have been here for a long time. That resource will then be able to work in this particular community, the Gentilly community, to perfect change.

Thank you, ma'am.

[The prepared statement of Mr. Taylor can be found on page 177 of the appendix.]

Chairwoman WATERS. Thank you very, very much. I do appreciate your testimony here today.

I would like to recognize myself for a question or so. I am going to turn my questions to the Road Home Program.

I want you to start with the number of applications that you have received, and give me the numbers again. You said 105,000, then you gave me 80,000 had been something, then you said 65,000. Then I want to you to tell me exactly how many applications you have completed and funded. Quickly.

Ms. REIFF. Okay. We prepare and present this data every single day in an official report, so I will give you the information through this Tuesday. Okay? So as of this Tuesday, we had recorded 109,176 applications. We have scheduled—we have mailed out letters to applicants inviting them to come in for an appointment to 100,139 applicants, of which 75,536 have called to schedule their appointments. We have completed 78,033 appointments through Tuesday and we have calculated benefits for 43,421 applicants and—

Chairwoman WATERS. I am sorry, what was the 43,000, what is that?

Ms. REIFF. We have calculated benefits for 43,421 applicants and have actually sent out letters to 35,873 of those applicants. To date, we have received back—this is something that comes back, not something that we have done—but we have received back benefit selection forms where applicants have made their decisions, from 17,307 homeowners. We have scheduled, again through Tuesday, 2,160 closings and we have held through Tuesday, 749 closings. Obviously, these numbers change every day.

Chairwoman WATERS. All right, so you have actually closed or funded 749 residents, homeowners.

Ms. REIFF. Through Tuesday, yes, that's correct.

Chairwoman WATERS. Through Tuesday. Those 749 have gotten money, is that what you are saying?

Ms. REIFF. The money is provided to a lending institution.

Chairwoman WATERS. I beg your pardon?

Ms. REIFF. Yes.

Chairwoman WATERS. 749 have gotten money.

Ms. REIFF. Yes.

Chairwoman WATERS. Okay, given all of the criticism about the program, all of the news accounts, and the beatings that the Governor's Office is taking on this, our concern about this, the unhappiness of the residents and the homeowners, what do you recommend can be done to implement this program faster, to get rid of the accusations that you do not know how to do appraisals, you do not know how to clear title, that the program is only designed to mitigate against fraud or to keep fraud from taking place and these obstacles have just made this an unworkable program? What are you going to do?

Ms. REIFF. Okay, why don't I start by telling you some of the things that we have done and that—

Chairwoman WATERS. No, no, no. Just tell me what you will do to straighten out the program. If you have done it already, just say that this is how we straightened out appraisals.

Ms. REIFF. We are accepting affidavits from homeowners for their insurance and for their FEMA so that we can move forward before we get the third party verification. We are having homeowners—we have implemented a second disbursement policy so if homeowners are not satisfied with their award or do not have all of the documentation they need, they can go to closing and they can go back a second time for an additional disbursement, they do not have to have it all in perfect place to be able to move ahead.

Chairwoman WATERS. That is at the end. 749 or so, you know, 10 or 15 may be unhappy, I do not know, but how do you get, how do you move the numbers?

Ms. REIFF. We are—you probably remember we have received 109,000 applications and we have only scheduled 75,000 appointments and we are calling everyone who has had an application—

Chairwoman WATERS. Did you hire more people?

Ms. REIFF. We are calling every individual—

Chairwoman WATERS. Did you hire more people?

Ms. REIFF. Excuse me?

Chairwoman WATERS. Did you increase your personnel in order to do this?

Ms. REIFF. Yes, of course we did.

Chairwoman WATERS. Okay, thank you.

Ms. REIFF. When the program was accelerated, we increased our personnel tremendously.

Chairwoman WATERS. Would you at any time, if this does not move any better or faster, would you at any time say to the State of Louisiana that this is not working, we want to tell you that you need to find another way to do it. We appreciate the contract, but we need to get out of it?

Ms. REIFF. We are in constant contact with everybody at the State level and the Federal level; yes, we would, of course say that. We would make every suggestion. We are fully committed to doing this as expeditiously as possible. We share the sense of urgency.

Chairwoman WATERS. Thank you very much. My time is up, I am going to have to go to our ranking member, Mrs. Biggert.

Mrs. BIGGERT. Thank you. I think rather than ask a question, and we have been here since a little bit after 2:00 and we I think have had a thorough hearing and I would like to thank all of the witnesses for this panel. I think you all have brought something new to the table from what we have been talking about this afternoon, and I think we will take that back.

I am particularly interested in the insurance and the title. In one of my former lives, I used to be a real estate lawyer, so this has always been something that is so important, and really, I think, is an impediment to the development and the rehab and everything and it needs to be resolved in order to move ahead.

But I do think that all of the witnesses have really brought something to the table and all of the residents that are here, all of the people here as I look across the room, there are not as many as were here at 2:15, but I think it just shows—but there are a lot—and it really shows the commitment to the issue and the challenges that we all face in trying to resolve this. And I appreciate everybody staying and listening and participating.

So thank you very much. With that, I yield back.

Chairwoman WATERS. Thank you very, very much.

Mr. Jefferson.

Mr. JEFFERSON. Thank you, Madam Chairwoman. I am just going to ask one question.

Can you tell me, describe for me, the demographics of the folks who have been awarded the Road Home grants so far? What neighborhoods do they come from?

Ms. REIFF. I can provide that to you separately. We do compile a list of everyone who has closed on the program by parish and according to a whole variety of demographic data and I can provide that to you. I do not have that in front of me.

Mr. JEFFERSON. The anecdotal information we have is that the people who are best situated, who have the better homes and all that, who are more knowledgeable, who always know how to work the system better, are getting results. And other folks are having a harder time. So we just want to be sure how this thing is working out for people. Okay?

Ms. REIFF. Yes.

Mr. JEFFERSON. Can you help us out with that?

Ms. REIFF. I can provide you all that data.

Mr. JEFFERSON. I want to give others a chance. I know that the hour is late. Thank you, Madam Chairwoman.

Chairwoman WATERS. Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Chairwoman Waters.

I think this day has been very productive and I appreciate the participation of the witnesses and my colleagues and certainly the folks who came. As I said earlier, it shows your commitment to making this work.

I want to kind of go back to what Mr. Taylor was talking about, because as a former land developer and homebuilder, I been in the real estate business, you know the title insurance piece of it is an important part of that. That is an interesting proposal by Stewart Title and I wondered if that would require any Federal changes in—title insurance laws in Texas are pretty much regulated by the

State and so you are not proposing any Federal participation in this to bring that forward; did I hear you correctly?

Mr. TAYLOR. That is correct. One of the things that we sat down with—I had the chief underwriter for Steward Title here today.

Mr. NEUGEBAUER. Yes.

Mr. TAYLOR. And one of the things that we have looked at—in the pricing structure—is to create a recovery fund to deal with any mitigation. We can then come back and look at taking it to a national level to create like a reinsurance if we need to. We are not looking at tinkering with any of the laws, that is just slowing it down. We can make it work within the existing structure.

Mr. NEUGEBAUER. Now I guess that is where I want to go. Is that reinsurance fund a Federal fund or a State fund?

Mr. TAYLOR. We are looking at it both ways, looking at it both ways, does it make sense at the State level or the Federal level.

Mr. NEUGEBAUER. Can I make a suggestion?

Mr. TAYLOR. Sure.

Mr. NEUGEBAUER. You do not want the Federal Government involved in this any more than you possibly have to, so I would suggest to you that you try to do that at the State level. Trust me.

Mr. Rodi, you bring up a great point about the insurance. It is one of the things that I have—I have just recently come to Congress, about 4 years ago I was building communities in Texas, and what I do know is that the cost of housing, and part of that is taxes and insurance and all of those, that piece of it, but one of the things I think is incumbent upon this committee, I think if we in the 110th Congress, we are going to have to come up with a solution on a comprehensive policy that addresses all of the risks of living on the coast. And quite honestly, one of those proposals in my mind is actually to get the Federal Government out of the insurance business and come up with a way that that pricing structure is built into the marketplace. Because quite honestly, I think long term, it is more—the private markets are more efficient. I think in some ways we are prolonging or subsidizing the behavior in the marketplace that is somewhat manipulative. So I would look forward to hearing solutions.

And I appreciate particularly this panel. You brought some solutions to the table and that is really what we need. We have plenty of—and I think my colleague said we had talked about a lot but we need to start doing a lot more. So I appreciate the solutions that you brought and look forward to—Mr. Taylor, did you want to make a comment?

Mr. TAYLOR. Yes. I would just ask that as you look to do that, I think—I have been in the business a long time, just like banks are regulated, I think the insurance companies need to be regulated.

Mr. NEUGEBAUER. Thank you. And I will yield back my time.

Chairwoman WATERS. Thank you.

Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman. Let me just—since this is probably my last question, thank you very much for all of the commitment you have shown over the—since the tragedy. I appreciate it very much.

Ms. Reiff, did I pronounce your name correctly? Do you have any idea how much the homeowners have been paid so far?

Ms. REIFF. I do not have the number off the top of my head, no.

Mr. CLEAVER. Do you have any idea how much ICF has received thus far?

Ms. REIFF. I do not know that number either, not off the top of my head.

Mr. CLEAVER. Okay. Those are some important questions—well, the answers are more important than the questions. And the reason I am saying that is that we are talking about a lot of money, I think you would agree. And so it certainly causes one to wonder why the State would not enter into some kind of contractual agreement with local banks to handle this kind of money, because most States are not equipped to do this. And I think the latter part of what I just said makes more sense if I knew the numbers. I mean, for example, if ICF has received more than the homeowners, then I think we have a problem. Is there any possibility I can get that before we leave?

Ms. REIFF. I would be happy to provide your staff with that data. Obviously, ICF has incurred—we have a team of 23 firms and we have engaged in a very substantial startup effort. We have opened 11 centers including centers in Houston. We have hired 2,000 people, 84 percent of whom are Louisiana residents, and 70 percent of whom have been affected by the storm.

Mr. CLEAVER. I think it is a very difficult job, I am not trying to make light of it. I think it is a very, very difficult and complicated job.

My concern is the ratio that homeowners get compared with ICF at this point. If the ratio is always in favor of ICF, then I think maybe you would agree that we would have a problem.

Ms. REIFF. Right. Sir, over the course of this project, the ratio will certainly be on the side of the homeowner.

Chairwoman WATERS. If the gentleman will yield. We would like you to submit for the record to us the information that is being requested from you.

Ms. REIFF. Absolutely.

Mr. CLEAVER. Thank you.

Chairwoman WATERS. Mr. Sires.

Mr. SIRES. Thank you, Madam Chairwoman.

You have 108,000 applications? This is the number, or 109,000?

Ms. REIFF. That is applications, yes.

Mr. SIRES. Is this in the 4½ months span that you have been there? Is that—

Ms. REIFF. Excuse me?

Mr. SIRES. Is that in the 4½ months?

Ms. REIFF. Yes. In the operational phase, yes.

Mr. SIRES. That is a staggering number.

Ms. REIFF. Yes, it is, sir.

Mr. SIRES. Maybe the Federal Government should contract you to do the census in 2010 since you are so good at getting, you know—

Ms. REIFF. One job at a time.

Mr. SIRES. —at doing this. This company, yours, it just went public, right, recently?

Ms. REIFF. Yes.

Mr. SIRES. Was it after you got the contract?

Ms. REIFF. We went public after we won the contract, yes. We decided to go public considerably before that.

Mr. SIRES. So this contract in essence has increased your revenues by a large amount since you went public.

Ms. REIFF. It has increased our revenue, yes.

Mr. SIRES. Well, I just hope that, you know, all these numbers are correct and you are doing, you know, what it says here, because I just find it difficult to look at these numbers and just not question it.

Thank you very much, Madam Chairwoman.

Chairwoman WATERS. Thank you, very, very much.

With that, the Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

And I have been told to share with you that we have copies of much of the testimony that was done here today, and to the extent that it will cover the members in this room, you are welcome to it. They will make it available to you so you can take this testimony with you and review it at home.

And with that, the hearing is adjourned.

[Whereupon, at 6:55 p.m., the hearing was adjourned.]

A P P E N D I X

February 22, 2007

House Subcommittee on Housing and Community Opportunity

Solving the Affordable Housing Crisis in the Gulf Coast Region Post Katrina: Why No Progress and What are the Obstacles to Success?

February 22, 2007

Testimony of Dr. Edward J. Blakely
Mayor's Executive Director
Recovery Management
City of New Orleans

Congresswoman Waters, it is a pleasure to be with a fellow Californian. But it seems we meet only during times of difficulty and strife. Our first meeting, as I recall it, was in the aftermath of the Rodney King riots that swept Los Angeles in 1992, when Mayor Tom Bradley asked me to come to Los Angeles to help with that difficult situation.

This unfortunate event was not my first experience of dealing with the aftermath of urban disasters, as it came on the heels of the Oakland-San Francisco earthquakes and the recovery effort that I was managing at that time and the Oakland Hills Fires all in the same year. Later, I was able to assist teams working on the Northridge earthquake, where I provided urban planning expertise to the rebuilding of the San Fernando Valley and joined the Board of the Local Initiate Support Foundation to restart housing and other innovative programs in that community.

When I retired from the University of California in 1994 after serving at UC Berkeley for 26 as a department chair and for eight years as an assistant vice president responsible for human resources for the entire 10-campus system, I went to Los Angeles, where I ran the urban planning program at the University of Southern California until 2000. As you know, my tenure at USC brought me face to face with a number of new challenges in the continuing rebuilding efforts in South Central Los Angeles. After my brief run against Jerry Brown, the Congressional Black Caucus asked me to help the U.S. Congress shape a new set of housing and urban development approaches. I worked with Secretary Cisneros and President Clinton on several important programs that are still shaping urban

policy, such as the Enterprise Zones and Enterprise Communities as well as Hope VI. I hope we can use them effectively here in New Orleans.

When I left USC, I arrived in New York City at the Milano Graduate School of New School University just in time to become engaged with the 100 Black Men in shaping a new set of urban policies that were subsequently played out in the aftermath of the 9-11 attacks on New York. My role in that disaster continues, even though I moved to Sydney, Australia. I continue to be directly involved with the Regional Plan Association of New York on policy issues related to shaping urban and economic development policies for New City and Long Island. I remain on the Long Island Index, which I helped to create to bring about better social and economic results for minorities and others in the nation's oldest suburb.

My work as an urban consultant in city building has taken me to Seoul, Korea, where we designed and built half a dozen new suburbs as large as New Orleans's current population. In my current role, I am assisting in the building of more than 100 new cities in China. So building and rebuilding cities is central to my background and expertise.

Through my work as an academic, I have taught others how to do this kind of thing. I am proud to say that Joe Leitmann and others leading the efforts in Ache are among my students and protégés who are called upon to assist in the re-construction of cities across the globe.

In many respects, all of these experiences have prepared me for the current situation in New Orleans. I am able to call on them and a handful of other experts as we engage in the rebuilding of New Orleans. My latest protégé, Ali Sahabi, and I are currently building a mixed use mixed income development in Southern California that is larger than most of New Orleans neighborhood districts.

The nature of the task in New Orleans is different in scale but not in kind to the many situations my colleagues and I have faced in other venues. But the scale of this

catastrophe is not to be diminished. Nor should I, or anyone, think that we can import tailor made solutions to the local situation. On the other hand, this is not the time for learning on the job.

Unfortunately, we have had a lot of attempts here to learn while doing. By the Federal Emergency Management Agency's own admission, few skilled people were available at the time of the event or post-catastrophe to deal with a crisis of this magnitude. Furthermore, in any major crisis, the initial post-disaster response is critical to the rapidity of the recovery. As you and the other members recall, the Santa Monica Freeway, which was breeched in the Northridge earthquake, was returned to service in a few days and not the months that were estimated to repair it. The same was true in the Oakland Hills fires. Before the fires were out, we had a command post and return home center open. Not a single resident decided to move out of the City of Oakland as a result of the fire response from local government.

Oakland is an analogue for New Orleans, where changes in government and racial composition not unlike New Orleans could have led to very different results. I must say the pioneering work of Don Maynard at the Oakland Tribune in getting out positive stories had more than a little to do with the magnificent conclusions we experienced in Oakland. And in New York, the professionalism of the city's public bureaucracy was and remains something to behold. There, citizens have been deeply engaged in a process very similar to the one used here in New Orleans. In fact, America Speaks, which provided the logistical and meeting management processes in New York, is doing the same thing here in New Orleans.

Critical in any recovery is the establishment of direction that comes from both the citizen input as well as the institutional leadership to guide those responses and desires into both public policy and specific projects. Mayor Nagin is providing this context. Our strategic recovery direction is based on 5 fundamental principles. These principles are:

1. **Continue the healing and consultation:** The trauma of the disaster will remain for many years, so it is necessary to continue a process where people can see, feel and participate in the recovery. We have engaged in several processes that are now coming to the point that we can implement projects and programs based on citizen input.
2. **Insure safety and security in all neighborhoods:** The levee breeches made all of our citizens feel unsafe regarding the capacity of the levees to be their sole protection. No one can be sure where the next storm will come from or who it will hit. The recent tornados were an illustration of a very arbitrary weather pattern. We will have to make all neighborhoods safe with internal safety measures beyond those of the Corp of Engineers. This will mean new urban design strategies. But we also have to ensure that good neighborhoods incorporate a reduction in fear from violence of all forms. And to feel safe, one must have a good school and access to good comprehensive health care.
3. **Build new 21st and 22nd Century Infrastructure:** It would not be good or smart to replace our old infrastructure as it was. To meet the demand of the future, modern infrastructure from water and sewer to fiber optic cable has to be installed throughout the city. So as we are opening up the street for new pipes, we have to be aware of the opportunities for optic cable to the door. We did this in downtown Oakland with marvelous results for the Port of Oakland and the surrounding digital firms.
4. **Diversifying the economy:** The New Orleans economy is based primarily in tourism. While today many new opportunities are opening up in construction and manufacturing, the future of the City and Region lie in international trade, bio-medicine and digital technologies to create jobs not just for today, but tomorrow as well.
5. **A Sustainable Settlement Pattern:** This must be robust enough to deal with the vagaries of nature but smart enough to attract and retain the brain power that will be the backbone of the next century.

How do we do this?

First, a city like New Orleans already has a very well defined and excellent urban fabric, with unique architecture that fits the climate and the circumstances. We have to build onto this fabric. We will start by identifying the partners in the public and private sector that can take on a challenge of this scale and work with locals to implement it. We will provide residents with a variety of alternatives for returning to their homes safely. We will allow neighbors to swap their current properties for newly elevated areas across the street or a block or so away on land that was already in the City's possession or that previously held blighted property that the city claimed. It could also include old school sites. This will keep neighborhoods in tact but provide safety at low cost. Preliminary analysis indicates that it is cheaper to provide elevated neighborhoods than it is for individuals to build elevated structures on their own to different heights along the same street. This will also provide a new and better urban form.

Another key is to create Targeted Development Locations or zones. In most cases, these have already been identified through the community consultation process as the places to demonstrate a new form of clustered settlement around schools and other civic assets. We will honor the community consultation process by catalyzing developments in a specified zone in order to kick off the private sector investments throughout the community. We can start this process quickly and have very high returns early.

Anther fillip in this process is the New Orleans Redevelopment Authority or NORA. The Office of Recovery Management will not be an operational organization but the resource manger to ensure the strategy is being carried out within the mandates laid out by the Mayor, the City Council and the citizens.

NORA will be the repository of the inventory of blighted properties in the selected target zones and will be able to use the resources of the City through a series of infrastructure and blight bonds that we will issue to provide the seed capital to begin rebuilding neighborhoods all over the city. NORA's role will be augmented by the use of city

resources, schools and other civic institutions that will align their programs to ensure these projects work in the zones quickly and well. To ensure coordination, a new Parish Wide Recovery Committee is being established by the Mayor with me as the Chair to make coordination of resources possible across the Parish for these and other programs. We will coordinate our programs with the Housing Authority of New Orleans (HANO) so neighborhood recovery of these programs is in sync with the total neighborhood recovery efforts. Federal resources will have to be organized to make recovery the primary mandate for the vast array of federal funds. The Office of Recovery Management is being tasked with this responsibility in cooperation with Chairman Powell's Office in the White House.

Finally, the Office of Recovery Management is already playing a key role in the City itself and with State and Federal agencies. FEMA, State Homeland Security and the Louisiana Recovery Authority have established or will establish co-located offices on the same floor as us or in our suite. The Recovery School District and the New Orleans School District have agreed to do joint facilities planning with us to make sure the new cluster arrangement will be the cornerstone of the district and neighborhood recovery implementation efforts.

Several foundations have provided resources to assist in implementing this approach. I hope that my previous background with these foundations and with Wall Street will serve us well in the recovery. Clearly, as I said at the outset of this presentation, the way you start a recovery is very important, and coordinating the resources through a single point is even more important. I look forward to making the recovery of the great City of New Orleans -- the soul of America -- the most important work the American people will do in this first decade of the 21st Century.

Written Statement of
Deputy Assistant Secretary Dominique G. Blom
U.S. Department of Housing and Urban Development

Hearing Before the Committee on Financial Services,
Subcommittee on Housing and Community Opportunity
U.S. House of Representatives

"Solving the Affordable Housing Crisis in the Gulf Region Post Katrina"

New Orleans, Louisiana
February 22, 2007

Chairwoman Waters, Ranking Member Biggert, distinguished Members of the House Committee on Financial Services, it is a privilege to appear before you today on behalf of the Department of Housing and Urban Development (HUD).

Today, I share with you HUD's recovery efforts in the Gulf Coast following the devastation caused by the trio of hurricanes that battered the region a year and a half ago. We have taken great strides in the recovery effort; yet, there are still many challenges that lie ahead, especially in Louisiana. This testimony focuses on three things:

1. The $16.7 billion in Community Development Block Grant (CDBG) supplemental funds for long-term recovery;
2. The recovery of New Orleans Public Housing; and
3. Continuing affordable rental housing challenges.

In response to the disasters, the federal government has committed more than $110 billion to help the Gulf Coast, including $16.7 billion for the CDBG program. The legislation passed by Congress for the CDBG program was clear in its intent: the federal government would not dictate to local communities how they were going to use the money in their recovery efforts. The Gulf states and their governors were designated with the principal responsibility for the design, implementation, and performance of their rebuilding efforts. HUD has and will continue to move quickly with reviewing and approving state recovery plans. HUD has received and approved $10.5 billion worth of recovery plans from the affected states. HUD has and will continue its role in offering guidance and assure compliance with the law, including the prevention of waste, fraud, and abuse.

Recovery is taking time: only $1.27 billion of the CDBG funds have been expended. Leading the way has been the Mississippi Homeowner Assistance Program where more than 10,000 families have received checks to help compensate them for their losses and assist them as they rebuild their lives. Mississippi has also used critical CDBG recovery funding to complete a master plan for infrastructure that develops long-term regional solutions to the water, sewer, and storm drainage needs of Gulf communities. This master plan is a necessary first-step in the redevelopment of existing neighborhoods and the creation of new, safer communities.

While the task before Mississippi is tremendous, the task before Louisiana is substantially greater. Its homeowner program alone has over 100,000 applicants. While only a handful of loans have closed to date, we are looking forward to a rapid escalation in program implementation over the next six months.

I will now address recovery issues for New Orleans Public Housing. As Secretary Jackson said in August 2006 when he visited New Orleans, "every family who wants to come home should have the opportunity to come back... HUD's goal is to bring families back to quality housing." HUD is working with the local community to redevelop New Orleans public housing so families will have the opportunity to return to better, safer neighborhoods. The C.J. Peete, B.W. Cooper, Lafitte and St. Bernard public housing

developments are being redeveloped to make way for a mixture of public housing, affordable rental housing and single-family homes. HUD has also announced plans for mixed-income affordable housing, homeownership opportunities and services for the former families of Lafitte. Of the approximately 5,100 units of public housing that were occupied and affected by the disaster, nearly 2,000 units have been repaired and are habitable. Over 1,200 families have already come back to New Orleans or will be coming back within the next 90 days to occupy these units. As Louisiana and the other affected states develop their solutions to the challenges they face in public housing, HUD will continue to offer its support and guidance.

Our efforts to provide rental housing assistance to displaced families and individuals are well documented. The Office of Public and Indian Housing (PIH), where I work, issued guidance to the nation's more than 3,000 Public Housing Authorities (PHAs) on how to assist public housing residents displaced by Hurricane Katrina.

HUD has worked aggressively to provide previously HUD-assisted displaced families and homeless individuals with housing stability during this period by paying Katrina Disaster Housing Assistance Program (KDHAP) and Disaster Voucher Program (DVP) rental subsidies. Through the DVP, HUD issued over 30,000 DVP vouchers and assisted close to 25,000 families to find and occupy affordable rental units. The program has been operating successfully and is fiscally sound. Both HUD's Office of Inspector General and the Government Accountability Office have audited HUD's performance and commended the Department on its ability to deliver timely services.

As pre-disaster HUD-assisted housing units damaged by Hurricanes Katrina and Rita become available, the Department remains fully committed to providing displaced families the opportunity to reoccupy their pre-disaster HUD-assisted housing. In November 2006, HUD convened several meetings in New Orleans, Gulfport, and Houston with representatives of the major stakeholders, including public housing residents, pre-disaster and DVP PHAs, tenant advocacy groups, and owners of Section 8 voucher units. The purpose of these meetings was to solicit feedback on the best strategy for returning families to their homes prior to issuing the "final" HUD re-occupancy policies for families displaced by Hurricanes Katrina and Rita. Final guidance was issued in January 2007. HUD has a team of over 17 program staff at the Housing Authority of New Orleans (HANO) working alongside HANO staff in attempting to contact these families and make arrangements for their return. HUD is also in the process of issuing public service announcements and working with nonprofit agencies in Houston and other areas to locate these families and help them return home.

While New Orleans public housing is an important and visible piece of providing affordable rental housing in the region, it represents only a small number of the 112,000 rental units seriously damaged by the storms in the five-state Gulf Coast region. In total, 13 percent of the damaged rental stock in the Gulf region was subsidized housing. Although mostly unsubsidized, 75 percent of the damaged stock was occupied by low-income households.

A weak pre-storm housing market in the Gulf Coast resulted in a relatively affordable housing stock. The affordable homes, half of them in New Orleans, were not high-end properties. Many were built in the 1950s or earlier and had numerous quality problems. While families would in certain cases "double-up" or have extended family reside with them, nonetheless, there was moderately affordable shelter.

That situation has changed dramatically since the storms. Not only are there 112,000 fewer rental units in the Gulf Coast region, there is increased demand for the non-damaged rental units. This demand comes in the form of construction workers moving to the area to accelerate recovery, from displaced high- and low-income renters, and also from higher-income homeowners who are temporarily renting units in the area while their houses are repaired. Some of this demand is likely to be short-term, but in the meantime it quickly increased rents. In response to the rent inflation, HUD has increased its Fair Market Rents for New Orleans by 45 percent since the storms. Increasing Fair Market Rents, however, does not address the near disappearance of affordable rental units.

Immediately in the aftermath of Hurricane Katrina, the Department's goal was to repair, rehabilitate or rebuild the affordable housing projects to the greatest extent possible to ensure that residents could return as quickly as possible to the Gulf Coast region. The Department has been diligently working with the project owners to develop recovery plans and identify the resources needed to make the repairs and complete the rehabilitation or rebuilding of these projects. Through these efforts, 98 percent of the projects in the Department's portfolio have recovery plans. At this time, out of the 82,404 [HUD-associated] units in the areas impacted by Katrina, there has been a permanent loss of only 263 affordable rental housing units. We have not foreclosed on any of the HUD-assisted projects and have asked mortgagees to extend forbearance to the HUD-insured projects. To date, the Department has not seen an increase in multifamily insurance claims.

The lack of affordable rental units means construction workers need to be paid more, increasing the cost of reconstruction. It also pushes low-wage workers out of the area, having a dangerous trickle down effect on the industries that depend on low-wage workers. This is particularly dangerous for the economic viability of New Orleans, where the economy is based on low-wage workers. For low-wage workers, housing should be within reasonable commutes and at reasonable prices.

Rebuilding the affordable rental housing stock is not going to be easy. The majority of the rental units, over 60 percent, were in 1- to 4-unit dwellings. It is much harder to compel small landlords to repair a low-value property that provides a low return on investment than to get a large landlord to repair a property. Even with subsidy from the CDBG program, it is difficult to convince these landlords to repair their properties.

Again, the Department made the commitment early on to work with the owners to repair, rehabilitate or rebuild the impacted affordable housing units. We have been holding, and will continue to hold, meetings with the owners, we assisted in developing recovery plans and identified and continue to identify funding resources. The Department has provided

flexibility on the use of reserve funds, has suspended Section 8 contracts until such time as the units are rebuilt, and is using our authority under Section 318 to move projects to other locations if necessary to ensure safe, decent, and affordable housing. There were a total of 1,054 HUD-assisted or HUD-insured projects with 82,404 units in the areas that were impacted by Katrina. Today, 981 projects with 73,423 units have been repaired or rehabilitated and are fully operational. (The overwhelming majority of these units are HUD insured. We do not control occupancy data on those units. We are seeing in New Orleans that as soon as units go online they are snapped up – after the owner offers the right of first refusal to the original tenant.) This number increases every day as units are completed. All projects impacted in Alabama are fully operational and all repairs have been completed. In Mississippi, repairs of approximately 85 percent of the projects are completed. In Louisiana, of the 407 impacted projects, there are approximately 100 projects that are still being repaired, being rebuilt, or are in the process of obtaining funds to complete the necessary restorations.

Multifamily property repair and replacement also faces obstacles, but of a different sort, most notably land acquisition and project design. The delays caused by these factors threaten the ability to fully utilize the Low Income Housing Tax Credits allocated for recovery in the timeframes mandated by law.

Even after housing is rebuilt in New Orleans, there will be far less affordable housing stock than before the storm. While these families are currently served by FEMA, many in Houston and Atlanta, there needs to be a long-term housing solution for them.

The path ahead for rebuilding affordable rental housing is daunting. The federal government has done a lot to help the states, and we are confident that the states are on the right path to addressing their many challenges. It is a path, however, that is going to take longer than we want.

Madame Chairwoman, Members of the Committee, people need help now. Secretary Jackson and the entire HUD family are committed to using our full authority to help families recover, to stimulate economic development, and to restore hope to communities throughout the Gulf. Thank you.

Testimony of Stephen Bradberry, Head Organizer
Louisiana Association of Community Organizations for Reform Now (ACORN)
Presented to the
Financial Services Subcommittee on Housing and Community Opportunity
U.S. House of Representatives
New Orleans, Louisiana
February 22, 2007

Chairwoman Waters, Ranking Member Biggert, and Members of the Committee, thank you for the opportunity to testify today about the housing crisis that continues to hinder residents' ability to return to New Orleans 18 months after Hurricane Katrina made landfall.

I am Stephen Bradberry, Head Organizer for the Louisiana state chapter of ACORN (Association of Community Organizations for Reform Now), the nation's largest grassroots community organization of low- and moderate-income families with over 360,000 members organized into 850 neighborhood chapters in more than 110 cities across the United States.

As people are the heart of any community, ACORN members are the heart of ACORN! The Katrina floodwaters forced deep, close-knit communities out of their New Orleans neighborhoods, dispersing ACORN members throughout the country with few possessions and fractured networks of loved ones and friends. Days after Katrina made landfall, I, along with other New Orleans' staff members, reached out to hundreds of New Orleans ACORN members through cell phone text-messages directing them to call their nearest ACORN office for assistance. A message board on the ACORN Website and a toll-free Hurricane Hotline further helped to reconnect members and other families.

Additionally, ACORN members and organizers visited disaster shelters in Houston, Dallas, San Antonio, Little Rock, and Baton Rouge to seek out arriving New Orleans members, listen to their concerns and provide them with emergency assistance – medical care, food, and clothing. ACORN members around the country offered to house displaced ACORN families and others in their homes, and supporters from around the country reached out with donations.

After the recovery phase, the long and ongoing rebuilding process began. With its headquarters in New Orleans and active chapters in nine neighborhoods across the city, ACORN members in New Orleans, and those displaced in cities across the country, affirmed their commitment to preserving and strengthening New Orleans. We believe that the majority of displaced residents will return. Unfortunately, the lack of affordable housing has discouraged many residents from coming home. A year and half after Katrina, 7,500 of the 9,000 ACORN families still have yet to return to New Orleans.

My testimony today will provide an update on the status of affordable housing in ACORN neighborhoods, including the Ninth Ward; highlight ACORN's work to rehabilitate and rebuild housing in these communities; outline problems we have

encountered with local, state, and federal authorities and/or programs; and finally, make policy recommendations to improve the government response in the next major disaster.

Post-Katrina housing landscape: Damage to homes and rental units in ACORN communities

Hurricane Katrina damaged an estimated 79% of affordable housing units in the New Orleans metro area. Consequently, rental housing is scarce and expensive, especially for those residents working in the hospitality industry and other low-paying jobs. Since the storm, the city's average sales price for an undamaged home has increased by 26%, and according to the Fair Market Rents for the New Orleans MSA, the average rent has increased by approximately 45%.

Residents of the Lower Ninth – a low-income neighborhood with one of the highest African American homeownership rates in New Orleans – have faced additional challenges. In the aftermath of Katrina, several recovery plans called for a rebuilding moratorium until the Lower Ninth demonstrated its "viability," a notion we reject outright.

A recent survey conducted by the Acorn Housing University partnership, which includes Cornell University, Columbia University and the University of Illinois-Urbana-Champaign, confirmed what we already knew – recovery in the lower Ninth lags behind wealthier neighborhoods. In fact, only 7% of the Lower Ninth has been reoccupied despite the fact that nearly half of the city's pre-Katrina population has returned. When these same universities conducted a comprehensive survey of residents, it confirmed again what we already knew – that over 75% expressed a desire to return. The University partners went further and inspected over 1,000 units in the Ninth Ward and found that 60% were feasible to rebuild.

Residents seeking to rent in the City of New Orleans will find few affordable options. Except for New Orleans East, a majority of pre-Katrina renters lived in small rental complexes, generally consisting of one to four units. Although the Road Home program set aside an inadequate $40 million for owners of small rental properties, no funding has yet to be provided that would benefit renters directly. Furthermore, the major source of equity to rebuild large rental housing, the Low Income Housing Tax Credit program, has thus far not been able to deliver newly renovated units. Many of these projects will never be built unless insurance rates are reined in, tax hikes are avoided and general project operating cost increases are stopped. The increase in insurance rates is by far the cost that puts these projects most at risk and will make it hardest on low-income owners to afford to return to their homes.

ACORN's work to restore and provide affordable housing to New Orleans residents

ACORN and its ally organizations have spearheaded several programs and projects in the affected region, including the following:

- **ACORN's Home Clean-out Demonstration Program**. The Home Clean-out program is a model of what can and should be done on a much larger scale. At a modest cost per home of approximately $2,500, ACORN is clearing out wet and damaged plaster and furniture, opening houses up so they can dry, then treating the houses to prevent recurrence of mold. To date, ACORN has gutted over 2,000 homes. The federal and state government should support clean-ups like this on a larger scale.

- **Development of adjudicated properties**. In July 2006, ACORN Housing Corporation, a sister nonprofit organization, responded to an invitation by the City of New Orleans to bid on long-term tax adjudicated properties – abandoned parcels and buildings acquired by the City when their previous owners failed to pay their real estate taxes – and was awarded 150 properties to develop. ACORN Housing will reconstruct these properties as affordable housing, which may include rental housing, for low- and moderate-income families. As part of this rebuilding effort, earlier today, we dedicated two storm-resistant homes on Delery Street – the first homes built in the Lower Ninth since Hurricane Katrina. Our partners in developing these houses were the LSU School of Architecture, Countrywide Bank, and Fannie Mae among others

- **New Partnership with FEMA**. Louisiana ACORN recently entered into a partnership with FEMA, where ACORN members offered to house a FEMA trailer on their property for a displaced homeowner while their home is rehabilitated.

- **Road Home Contract**. In order to assist Louisiana homeowners gain access to funds to rebuild their properties that were damaged as a result of Hurricane Katrina, Louisiana ACORN Housing has recently begun working with the trouble-ridden Road Home program. There are over 123,000 homes that were damaged by the hurricane. However, thousands of homeowners who are eligible for state funds have not yet applied for the money that they deserve to rebuild. Our contract provides the means for us to help find these individuals and get them to apply for funds they are eligible for to rebuild their homes.

- **ACORN HUD-funded counseling**. ACORN Housing's counselors continue to advise Katrina-affected homeowners on payment agreements and foreclosures. Since the storm, ACORN Housing counselors have worked with 14 lenders to remove hurricane-affected homeowners from the New Orleans foreclosure lists, which decreased community anxiety about a surge of foreclosures. Counselors have also worked with lenders to design and implement best practices for hurricane-related lending, including post-disaster loan deferments and waivers on pre-payment penalties. ACORN Housing's counselors also provide assistance in determining relief payments offered by the Louisiana Recovery Authority's Road Home Program. Specifically, counselors help homeowners determine the value of their home, provide advice in putting together documentation, calculate basic grant and mitigation funds available and determine possible gap financing. Since

Katrina, ACORN Housing has directly counseled more than 2,000 homeowners affected by the storm.

Problems encountered by ACORN in the rebuilding effort

Overall, the responsiveness of the local, state, and federal government in the rebuilding effort has been inadequate to the challenges we are facing. Specifically:

- **The city use of eminent domain threatens to permanently displace New Orleans residents.** Given the many challenges homeowners face, tens of thousands of properties have not been secured or repaired. The City of New Orleans has tagged 10,000 properties (many of which are duplexes), and owners will lose their property unless they gut, secure and maintain their property within 120 days. Without a moratorium on the use of eminent domain to take these properties, people will be forced to abandon their homes. Research by the Acorn Housing University Partnership shows that the cost to repair and elevate these homes is dramatically lower than the cost of demolition and new construction. We are concerned that many displaced homeowners will not be able to afford newly constructed homes without additional financial assistance.

- **City has largely ignored vulnerable communities.** The city has been slow to restore basic services to low- and-moderate income neighborhoods, such as the Lower Ninth. For example, water in the northern section of the Lower 9th Ward was not certified as potable until 14 months after the storm. Long after families in other parts of the city were able to get a FEMA trailer put on their property, residents of the Lower 9th Ward were prohibited from getting a FEMA trailer or a Certificate of Occupancy if they renovated their home because the City would not certify the water as potable.

- **Lack of transparency and oversight exists in the awarding of city contracts.** Recently, the city awarded $15 million to a private entity to gut homes. The process failed to involve community input and it remains unclear what the terms of the contract are. Plus, community groups, such as ACORN, have expended significant organizational resources to gut and clean homes without any reimbursement from the city or any government agency for that matter.

- **State Road Home program and ICF as administrator.** Displaced homeowners need start-up funds just to get in their homes and perform basic repairs. Unfortunately, it has taken the state and ICF too long to process the Road Home funds, which are designed to assist homeowners coming back to New Orleans. As a result, there have been very few closings to date - an issue that is exacerbated by low home values, appraisals on the pre- Katrina value of properties, high construction costs, and problems with titles.

- **More federal Community Development Block Grant (CDBG) funds are needed.** Even should funds be disbursed fully, there is not enough money

available through the Road Home Program to cover all eligible homeowners. The $50,000 cap on gap financing is insufficient for many homeowners to rebuild. Therefore, more federal subsidies are needed to provide adequate gap financing.

ACORN's work around fair housing issues

ACORN's work around the planning process was to ensure that low –and moderate-income families had the right to return. Within weeks of the storm, ACORN launched the Katrina Survivors Association, which took legal action to prevent the city's bulldozing of several historic neighborhoods, including the Lower 9th Ward. The organization also sued FEMA, forcing the federal government to provide needed transitional housing and services to displaced families. Finally, as I indicated previously, ACORN launched the city's most ambitious non-profit house-gutting program that has already helped more than 2,000 homeowners prepare their homes for rehabilitation. Along the way, ACORN Housing Counselors have aided more than 10,000 families in exploring their housing options.

Recommendations

In conclusion, Louisiana ACORN, the state's largest citizen organization, is committed to ensuring that the residents of the 9th Ward, many of whom are ACORN members, have a strong voice in the planning, redevelopment, and governance of their community. Given our experience in the post-Katrina recovery and rebuilding process, our members would make the following recommendations to policymakers:

1. **Place a moratorium on eminent domain**. Emergency intervention is needed to ensure that no demolition occurs without the permission of the homeowner for at least one year after notification. A federal action plan could stabilize these properties allowing people to keep their homes and preserve this important source of affordable housing.

2. **Preserve existing housing stock**. All owners of residential property should be given options for free cleaning and gutting of their properties and this should be government funded.

3. **Restore HUD public housing.** HUD public housing units must be preserved or replaced and subsequently, made available to former residents. Now is not the time to reduce the already limited supply of affordable housing by tearing down public housing that could be restored.

4. **Ensure affordability of replacement housing**. The City should use inclusionary zoning to require 25% of new units be affordable by leveraging the increased revenues of developers. Residents of a neighborhood should have first priority to purchase property in their own community.

5. **Affordable housing must remain affordable**. Grants, low-interest rate loans and target tax credit allocations must be made available to residents.

6. **Rein in the Insurance Companies.** The insurance companies have not been very responsive to homeowners. After the storm, the settlements that the insurance company offered were often insufficient, and it was impossible to get a face-to-face meeting with adjustors. The settlement amounts have been absurdly low. People do not have the skill or resources to fight the insurance companies, so they often take what they are offered with great resignation and great bitterness. Currently, we are seeing homeowner's insurance rates double and triple for those lucky enough to get insurance and builders risk rates have gone through the roof--tripling from pre-Katrina levels. Furthermore, every affordable multifamily housing development project using tax credits in New Orleans is put on hold because the operating costs have soared. The single two components of operating costs that have increased are insurance and utilities.

7. **Education.** People with kids do not want to move back until they know that they can get their kids into schools in the areas where they live. We have been told this by dozens of families in Houston. The inability to get the schools back open throughout the city is a major impediment to getting people to come back.

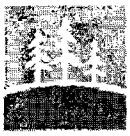
8. **Provide more CDBG funds**. Ensure there is adequate gap financing for low-income residents who wish to return as well as those residents who intend to rebuild using best practices for energy efficient, green, and hurricane-resistant housing construction.

9. **Provide adequate oversight of state disbursement of Road Home Funds**. These funds have been difficult to access and in fact, the federal and state governments have had to intervene on behalf of homeowners in Louisiana. .

10. **Include community groups in emergency preparedness plans and mitigation** While agencies, such as FEMA, have the responsibility of learning from their mistakes and preparing adequately for the next disaster, the presence of community-based organizations is vital to facilitating communication and services to affected communities. Yet, this lack of coordination contributed to the poor dissemination of timely and accurate information and the delayed delivery of much-need services and benefits to hurricane victims throughout the area.

11. **Provide loan guarantees**. The Federal government should provide loan guarantees for construction and multi-family loans. Funds are also needed to rebuild the rapid transit system.

Again, thank you for giving me the opportunity to testify. I would be happy to answer any questions.



Cypress Cottage Partners

TESTIMONY TO THE HOUSE COMMITTEE ON FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

FIELD HEARING ON "SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST KATRINA: WHY NO PROGRESS AND WHAT ARE THE OBSTACLES TO SUCCESS?"

DELIVERED BY BEN DUPUY
EXECUTIVE DIRECTOR OF CYPRESS COTTAGE PARTNERS

NEW ORLEANS, LOUISIANA
FEBRUARY 22, 2007

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Introduction

I am Ben Dupuy, I am a native New Orleanian, and I am the Executive Director of Cypress Cottage Partners. I would like to thank the committee for conducting this hearing, and I would also like to thank Governor Blanco and the LRA for their support for the project my testimony describes.

Shortcomings of Existing Housing Options

The shortcomings of FEMA's emergency housing options allowed for under current law are well known. The Inspector General of the Department of Homeland Security has reported that some of FEMA's group sites on the Gulf Coast will be operating for five or more years and that some are already plagued with violence, drugs, and gang activity. The Inspector General has also reported that this situation is "a recipe for human tragedy and a brewing public relations nightmare for DHS and FEMA." The cost of a FEMA trailer is nearly $60,000 for an 18-month period. With 70,000 trailers in use in Louisiana, that amounts to a cost of $4.3 billion in this state alone. Using $4.3 billion for temporary housing that has no hope of becoming a suitable permanent solution is clearly not in the best interests of displaced citizens, affected communities, or taxpayers.

The Alternative Housing Pilot Program

The combination of the unprecedented demand for disaster recovery housing and the shortcomings of existing options prompted Congress last year to appropriate $400 million to FEMA for the Alternative Housing Pilot Program, or "AHPP," to: one, identify new solutions for disaster recovery housing and, two, transition displaced Gulf Coast families

into housing more appropriate for long-term use. The legislation included a one-time wavier of the Stafford Act so as to make it possible for homes built under this program to be occupied for longer than 18 months. The five Gulf Coast states submitted a total of 29 proposals to FEMA for review, and FEMA selected five, including one proposal in Louisiana that will receive $74 million. It is noteworthy that Mississippi received $281 million despite the fact that Louisiana had a far greater number of homes destroyed. The selected proposal for Louisiana was the Cypress Cottage Partners solution to build homes that transition from temporary housing to permanent communities, or what we call "temp to perm."

Cypress Cottage Partners

The homes we will build are affordable; permanent; quickly constructed; appropriate for various sizes of families; able to withstand winds of up to 140 miles per hour; and easily adaptable to local zoning, building codes, and architectural patterns.

We will build several models of single-family homes, ranging in size from two to three bedrooms. We will also build single-story, multi-family buildings with units ranging from one to four bedrooms.

A significant problem that FEMA encountered on the Gulf Coast was the placement of group sites. Many communities, not wanting to be saddled with trailer parks that they feared could become permanent, prohibited the building of group sites. In contrast, our temp-to-perm model appeals to local governments in several ways, including aesthetics,

size, speed to construct, and ability to transition to permanent communities. Our homes will carry a higher initial cost than trailers; however, their total life cycle cost certainly will be lower given that the State will own a permanent and appreciating asset at the end of the two-year pilot program. Most importantly, our homes will enable displaced citizens to move more quickly into housing appropriate for long-term use. If all of the trailers in group sites in the New Orleans area were instead temp-to-perm homes, the city's affordable housing crisis likely would not be as severe as it is today.

We plan to build our homes at four sites in southern Louisiana, each of which has formally expressed its support. In the City of New Orleans, in conjunction with Providence Community Housing, we plan to build homes in the Treme neighborhood near the Lafitte Housing Project. The State of Louisiana, which is currently developing its guidelines for this program, has indicated a willingness to prioritize former residents of the Lafitte Housing Project for residence in our homes in the Treme neighborhood.

Additional Funding for Gulf Coast Recovery Housing

204,000 homes in Louisiana experienced major or severe damage from Katrina and Rita, and there is much greater demand for permanent homes like the ones we are building than can be delivered through Louisiana's $74 million grant. Several solutions exist. First, at the end of the two-year pilot program, the State could use proceeds from the sale of these homes to create a revolving fund that could be used to build additional units. Second, Congress could dedicate part of the funds from the proposed GSE Affordable Housing program to the appropriate agencies in Louisiana and Mississippi to build

additional units. Third, as Governor Blanco and members of Louisiana's congressional delegation have advocated, Congress could appropriate additional funds to a federal agency for this purpose. Finally, Congress could consider ways to make permanent Congressman Richard Baker's changes to the Stafford Act in the DHS FY 07 Appropriations bill that allows for the federal government to build permanent housing in the wake of disasters.

Conclusion

In conclusion, in future disaster situations, the federal government should have among its available solutions the ability to deploy temp-to-perm housing that enables displaced citizens to return quickly to their communities and prevents the prolonged purgatory of life in temporary group sites. The Cypress Cottage Partners model seeks to be that solution. Thank you for the opportunity to testify today.

Statement of

Gil Jamieson

Deputy Director for Gulf Coast Recovery

Federal Emergency Management Agency

Department of Homeland Security

Before the

Subcommittee on Housing and Community Opportunity

House Financial Services Committee

U.S. House of Representatives

Mississippi and New Orleans, Louisiana

February 22 and 23, 2007

Good Morning Chairman Waters, Ranking Member Biggert, and Members of the Subcommittee.

My name is Gil Jamieson, and I am the Deputy Director for Gulf Coast Recovery in the Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS). It is my pleasure to be here with you today to discuss FEMA's involvement in the Federal housing response to Hurricane Katrina.

On January 26, 2006, I was appointed FEMA's Deputy Director for Gulf Coast Recovery under Director R. David Paulison. Reporting directly to Director Paulison, I lead and coordinate FEMA's Gulf Coast recovery efforts and serve as the principal point of contact between FEMA and Donald Powell, the President's Coordinator for the Recovery and Rebuilding of the Gulf Coast Region. My position was established in order to ensure that FEMA's programs are consistently and effectively administered throughout the Gulf Coast Region. Prior to this appointment, I served under Admiral Thad Allen as his Deputy Principal Federal Official (PFO) during the response to Hurricanes Katrina and Rita. I am a long-time FEMA civil servant, having worked in the Agency since its inception.

We at the Department of Homeland Security and FEMA appreciate your interest in the housing challenges presented by the scope and scale of Hurricane Katrina that we continue to face. Hurricane Katrina, in conjunction with several other devastating storms of the 2004 and 2005 Hurricane Seasons, thoroughly tested the capabilities of FEMA, the Department, and the Nation, including the many States and communities across the country who hosted displaced evacuees from the affected Gulf Region. The magnitude of devastation from Hurricanes Katrina and Rita was overwhelming; it taxed and strained assistance resources and capabilities at all levels. Yet, while these disasters tested our plans and processes as never before, FEMA, working closely and collaboratively with our Federal and State partners, has provided more assistance, and provided that assistance faster, than ever before.

- 44 States and the District of Columbia received Emergency Declarations and have been reimbursed for over $750 million in sheltering expenses.
- Approximately $6.3 billion has been provided to over 1 million households through FEMA's Individual and Households Program (IHP).
- More than 120,000 households have been provided temporary housing units (travel trailers and mobile homes) through FEMA's Direct Housing Mission.
- Over $6 billion of Public Assistance funding has been provided to LA, MS and AL to reimburse expenses for Emergency Protective Measures, Debris Removal and Infrastructure Repair.

While much work remains, and years of rebuilding lie ahead, we have made tremendous progress, and will continue to do so.

I recognize the Committee's focus today is centered on the ongoing efforts to rebuild housing in the Gulf Coast Region, so I will focus my comments on the FEMA Recovery Programs and initiatives that directly relate to this important and continuing effort.

Under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, FEMA is authorized to provide housing assistance via our individuals and households program, which includes: rental assistance, home repair assistance, home replacement assistance, and direct housing. I'll discuss each briefly, but before doing so would like to note that FEMA's temporary housing assistance programs and authorities were not designed to provide long-term housing solutions. FEMA Temporary Housing Assistance, as authorized by Section 408 of the Stafford Act, was instead designed to provide a safety net, allowing FEMA to support eligible victims with timely but temporary accommodations while they work to find a permanent housing solution as part of their individual road to recovery. Nevertheless, FEMA will continue to work closely with those agencies and organizations that are able to assist those remaining victims with continuing long-term housing needs.

Let me begin with Financial Assistance: FEMA may provide financial assistance to eligible individuals whose homes have been made uninhabitable or inaccessible due to the disaster and whose insurance benefits do not cover alternative living expenses in order to rent housing accommodations. In the case of Hurricane Katrina, the majority of this assistance has been provided to evacuees residing outside of the damaged area. In total, $2.1 billion of rental assistance has been distributed to over 700,000 households. Currently 35,000 households continue to receive a form of rental assistance payment.

Home Repair Assistance. For eligible applicants from Hurricanes Katrina and Rita, FEMA is authorized to provide up to $5,200 in home repair assistance. Repairing a home to make it livable, where that option exists, is a preferred remedy, as it is a cost effective way to keep people in their homes and in their communities. In an event as massive and destructive as Hurricane Katrina, however, this is not always a viable option as many families suffered major damage to, or total destruction of, their homes. For the many families that sustained moderate or minor damage to their homes on the other hand, this is often the fastest and best housing assistance remedy. To date, FEMA has provided over $318 million in home repair payments, helping make more than 129,000 homes habitable across the Gulf Region following Katrina.

Home Replacement Assistance. FEMA is authorized to provide up to $10,500 in home replacement assistance to eligible victims of Hurricanes Katrina and Rita. Thus far, in the four Gulf States most heavily impacted by Katrina and Rita (Alabama, Louisiana, Mississippi, and Texas), FEMA has provided more than $300 million to over 30,000 households to assist them towards the purchase of replacement housing. It is important to note that neither the repair nor replacement assistance that FEMA provides is intended to substitute for insurance, nor can FEMA assistance duplicate any insurance benefits.

In most disaster settings, temporary housing needs can be adequately addressed by FEMA financial, repair, or replacement assistance as disaster victims return home quickly or have housing stock available. However, as we are all acutely aware, Katrina was no typical disaster. Katrina destroyed or significantly damaged tens of thousands of housing resources, greatly limiting our standard temporary housing options. In such a situation, where traditional fixed housing resources are not available, FEMA can provide direct housing assistance, in the form of temporary housing units, to eligible applicants.

Direct Housing Assistance can be acquired from the Federal government by purchase or lease, (such as apartments), but, most often, through the provision of manufactured housing (travel trailers and mobile homes). Following Katrina, both options were employed. Direct leases were secured to house evacuees outside the impacted area and manufactured housing was provided within the most heavily damaged areas of Louisiana, Mississippi, and Alabama, providing the option for many disaster victims to remain in their communities and close to their jobs, families, friends, ands schools. In some cases, families were able to remain on their own property.

- Over the course of the last 17 months, FEMA has housed more than 120,000 households in temporary housing units (travel trailers and mobile homes).
- In a sign of progress, the total number of households currently living in temporary housing has decreased to 91,000.
- 83 percent of temporary housing units are on private sites where individuals are rebuilding their homes.
- For pre-disaster renters or those without a private site, FEMA has constructed over 115 group sites in order to house individuals in Louisiana.

Direct housing is initially authorized by the Stafford Act for up to 18 months from the date of the disaster declaration, but President Bush directed FEMA to provide an extension of both the direct housing and the financial housing assistance programs because of the extraordinary circumstances; the new extension allows FEMA to continue to provide housing assistance through August 31, 2007. This extension gives us additional time to continue our work with disaster victims, federal, state and local partners, and volunteer organizations, to transition victims to more permanent housing solutions.

Many disaster victims are reaching the $26,200 limit on financial assistance under FEMA's Individuals and Households Program (IHP). For those who have reached the cap but still have a need for housing assistance, FEMA is continuing to provide temporary housing through direct housing assistance options.

The primary challenge for the Individual Assistance Program going forward is to work with the remaining 91,000 families who are still being housed by FEMA. Travel trailers and mobile homes are intended only as short-term solutions to fill the need for emergency housing. As we progress from the response phase to recovery, FEMA and the States face a challenge in transitioning individuals into permanent housing solutions. While the National Flood Insurance Program insurance, Small Business Administration loans, and State homeowner grant programs help address the needs of homeowners, renters are experiencing difficulties in finding solutions to their long-term housing requirements. This population is significant, as the proportion of renters in pre-Katrina New Orleans was reported to be 53 percent of residents. However, FEMA is acting on other alternatives, including:

- Creating a Rental Resource team that assists households by researching available rental resources in the affected areas. Lists of properties are made available to households and the Disaster Recovery Center staff so that as properties become available, households have more alternatives in reaching their permanent housing solution. In the last month alone, the team

identified more than 3,000 available houses, apartments, and condos in Orleans, Jefferson and St. Tammany parishes in Louisiana.

- Using recertification teams that visit families living in travel trailers and mobile homes to discuss their permanent housing plans, provide information about available rental resources, and identify mobile homes and travel trailers that may no longer be needed.
- Opening a Welcome Home Center for individuals in the New Orleans area. In addition to providing FEMA, the Small Business Administration, and case management services through the City of New Orleans, the center serves as a resource for mitigation specialists, crisis counselors, and voluntary agencies working to help households recover.

Building Back Better

FEMA's primary mitigation efforts over the last year have focused on working with local communities to rebuild better and safer communities.

- FEMA's Hazard Mitigation funding is available for individuals and public entities to prevent future losses of lives and property due to disasters; to implement State or local hazard mitigation plans; to enable mitigation measures to be implemented during recovery from a disaster; and to provide funding for previously identified mitigation measures to benefit the disaster area. Grants are administered through the State and may be used for both pre- and post-incident mitigation activities.
- FEMA is also re-evaluating its floodplain maps, many of which have not been updated since 1985. While those flood maps are being modernized, FEMA provided local communities with the Advisory Base Flood Elevations (ABFE) as interim guides on rebuilding. The ABFEs are guidance for minimum elevation levels.

Hazard Mitigation Grant Program (HMGP)

Authorized under the Stafford Act, HMGP funding is available to States following a disaster to fund cost-effective mitigation projects. Funds available under HMGP may be used to flood-proof existing properties; acquire and relocate homes from hazard-prone areas; and develop State and local standards to protect new and substantially improved structures from future disaster damage. Potential projects submitted by applicants must conform to the State Hazard Mitigation Plan, Local Hazard Mitigation Plan, and meet environmental/historic preservation requirements. By statute, FEMA may only contribute up to 75 percent of the costs of the projects. This program is not designed for immediate response, but as a long-term future-looking solution to flooding and other hazards. The amount of HMGP funds made available to the State is formula-driven, based on a percentage of the total amount of disaster grants provided. It is 7.5 percent for Hurricanes Katrina and Rita.

Louisiana HMGP

For Louisiana, over $1.47 billion is expected to be available under the HMGP for Hurricanes Katrina and Rita. The State has until March 2008 to submit its proposals to FEMA.

- To date, FEMA has formally received eight HMGP project applications. One of the projects has been approved, one has been denied, and the remaining six are under review.

- The State has also provided an additional 150 project applications to FEMA for a preliminary, informal review and we have completed those reviews and returned them to the State.
- Due to the extraordinary circumstances resulting from Katrina and Rita, FEMA worked with the State Emergency Management agencies affected by the Hurricanes in Louisiana and Mississippi to develop the Katrina/Rita Reconstruction Pilot. This Pilot policy will provide a 75 percent Federal cost share of up to $150,000 to eligible homeowners to demolish and rebuild their homes, provided the reconstruction does not exceed 110 percent of the structure's original footprint.

HMGP and Louisiana's Road Home Program
Although some HMGP funds are available to local governments in a typical manner, Louisiana proposed to administer the majority of HMGP funds through the state's Road Home Program. FEMA continues to work with Louisiana to try to facilitate the implementation of the HMGP in a manner that meets objectives of *The Road Home* and also meets the statutory and regulatory requirements of the HMGP. The HMGP, which is authorized by the Stafford Act, is FEMA's traditional post-disaster mitigation program designed to help States and communities reduce the loss of life and property during future disasters. Under *The Road Home,* HMGP would be used to acquire properties, and provide homeowners with the funds to relocate out of harm's way. Land acquired using HMGP funds would be dedicated to open-space, or green space, in perpetuity to eliminate all future risk. *The Road Home,* which is funded primarily by the Department of Housing and Urban Development's Community Development Block Grant program (CDBG), is designed to provide individual homeowners with the resources to stay in their homes if they choose and to restore communities through community redevelopment.

FEMA and the State have worked collaboratively, and have addressed many of the differences in requirements between *The Road Home* and the HMGP programs; however, legal barriers remain concerning equitable treatment in the distribution of HMGP funds. These barriers cannot be overcome without some changes in the implementation of *The Road Home*, including the involvement of local communities in making land-use decisions about redevelopment and open-space or changes in the way the state determines how much to offer a property owner to buy his or her home.

Specifically, the State has established a 40% reduction in funds for homeowners leaving the state, or staying in state but not committing to owning property for 3 years. Recently the state exempted seniors from the 40% reduction if they choose to leave the State. Therefore the purchase offer amount will vary based on age of applicant and ability to own 3 years in-state, which conflicts with provisions of Federal law, including the Stafford Act.

FEMA advised the State in writing of these issues and potential solutions on December 13, 2006, and has offered to continue to meet with the State to identify options for moving forward. The Louisiana Redevelopment Authority continues to question the rationale for the requirements, to push back with reasons why they cannot meet HMGP program requirements, and to suggest options that FEMA cannot agree to because of the discrimination issues. When Louisiana signed the FEMA-State agreement for Hurricanes Katrina and Rita, as States do for all disasters, it agreed to comply with the Stafford Act and FEMA regulations.

A significant factor contributing to the conflict of program requirements is that FEMA was not involved in the design of the Road Home program until after critical decisions on program requirements had been made, and those requirements are in conflict with the HMPG program legal requirements. In a letter dated February 6th, FEMA notified the State that the *Road Home* application cannot be approved as submitted, provided specific information concerning the deficiencies, and extended a commitment to continue to work with the State in resolving the issues and supporting the State's recovery activities. The Application Submission deadline for all HMGP projects is March 1, 2008. Until that time, the State may submit another project or modify the existing project such that it meets FEMA's eligibility criteria. A copy of that letter is attached to this testimony.

Mississippi HMGP
FEMA continues to support the State of Mississippi on the implementation of the HMGP. The current amount available to Mississippi under the HMGP is expected to be $433 million. FEMA has extended the application submission deadline for all HMGP projects to March 1, 2008. Until that time, the State may submit project applications for the use of HMGP funds.

The use of HMGP funds does require a 25% non-federal match, which is typically provided by state or local governments. Mississippi is still in the process of finalizing a strategy, but has indicated it intends to meet this requirement through global match. Global match occurs when the 25% non-Federal share is derived from several non-Federally funded mitigation actions or properties that are included in the HMGP project, in this case CDBG funds, which are aggregated to make up the non-Federal commitment to the HMGP grant award. Global Match will require that mitigation actions funded with CDBG that are used to meet the non-federal match meet all HMGP requirements. FEMA is continuing to coordinate with the State as needed to assist in finalizing a strategy to meet HMGP match requirements.

Flood Insurance
FEMA is actively involved in two areas regarding flood insurance: disbursement of the National Flood Insurance funds and flood insurance rate maps (FIRMs). The National Flood Insurance Program has paid out over $16 billion in NFIP claims in the Gulf Coast, including $13 billion on over 187,000 claims in Louisiana alone. To date, over 99 % of all claims filed have been closed. We see that as a significant step towards recovery as individuals are able to make choices about long-term housing plans.

Advisory Base Flood Elevations (ABFEs) and Flood Insurance Rate Maps (FIRMs)
In the aftermath of Hurricane Katrina, FEMA responded quickly to State and local officials' requests for updated flood hazard information to help them make smart rebuilding decisions. FEMA responded by issuing advisory base flood elevations, or ABFEs, for areas of Louisiana and Mississippi where the effects of the storm had significantly altered the floodplain, or demonstrated that current base flood elevations were outdated.

The post-Katrina ABFEs, for 15 affected Louisiana parishes and 3 Mississippi counties, are generally higher than the base flood elevations shown on the current effective Flood Insurance Rate Maps. The ABFEs are advisory for purposes of the NFIP, and have no impact on the

availability of flood insurance. Existing flood insurance policies continue to be rated based on current effective FIRMs, and if a structure is built to ABFE standards, flood insurance premiums may be much lower.

From a recovery standpoint, ABFEs represent the best available data on flood risk and FEMA encourages property owners and building officials to consider them when making decisions about rebuilding. As such, FEMA has issued a policy requiring Mississippi and Louisiana communities to use the ABFEs for reconstruction and mitigation activities paid for through FEMA grant programs, including Public Assistance, HMGP, the PreDisaster Mitigation grant program, and the Flood Mitigation Assistance program.

FEMA's work with the FIRMs will also provide more accurate estimates of risk and potential flood hazard areas. FEMA provides the maps to communities that participate in the National Flood Insurance Program, and FEMA plans to release updated maps this year. The first step in this process was the release of the ABFEs and this will be followed by the preliminary maps, which will be released this year.

Legislative Improvements

Congress recently took some important legislative steps to help us address the challenges of disaster housing, both for those affected by Hurricane Katrina, and those who may be faced with similar housing needs in future disasters.

In the June 2006 Emergency Supplemental bill, Congress appropriated $400 million to FEMA for a pilot program that could identify and evaluate new alternatives for housing victims in the aftermath of a disaster. That legislation required that FEMA target the funding and assistance to those States most affected by the hurricanes of 2005. Accordingly, Alabama, Florida, Louisiana, Mississippi, and Texas were invited to submit applications as part of a competitive process to identify the most innovative and promising alternative disaster housing solutions. This competitive grant process was designed to ensure that those proposed projects that met the greatest number of selection criteria received first consideration. The Alternative Housing Pilot Program (AHPP) grant guidance was released September 15, 2006, and applications from the five eligible gulf coast states were due October 20, 2006. Each of the five eligible states submitted applications, which collectively contained 29 discrete project proposals. The 29 proposals totaled almost $1.2 billion in requested grant money, well in excess of the $388 million made available for award, with the remaining $12 million (three percent of the total) reserved for necessary administrative costs, management costs, the pilot evaluations, and any needed amendments. The Department of Housing and Urban Development (HUD), a key partner of ours in this pilot program, will lead a formal evaluation of all approved pilot projects. Five projects were selected for potential grants across the states that submitted competitive applications. Each project is being reviewed to ensure viability, and, upon successful completion of that review, will move forward to funding.

The FY 07 Homeland Security Appropriations Bill also made broad changes to the Stafford Act, many designed to allow FEMA greater flexibility in meeting future disaster housing needs. Key changes include the requirement for a pilot program that will allow for the repair of pre-existing

rental units under FEMA housing assistance, as well as a requirement to develop a national disaster housing strategy. There are other changes, and work on all of them is well underway.

While finding housing for the many displaced households of Hurricane Katrina has been, and will continue to be a challenge, FEMA remains committed to providing or coordinating continued assistance to these victims. Together, with our federal, state, local, private, and voluntary agency partners, we will continue to pursue assistance solutions that will effectively and compassionately help individuals and households recover and re-establish their lives in the gulf coast region.

Thank you. I am prepared to answer any questions you may have.

WRITTEN TESTIMONY OF WALTER LEGER, MEMBER OF THE BOARD
OF THE
LOUISIANA RECOVERY AUTHORITY,
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

FEBRUARY 22, 2007

Chairwoman Waters and Members of the Committee, my name is Walter Leger and I am a long-time resident of St. Bernard Parish, Louisiana. Thank you for inviting me to speak to you today on behalf of the Louisiana Recovery Authority about the federal housing response and reconstruction efforts to recover from Hurricane Katrina – the most catastrophic and costly disaster in American history.

The Louisiana Recovery Authority, more commonly known as the "LRA," was created by Governor Kathleen Blanco to coordinate recovery efforts and special funding related to Hurricanes Katrina and Rita. I myself am a volunteer and serve as Chair of the Board's Housing Task Force.

The LRA works in tandem with the state's Division of Administration's Office of Community Development (OCD), which is running the Road Home housing programs and is administering the delivery of the special Community Development Block Grant appropriations provided by Congress for Katrina and Rita recovery, and with the Louisiana Housing Finance Agency, which is administering our Low Income Housing Tax Credit program which Congress dramatically expanded in the GO Zone legislation.

Together, our offices have worked closely with the US Department of Housing and Urban Development (HUD), Chairman Powell's office, the US Small Business Administration (SBA), state agencies, local government leaders and others in an effort to facilitate the recovery of south Louisiana. The opportunity to assist the citizens of the State of Louisiana in this massive recovery effort has been an honor for me, and a challenge that I will never forget.

As I mentioned earlier, Hurricane Katrina was by far the single most expensive disaster in American history. What you might not know is that the storm that hit Louisiana three weeks later—Hurricane Rita—ranks third on the all-time list. Together, the storms caused an estimated $100 billion dollars in damages to homes, property, businesses and infrastructure in Louisiana alone.

Now, about $40 billion dollars of these losses are covered by private hazard and flood insurance, and we also recognize and are sincerely thankful for the estimated $26 billion that is flowing to the State to help us rebuild our homes and physical infrastructure.

But that still leaves a gap of $34 billion dollars… or put another way, that's about $20,000 in unrecovered losses for every household in the state. This funding gap does not include the 127,000 jobs and 4,000 businesses in Southeast Louisiana that haven't come back, which shrunk Louisiana's economy by $11.5 billion last year. This does not count all of the emergency and social services requirements incurred.

So while federal aid and private donations have been unprecedented, Louisiana still has unprecedented needs and we will need the Congress's continued strong support going forward.

But you have called today's hearing to focus on how we are investing the generous appropriations from Congress for housing, so let me address that now. Like many others on the LRA board, I lost my own house in the storm. Words cannot describe the heartache that comes from seeing 14 feet of water envelop your home and all of your personal belongings inside – your clothes, your photo albums, your children's things – gone. All the things that made my house – the physical structure – a "home" were lost forever.

Sadly, more than 200,000 homeowners and renters in South Louisiana suffered the same devastating loss. On August 29, 2005, our lives changed forever. As a result of Katrina, and another blow from Hurricane Rita three weeks later, more than 1.3 million people were evacuated from the area. To date, an estimated quarter of a million people are still unable to return to their homes due to disaster damages.

We had some parishes, including my home parish of St. Bernard, which experienced devastation over 100% of the footprint of the community. It's reported there that we lost every house but three – I have yet to find those three. Fortunately, I have been able to put my personal experience with the storm to use in helping to develop our housing programs for homeowners, renters and small landlords.

ROAD HOME PROGRAM:

The LRA developed the broad policies for and the state's Office of Community Development is implementing *The Road Home*, the largest single housing program ever created. Through our program, eligible homeowners who suffered damage from Hurricane Rita or Katrina may receive up to $150,000 in compensation for their losses to help them get back in their home. As mandated by the federal law, we must deduct insurance benefits and FEMA assistance from their grant. For homeowners to qualify for assistance through The Road Home program:

- They must have owned and occupied the home as their main residence at the time of Hurricane Katrina or Rita
- The home must be a single- or double-unit structure (this includes duplexes where the owner resides in one of the units)
- The property must have sustained at least $5200 in damage from hurricanes Katrina or Rita
- Homeowners who were uninsured but should have carried insurance (for example, those who lived in a flood plain but did not have flood insurance) are eligible for the program, but they will incur a 30 % penalty.

Through The Road Home, eligible homeowners have three compensation options:

- Stay and repair or rebuild your home
- Sell home to the state and relocate elsewhere in Louisiana
- Sell home to the state and relinquish status as homeowner thereby incurring a 40% award penalty

In Louisiana, recovery was about rebuilding housing stock and bringing people home. For that reason, we included a provision in the Road Home that gave people incentive to return to Louisiana by providing funding eligibility based on full-market value if they came back to the state, but only 60% of market value if they decide to sell their home to the program and move elsewhere. This provision is important to the rebirth of south Louisiana. And all Road Home participants are provided with a choice of all options – including ones that do provide full market value if they return home. In addition, homeowners may receive the full award and still move if they "assign" their rights to the grant to a new purchaser who agrees to comply with all program requirements.

For those pioneers that used their own resources to begin repairs and are already back in their homes, the owner is still eligible to apply, provided the initial eligibility criteria are met. Road Home compensation benefits are determined by calculating the lesser of the uncompensated damage cost or the uncompensated loss of value up to $150,000.

I would add that we took special care to create an agreement with the Louisiana banks and national mortgage lenders regarding how grants would be distributed. We developed a Memorandum of Understanding (MOU) with the lenders to prevent Road Home monies from being used to pay off mortgages or cover arrears payments. Because of this arrangement, it is my understanding that Fannie Mae, Freddie Mac and Chase are not foreclosing on homeowners. Unfortunately, many smaller lenders are moving forward with foreclosure. This is an issue that we cannot afford to ignore.

Homeowners do not receive checks directly. Instead, the financial award is placed in a disbursement account and funds are released as related expenses are incurred. The lenders have agreed to pay interest to the homeowners on these accounts and will manage draws according to standard industry practices as outlined in our MOU. . For instance, homeowners that have not yet begun repairs can access up to 10% of their award upon closing. Following that, lenders will make additional payments to the homeowner as progress is made. This will prevent unscrupulous contractors from taking off with people's awards before completing any actual work.

One of the most difficult challenges we faced in designing the Road Home program – both the homeowner and small rental programs – has been dealing with certain federal regulations that can hamstring recovery programs. Although Congress appropriated the CDBG funds to give us the resources we needed to repair and rebuild the damaged homes of Louisianan's impacted by Katrina and Rita, a repair program like the one we envisioned when we first went to Washington would have been subject to time-consuming, expensive, and cumbersome environmental

reviews. These environmental reviews may be appropriate for highway construction and other major construction efforts and may even seem manageable when a state or city is doing a few dozen housing rehabs for low income families. However, they are cumbersome, time consuming, and expense, and therefore inappropriate for repairing and rebuilding 123,000 houses which will occupy the same footprint they did before the storms. They should have been waived by Congress when these programs were funded. Not desiring to subject our citizens to these unnecessary and costly burdens, the Road Home program was reinvented as a "compensation" program, providing compensation grants in disbursement accounts, forgivable compensation loans for low income families, and elevation grants for homeowners who will agree to live in an elevated home (rather than being paid to elevate). This redesign of our program was unfortunately necessary so the program could be implemented as quickly as possible, but this new program design still requires us follow many cumbersome CDBG regulations and has meant that we have had to be creative in order to run a program that meets our goals.

Another area where red tape has limited our efficiency and progress relates to our use of Hazard Mitigation Grant Program (HMGP) funds in support of the Road Home housing program as required by Chairman Powell. The State did not want to use HMGP monies in this way – but we were told the Administration would not support our request for CDBG funding at the level needed, and instructed us to use HMGP to fill our funding gap, even though we were concerned about the red tape associated with it. As of today, FEMA has been unwilling or unable to approve nearly $1.2 billion of funding that is desperately needed for the Road Home program (See Appendix A).

I think many of you will remember Chairman Frank's bewilderment over this bureaucratic silliness at the Financial Services Committee hearing a few weeks ago in Washington. While at the witness table, HUD Deputy Secretary Roy Bernardi and I agreed on the proposed use of funds while FEMA's representative, David Garratt did not. When Chairman Frank asked Mr. Garratt how we might resolve this matter, he answered that he did not think it could ever be resolved. This is unacceptable. We are undertaking a rebuilding effort of epic proportion and FEMA has refused to provide any flexibility on this issue.

Much of this bureaucracy would be eliminated if Congress directed FEMA to approve our use of HMGP toward the Road Home program or if Congress moved the funds to HUD for implementation. Considering HUD has already approved our program and our proposed use of funds, this route may avoid a time consuming attempt to amend the Stafford Act. We urge Congress to act quickly on this issue on our behalf, since FEMA has been unwilling to do so.

The estimated cost of damage is based on a home evaluation. To determine the estimated cost of damage, a home evaluator will visit the home, assess the damage, work in progress, or completed work to estimate the overall hurricane-related damage inflicted on the home. To determine the pre-storm value, homeowners may provide an "arm's length" appraisal (i.e., an appraisal ordered by a lender in conjunction with a loan, not an appraisal ordered by the homeowner) that was completed from January 1, 2000, up to the day before one of the hurricanes affected the homeowner (August 28, 2005, or September 23, 2005). These appraisals will be adjusted to reflect the market rate as of the second quarter of 2005, using figures released by Office of Federal Housing Enterprise Oversight.

Homeowners may also provide an appraisal that was performed post-Katrina or post-Rita to determine the pre-storm value of the home. If an arm's length appraisal is provided, the pre-storm value will be based on the appraisal. If an appraisal is not provided, The Road Home program will determine pre-storm value through alternative data sources.

The compensation grant does not need to be repaid provided the covenant requirements are met including agreeing to:

- Remain in the property for three years (five years if a forgivable compensation loan is received) and use the property as its primary residence.
- Comply with Advisory Base Flood Elevation guidelines (if the residence sustained 51% or more damage according to the local municipality).
- Maintain flood insurance (if in a floodplain) and hazard insurance.
- Ensure that construction complies with building codes.
- A homeowner will sign the covenant at closing. A homeowner may choose to assign the covenant requirements to another homeowner.
- If a homeowner receives a forgivable compensation loan, they are required to maintain owner-occupancy for five years. The homeowner cannot assign the five-year owner-occupancy requirement. If the owner moves out of the home prior to fulfilling that requirement, he or she must pay back the affordable compensation loan on a prorated basis.

We estimate more than 120,000 homeowners are eligible for the program funded by $6.375 billion in Community Development Block Grants and $1.125 billion in Stafford Act Hazard Mitigation Grant Program funds (See Appendix B).

For a moment, I should outline the road we traveled to get this program funded in a way that would provide assistance for everyone that needed it to get back in their home – regardless of whether they had insurance or were inside or outside of the flood plain.

In December of 2005, Congress approved $11.5 billion in supplemental appropriations for the Gulf Coast [P.L. 109-148][1]. When this legislation passed, it was approved with a provision capping funding for any one state at no more than 54% of the total appropriated – even though Louisiana received 75-80% of the total damages from Katrina and Rita.

This situation resulted in Louisiana receiving $6.2 billion in assistance, as compared to $5 billion for Mississippi, which experienced a far smaller proportion of total losses. When the State was notified of its $6.2 billion allocation of the supplemental appropriations, we were grateful and appreciative. However, we notified Congress and the White House that that level of funding was insufficient to meet our housing needs in the State of Louisiana, and that additional funding would be needed;

[1] P.L. 109-148 was signed by President Bush on December 30, 2005, and a notice of award was published by the U.S. Department of Housing and Urban Development (HUD) on January 25, 2006.

While the White House requested an additional $4.2 billion on February 15th 2006, it took Congress another four months to provide a second supplemental appropriation for the Gulf Coast[2], with hundreds of thousands of Louisiana citizens living in trailers all the while. Once again, however, Congress limited any one state from receiving more than $4.2 billion, once again prohibiting HUD from being able to use its discretion to allocate funds based on the comparative damage levels in each state affected by the storms which would have resulted in Louisiana in receiving an even larger appropriation.

Let me address something we hear about quite often – the comparisons between Mississippi's progress and Louisiana's progress and between Mississippi's program and Louisiana's program. I want to be very clear on this. If we had designed an identical program to theirs, we would have chosen to exclude anyone living in a flood zone. That would have meant some of the most deserving homeowners – those who lost their houses due to the failures of federal levees – in Gentilly, Lakeview, the Lower Ninth Ward, St. Bernard Parish and Cameron Parish in Southwest Louisiana would have been excluded and left with nothing.

Nor could our low-income families – of which we have a substantial percentage – afford to wait until a second round of homeowner assistance was developed that provided extra assistance to those families with incomes below 80% of the median. Although it added another calculation and verification step to our process, forgivable compensation loans of up to $50,000 for low-income families have been part of our program since its inception.

But as I alluded to earlier, the chief difference between our program and that of our neighbors to the east comes down to one thing. Mississippi's housing program received full funding in December of 2005, while Louisiana waited six more months before our program was fully funded.

So here we are, seven and a half months later. Let me outline the action taken since then:

- The same week we received program approval from HUD, the state's Division of Administration signed contractor ICF International to implement to Road Home program.
- The company set up 10 housing centers throughout the State of Louisiana and another in Houston, Texas. In Louisiana they are in Calcasieu, Cameron, East Baton Rouge, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Terrebonne, and Vermilion parishes.
- More than 109,000 applications have been received and recorded.
- Housing counselors have conducted almost 80,000 in-person appointments with applicants.
- Nearly 36,000 homeowners have been notified of their benefit awards totaling $3.5 billion.
- The average award calculated is $81,505.

But we would not be here today if this process were free of roadblocks and hard times. The greatest challenge we are facing relates to the most important step of all – the actual award closing. As of this week, almost 800 homeowners have received their awards. I think everyone

[2] P.L. 109-234, which was signed by the President on June 15, 2006, and a notice of award was published by HUD on July 11, 2006.

agrees, this is too slow. We still have more than 60,000 people calling a trailer home every night and they deserve to be back in their house NOW.

To that end, we are continuing to apply pressure to ICF, insurers and lenders to address roadblocks and expedite the verification and closing process as much as possible, and have spent considerable time and effort to make sure that required data sharing with FEMA and SBA can occur effectively. But as I have learned in my brief career in government, nothing is as simple as it might appear.

We did in fact receive full funding for the program in June of 2006. But those funds came down to us in Louisiana wrapped in red tape with strings leading back here to Washington. I discussed much of this bureaucratic inertia before Senator Lieberman's Committee on Homeland Security and Governmental Affairs during their field hearing in New Orleans last month and received commitments from the Chairman and Senator Obama to explore what options we have for eliminating some of these barriers to our recovery. Senator Landrieu has been leading much of this fight on our behalf for some time now.

One particular area that should be addressed immediately is the SBA's failure to distinguish the difference between a grant and a loan. Although SBA's loans were every bit as slow in coming to our homeowners in the months after the storms as these Road Home grants, many Louisiana families have now received them and are taking advantage of the SBA's lower interest rates on the capital they need to repair and rebuild. As any loan, the borrower signs a binding contract to repay the government this money. However, under regulations of the SBA, if a homeowner receives a grant to rebuild, it must use those funds to repay the SBA, placing a homeowner in a situation again of limiting their resources to rebuild. Since our grant program provides only a portion of the funds

Even the SBA Administrator has admitted that a subsidized-interest-rate loan is not the same thing as a grant, and that a borrower – regardless of the grant – has an obligation to repay the loan note. Nonetheless, SBA has not adjusted their policy. Homeowners going to closing today are having their grant amounts reduced to repay this money back to the federal government immediately, even though they may need it to complete their repairs and have an ongoing responsibility to the federal government (which has already budgeted for these loans) to repay the note with interest.

Another one of the most stringent delays of the program has come from federal requirements that a homeowner's insurance benefits and the Federal Emergency Management Agency's (FEMA) assistance for structural damage must be deducted from our calculation of a homeowner's grant assistance. The deduction of insurance and FEMA funds designed to prevent a "duplication of benefits" are two examples of deductions and corresponding verifications that we have no choice but to include in our program design, but that are taking significant resources and time in order to comply with when attempting to move as quickly as possible to provide assistance to homeowners.

National Flood Insurance Program Overview

Contrary to conventional wisdom, Louisiana's homeowners are some of the most enthusiastic participants in the National Flood Insurance Program (NFIP) compared to any other state in the nation (See Appendix C).

Because most of south Louisiana's Flood Insurance Rate Maps (FIRMs) were from 1985 or earlier, and in light of the data gathered during and after Hurricanes Katrina and Rita, FEMA decided to review/revise the FIRMs for most south Louisiana communities. In the coastal parishes, where storm surge flooding was most severe, FEMA issued Advisory Base Flood Elevations (ABFEs). These ABFEs serve as an interim guidance on safe building for those parishes where the current FIRMs are obviously wrong, but for which new modeling and engineering are necessary before new FIRMs can be produced.

Recognizing that the ABFEs provided the best available science with respect to flood hazard for those communities, the LRA began giving incentives to parishes and local communities to adopt the ABFEs in order to access funds from the Hazard Mitigation Grant Program, as well as other sources that were being made available. Almost all of them have now adopted the ABFE's, meaning that future flood risks will be lessened and giving home and business owners access to additional benefits under the National Flood Insurance Program. Because the ABFEs result in changes in the expected 100-year flood plain, the flood risk for many structures changes, allowing home and business owners to access Increased Cost of Compliance (ICC) payments that were not available to them before. For instance, homeowners who were previously in Zone B (outside the 100-year flood plain), but are now in flood Zone A (inside the 100-year floodplain) as a result of the adoption of the ABFEs are now eligible for ICC claims of up to $30,000. These funds can be used to elevate or floodproof their homes, reducing their flood risk. This has been a great benefit to many communities, and is a driving factor in at least one community's efforts to adopt the ABFEs.

ROAD HOME RENTAL PROGRAMS:

Across southern Louisiana, approximately 82,000 rental housing units received major or severe damage from Hurricanes Katrina and Rita. Replacement of the damaged or destroyed rental housing in the hurricane ravaged areas is vital to the return of families and a strong workforce, and is a lynchpin of Louisiana's recovery.

All sectors of the economy have reported a workforce shortage due to a lack of affordable housing. Rental housing stock is also imperative to support the return of the high portion of residents that were renters prior to the storms, particularly in New Orleans, as well as the return of homeowners transitioning into repaired and rebuilt homes over the coming months. The repair of rental housing will also help to stabilize soaring rental rates, and help to stabilize communities through reducing blight.

For these reasons, the LRA in close coordination with OCD designed several programs to support the redevelopment of rental housing in storm-impacted areas. Recognizing that the funds available would only rebuild a portion of the units lost due to the hurricanes, the LRA allocated funds for the Workforce and Affordable Rental Programs by formula to ensure that those parishes with the most damaged or destroyed rental housing stock would have adequate

resources to replace significant numbers of affordable rental units. Resources are also allocated in a way to prioritize affordability and mixed-income development goals, and to produce units in all ranges of affordability. The Road Home Workforce and Affordable Rental Housing Programs have four broad goals:

- To ensure that the workforce needed to accommodate full economic recovery has access to affordable rental housing;
- To provide affordable rental housing to low income households who could not otherwise afford to return to their communities;
- To ensure that affordable rental housing is provided in the context of high-quality, sustainable mixed-income communities, and
- To ensure that a portion of affordable rental units will host supportive services for families with special needs or high risks following extended displacement.

To support the programs, the State has set aside a total of $1.5 billion in CDBG funds, which will supplement the estimated $1.7 billion worth of private investments triggered by Congress's expansion of the Low Income Housing Tax Credit (LIHTC) program in the GO Zone legislation. Through the CDBG and LIHTC investments in rental housing, we hope to create an estimated 35,000 units in a broad mixture of deeply affordable units, mixed income development, and 1 to 4 unit rental properties. Of CDBG programs, the LRA has designated $667 million for the Low Income Tax Credit "Piggyback" Program and $869 million for the Small Rental Property Program.

Low-Income Housing Tax Credit (LIHTC) and LIHTC "Piggyback" Program

Through legislation creating the GO Zone, Congress authorized a special allocation of Low Income Housing Tax Credits (LIHTC) to repair and construct affordable rental housing. The LRA made $667 million in CBDG funds through the Piggyback Program, which will be paired with LIHTC, to make feasible mixed income development, deeply affordable units, and units for the elderly and disabled in permanent supportive housing—characteristics not usually found in LIHTC financed developments.

To date, the Louisiana Housing Finance Agency (LHFA), which is the housing finance agency for the state, in conjunction with the LRA and the Louisiana Division of Administration's OCD have worked to allocate 2006 GO Zone Credits and to forward allocate approximately $186 million in 2007 and 2008 GO Zone tax credits. The total development cost of these transactions is approximately $2.7 billion and is expected to yield 17,000 units of rental housing. The last round was awarded in December 2006, and is required to be placed in service by December 31, 2008.

A portion of these LIHTC credits in the 2007 and 2008 rounds were awarded on December 13 along with $440 million in CDBG funds through the Piggyback to provide gap financing and Project Based Rental Assistance in order to assist 33 projects. These projects will create more than 5,700 new rental units in storm damaged areas.

- These include redevelopment of four storm-impacted public housing developments. One of these housing projects will also be producing 244 single family homes for middle income purchasers, bringing the total number of units in these developments to 5,981.
- 26 of these developments will be mixed income projects serving a range of residents including both extremely low income households and market rate tenants.
- In most cases, these mixed income developments will contain at least 60% market rate units and at least 20% deeply targeted units – affordable to households earning less than 40% of the Area Median Income.
- In a few instances, most notably in the redevelopment of Public Housing projects, a second mixed income model was used. In these developments at least 30% of the units were market rate and no more than 33% were deeply targeted units.

The Piggyback Program will also help special-needs populations achieve stable housing and successful lives by providing incentives for developers to create Permanent Supportive Housing (PSH) units. All of the developments in assisted with in the 2007 and 2008 rounds will provide at least 5% of their units for Permanent Supportive Housing (PSH). Many will provide more PSH units than the required set aside. This effort represents the first major development of PSH in the State of Louisiana and the very first PSH units to be provided in mixed income settings. The program aimed to support an estimated 3,000 units with supportive housing services. Other HUD programs such as the McKinney Vento Act, Project Based Section 8 Vouchers, Section 811, and Section 202 program funds will supplement supportive efforts.

While PSH units will be created through the Small Rental Property Program, the need for vouchers for supportive housing units that can be integrated throughout the community remains. PSH households will require rents affordable for households at 30% AMI down to zero income. Vouchers will be needed to bridge the rent-gap between these affordable units and units that may be underwritten to support rents at the 50% to 80% AMI level.

Project Based Vouchers and Permanent Supportive Housing

As discussed above, the need for housing units that can support those with significant disabilities and the homeless is critical for the recovery and for the healthcare delivery system in the affected areas of Louisiana. The State has made a commitment to 3,000 units of PSH that are designed for this purpose. The Road Home program expects to rebuild as many as 35,000 rental units but as many of these as possible that can be for supportive housing where they are integrated within the broader community is an important goal as well. Throughout this process, we've worked closely with local and national advocates who are strongly in favor of the commitment the LRA and the State has made.

The State's plan is going to require vouchers with flexibility that can be attached to units as they are developed. These vouchers, called project-based vouchers, enable rents for units to be subsidized down to a level that is affordable for this population of special needs individuals. To meet this goal of 3,000 units throughout the affected parishes where rebuild is occurring, the State will need an additional 3,000 project based vouchers to be committed to the State of Louisiana for allocation to these new units. In order for this recovery to be accessible to all Louisianans who are displaced, especially those with special needs, PSH and the funding for rent

subsidies are critical. For that reason, we ask Congress to award through HUD an additional 3,000 housing vouchers.

Small Rental Property Program

Before the disaster, a large portion of low to moderate income working families resided in single-family homes, "doubles" and small, multi-family buildings with four or fewer units that were owned and operated by small-scale landlords, especially in New Orleans where an estimated 70% of rental property was owned by small landlords. In the wake of the storms, it became clear that an unprecedented number of these small, rental properties had been destroyed or severely damaged and were at severe risk of becoming blighted after the storm. For many renters, especially in and around New Orleans, housing was not affordable prior to the storms. According to the 2000 census, over two-thirds of the very low income households, households earning less than 30% AMI, paid over 30% of their incomes for rent, the HUD standard for affordability.

The Small Rental Property Program will provide gap financing in the amount of $869 million, including administrative costs, for the repair of an estimated 18,000 small rental units. In doing so, the program will provide safe and affordable rental housing for working families. The funding will be split among the 13 most impacted parishes according to each parish's documented damage to rental units.

The gap financing will enable repairs to occur and limit the amount of debt and debt service required for properties, so that the owners will be able to charge affordable rents. The program will also prevent blight by rebuilding damaged properties and will stabilize rents in traditional neighborhoods by increasing the supply of housing.

The first round of the program was launched on January 29th, and will accept applications through March 15th for as much as $200 million in funding. Award letters will be released at the beginning of April, and the second round will commence immediately thereafter. As the program does not have enough resources to fund all damaged properties, the program currently anticipates a number of rounds of funding to give small landlords multiple opportunities to apply. Multiple rounds will also allow for the program to change award incentives as the results of each round are assessed.

The program will be limited to property owners who owned the unit before the storm, and will provide priority to owner-occupied properties who are not eligible for the Homeowner Program, namely, owner occupants of 3 and 4 unit buildings. The program is limited to 1 to 4 unit rental properties.

On a competitive basis, the program will provide from $18,000 to $72,000 per rental unit. The size of the incentive is determined by the level of affordability provided and the size of the unit. In exchange for accepting financial incentives, property owners will be required to provide affordable rents for households earning at or below 80% AMI. Rents are affordable if they comprise less than 30% of a household's income. Incentives available will be in three tiers based on the income level of the tenants to be served. The maximum amount of subsidy will go

to rental units where rents are affordable for households with incomes at or below 50% AMI. Landlords may also choose to apply to the program and propose to charge rents affordable to households at or below 80% AMI, or at or below 65% AMI. The incentive award is in the form of a no payment, forgivable loan at 0% interest, due only upon resale of the property or failure to comply with the agreed-upon restrictions on rents and household incomes during the specified commitment period.

An exception to the rule of pre-storm ownership will be allowed for non-profit entities. There will be a 5% set-aside for non-profits. While non-profits will be allowed to have purchased units since the hurricane, they will be required to provide an affordable unit for twenty years. In addition, non-profits will be in a position to provide units to house supportive services.

First Time Homebuyer Program

Recognizing that households who were renters before the storm could benefit from home ownership, a first time homebuyers pilot program will be created by the Louisiana Housing Finance Agency to allow low- and moderate-income homebuyers to purchase damaged properties and to carry the home through the repair process. The pilot program will be funded through the budget for the Small Rental Property Program through a $40 million set aside. The program will be available in the early spring.

Bringing Residents Home

Rental Registry:

Because the replacement of rental housing will fall far short of the rental housing lost due to insufficient resources, and many residents displaced by hurricanes Rita and Katrina are far from home and inadequately housed, the State is giving priority placement to hurricane displaced residents for all subsidized rental housing units. A total of $2 million in CDBG funds has been budgeted to provide the following resources to displaced renters to help facilitate their return home.

Louisiana has initiated a Call Center and Homeowner Registry to allow former homeowners to indicate their interest in returning to their neighborhoods and investing in their homes. Eligible renters will be notified by mail, telephone, and the www.LouisianaRebuilds.info web portal to the greatest extent possible of the opportunity to access rental information, rental support and other needs for returning citizens.

From www.LousianaRebuilds.info , renters are referred to a web database, www.LAHousingSearch.org, where affordable rental housing is listed, and where they can access applications for income-assisted housing. www.LAHousingSearch.org is sponsored by the Louisiana Department of Health & Hospitals and the Louisiana Housing Finance Agency and is a free, online, searchable registry of housing in Louisiana. Landlords can list properties and benefit from the statewide marketing campaign. Renters may use the site to identify housing and features, both rental and for-sale. Any property owner will be able to list available properties, but units available through the Small Rental Property Program and all units providing supported

services will be automatically listed.

Vouchers:

The storm left thousands of residents displaced not only across the state, but in communities across the country. The GO Zone LIHTC allocations, Piggyback Program, and Small Rental Property Program are creating units that will rebuild housing units and should help bring rents down, but units won't be replaced on a significant scale for another year to well over two years. During the rebuilding period, returning home isn't accessible to the middle and lower income tier families unless they are able to secure a FEMA travel trailer site. Citizens who desire to move back and are able to afford their pre-storm rent levels still have difficulty moving home because of a limited housing supply and high rents. Resources to fund a flexible rent subsidy tied to the areas with most displacement would help to provide a stable housing for displaced citizens and transition people home as housing is replaced.

Even those who have a housing option, a job waiting, and the means to pay rent in Louisiana have no way to return. There are hundreds of available units awaiting former public housing residents who have no means to obtain transportation home. FEMA paid to bus families away after the storm, but has not agreed to fully cover their costs of returning home. The need for transportation assistance would enable these residents to begin their journey home, reestablish their links to their communities, and reestablish their careers.

Extension of Placed in Service Date for GO Zone LIHTC's:

The GO Zone LIHTC and CDBG funding for recovery has given Louisiana the opportunity to replace a portion of its lost rental housing stock. Nevertheless, the hurricanes continue to hinder our ability to rebuild housing nearly two years later. Increased construction costs, labor costs, utility costs, and insurance costs have made tax credit projects underwritten last year unfeasible and threaten their viability. Not only do stalled projects risk not being constructed, but the lack of construction is a real deterrent to other private investment.

Current law requires projects receiving 2007 and 2008 GO Zone tax credits with a 30% increase in qualified basis and located outside of the designated qualified census tract to be placed in service on or before December 31, 2008. Approximately 65% of the units receiving tax credits in the GO Zone, underwritten with the increase in qualified basis, are at risk of losing the very credits required for viability if these deadlines are missed. To insure that the units at risk are successfully developed, the LRA, along with the LHFA and its nonprofit partners, the Louisiana Association of Nonprofit Organizations (LANO) and the New Orleans Neighborhood Development Collaborative (NONDC), are requesting Congress to extend the December 31, 2007 placed in service deadline to December 31, 2009, and to extend the December 2008 placed in service deadline to December 31, 2010.

Per Capita Tax Credits:

In addition, Louisiana receives approximately $8.6 million of Per Capita tax credits annually to satisfy the housing needs of the state. However, Hurricanes Katrina and Rita displaced tens of thousands of households in the GO Zone and distorted the supply and demand balance for affordable housing throughout the entire state. Because GO Zone credits can only be used in Difficult Development Areas within the GO Zone, there is an immediate need for additional Per Capita tax credits to fund the housing needs of people who fled the GO Zone and are now living and working in other regions of the state. To meet the increased demand for housing in non-GO Zone areas of the state, we are also recommending that Congress increase the state's annual Per Capita allocation of low-income housing tax credits from $8.6 million annually to $17.2 million annually for the next five years.

Insurance:

Louisiana is also experiencing increases in the cost of insuring single family homes and rental housing developments. We have preliminarily estimated that insurance premiums have increased one-and-one-half to two times the pre-hurricane rate in the wake of Hurricanes Katrina and Rita. These increases have placed a tremendous burden on home buyers, homeowners and rental housing developers, and especially low- to moderate-income residents.

To help reduce the increased cost of homeowner insurance, a portion of the interest on mortgage loans financed with the LHFA's $236 million of single family mortgage bonds issued during 2006 was allocated directly back to low-income borrower's insurance escrow account as an insurance premium increase offset. The Insurance Premium Offset program deposits up to $165.00 per month into a low-income borrower's escrow account to help take the sting out of higher insurance premiums—as well as providing 30-year fixed rate interest rates, prior to the 2% rebate, at 4.5%.

The LHFA, along with the LRA and OCD, is currently working to develop a similar program for rental housing developers. We are most concerned with the ability of rental housing developments with debt service coverage ratios of 1.2 or less to absorb the higher insurance premiums. Approximately 30 to 35 projects fall within this category of the 240 projects in our pipeline. This represents approximately 2,800 to 3,000 of the 17,000 tax credit units approved for development.

Cost Share:

For the record, there are other issues of fairness and common sense that we would ask Congress to consider when reviewing the progress of our recovery. The costs of responding to truly catastrophic disasters such as Katrina and Rita are extraordinary at all levels of government. For the State of Louisiana, the FEMA cost-share alone, even after it was adjusted up to 90% Federal share for FEMA's Public Assistance program, is over $1.5 billion. This match requirement further burdens our recovery, given that Louisiana generates only about $8 billion in annual state tax revenues and has only 4.5 million residents.

This $1.5 billion bill also does not include the many costs absorbed by the State which are ineligible for Federal reimbursement, including paying for the increased demand for social

services, support for economic development and recovery; helping our communities plan their futures in the wake of these catastrophic events; paying to bring buildings up to the International Building Code (which will make them safer from future disasters); and paying for facility repairs that are required by law or due to deferred maintenance but not covered by FEMA assistance or insurance.

At the local level, some of our parishes have had their economic hearts torn out through the loss of tax base, residents, and economic vitality. Some of our communities are struggling to survive.

Based on this severe impact, and the fact that much of the damages we experienced were the result of the failure of Federal levees which should have held in the face of a Category 3 event like Katrina, we need the Administration's and Congress' support to adjust the Federal cost-share to 100% for all FEMA programs. After the tragedy of 9/11, Congress provided New York with 100% federal cost share to recover from the disaster. They looked at magnitude of what the city and state were facing and leaned forward to cover 100% of the expense. FEMA also approved significantly 100% federal cost share for numerous disasters including Hurricanes Hugo, Andrew and Iniki, yet the same favorable treatment has not been shown Louisiana even though the projected per capita impact of Hurricanes Katrina and Rita in our state exceeds the costs of those disasters by many multiples (See Appendix D). In fact, Louisiana's per capita impact is projected to be $6,700 for every man, woman and child in the State – more than thirteen times that of any other disaster in U.S. history.

As of this point in time, the State of Louisiana as already paid a significant share of costs for this disaster. In addition to disaster costs unrelated to Federal relief programs, we have also paid approximately $400 million to FEMA already to match costs associated with their "Other Needs Assistance"and "Individual Assistance" programs.

The federal government should waive any further state match costs, as they did for New York following 9/11, by increasing the federal cost share to 100% for all disaster relief programs authorized in the Stafford Act including public assistance and hazard mitigation. In the case of Public Assistance, this would only require a regulatory change, as the Stafford Act provides for a minimum Federal share of 75%, but offers no maximum cost-share. The President has this authority to make this happen today. In the case of Hazard Mitigation and Individual Assistance, this would entail an amendment to the Stafford Act or providing an exception to the cost-share structure found in that legislation.

In the face of such catastrophe – particularly since much of it was the result of the failure of levees for which the Federal government had responsibility -- Louisiana's communities should not be required to pay FEMA more than a billion more dollars in cost share.

Let me also applaud Senate Majority Leader Reid, Senators Lieberman and Landrieu for their support on this issue which they outlined in a letter to President Bush on February 9, 2007. I would also like to express our thanks and appreciation to House Majority Whip Clyburn for last week introducing the Hurricanes Katrina and Rita Federal Match Relief Act of 2007, which would waive the non-Federal share of the cost of certain disaster assistance provided in connection with Hurricanes Katrina and Rita.

We urge Congress to move quickly and vote yes on this important legislation. By waiving our cost share and forgiving Community Disaster Loans, Congress will have played a key role in pressing the accelerator in our recovery.

CONCLUSIONS

Yes, we are making progress but as just outlined, many communities in South Louisiana are still suffering greatly – more than they should be this long after a disaster. In many ways recovery has yet to be felt in our neighborhoods, and in our homes. My neighborhood in St. Bernard Parish is a perfect example – most homes are still vacant and heavily damaged, roads, water and sewer are in disrepair, most businesses have yet to return.

The simple truth is that recovery is not happening quickly enough. Things need to change. It should be noted that the need to provide housing assistance after a truly catastrophic series of events like Katrina and Rita is different from garden-variety disasters. It's not just about helping people – it's about restoring neighborhoods and cultures through the redevelopment of housing. It's important to remember that we didn't have a few hundred or a few thousand homes impacted. We had more than 200,000 homes damaged or destroyed entirely. Entire parishes, entire cultures were devastated.

To say that Louisiana faces challenges in its recovery is an understatement. Replacing 200,000 homes, rebuilding an economy, addressing the issues created by demographic and economic shifts, reconnecting people to their neighborhoods and cultures again – all complex problems that we need to address.

We are all learning each and every day how to make progress. And we are learning lessons and changing our approaches to take into account the reality that the recovery from catastrophic disasters is fundamentally different than recovery from more typical ones. We aren't just rebuilding homes and infrastructure – we are rebuilding civil society and community. That takes new ideas and creativity, along with a commitment to making things work.

I am pleased that the Financial Services Subcommittee on Housing and Community Opportunity has chosen to focus on the tremendously complex housing issues facing our recovery. It is my sincere hope that through the leadership of this committee, we can fix what is broken. Our city and state cannot heal and will not heal until we are back in our homes and living normal lives once again.

Thank you for the opportunity to appear before you today. I'd be happy to take any questions that you may have.

U.S. Department of Homeland Security
Federal Emergency Management Agency
Louisiana Transitional Recovery Office
One Seine Court
New Orleans, LA 70114
(504) 762-2018 office
(504) 762-2899 fax

FEMA

RECEIVED
FEB 12 2007
Director
GOHSEP

February 6, 2007

Perry Jeff Smith Jr., CPA
Colonel (Retired)
Acting Director
Governor's Office of Homeland
Security and Emergency Preparedness
7667 Independence Boulevard
Baton Rouge, Louisiana 70806

RE: Office of Community Development Road Home / HMGP Acquisition Project

Dear Colonel Smith:

FEMA has reviewed the Hazard Mitigation Grant Program (HMGP) grant application submitted by your office on behalf of the Louisiana Division of Administration Office of Community Development (Applicant). Federal funding in the amount of $1,146,240,815 is requested for the proposed acquisition project under FEMA-1603-DR-LA and FEMA-1607-DR-LA. After thorough consideration of this application, I am unable to approve the project, as it does not meet FEMA's statutory, regulatory or programmatic requirements for eligibility.

FEMA has determined that the proposed approach for acquiring properties is not consistent with statutory direction and purposes governing the HMGP. In order for this proposal to be reconsidered, the Applicant must revise the methodology for determining acquisition offers or otherwise modify the Road Home (RH) process as it relates to HMGP such that our statutory and programmatic requirements can be met. These issues are addressed in the December 13, 2006 letter from FEMA Director R. David Paulison to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP).

The RH program proposes to acquire properties using Community Development Block Grant (CDBG) funds then submit certain properties for inclusion into an HMGP project at a later date. Prior to submittal the Applicant or their representative would coordinate with local jurisdictions to determine which properties are acceptable as open space. Those properties would then be placed into an HMGP project. Since this coordination does not take place until after a property has been acquired through the RH program, FEMA must conclude that any properties acquired by the RH program may potentially become part of an HMGP and therefore subject to FEMA's compliance requirements. One way to address this eligibility issue would be for the RH program to eliminate all inequities from the Road Home program.

As an alternative to eliminating these inequities the Applicant could coordinate with local jurisdictions to identify properties that would be acceptable to the community as open space prior to acquisition. Initial Road Home decisions are currently made without regard for the local communities' development plans and local mitigation plans. The proposed project does not include any discussion of the timing or process by which parishes and local governments will be engaged in the decision-making process for the future use of acquired land. By coordinating with local jurisdictions to identify open space opportunities prior to acquiring properties through the Road Home, only acquisitions in those identified areas would need to comply with FEMA's requirements. All other acquisitions are presumed to be CDBG only and would have no potential to be included in a future HMGP application. This process would also serve to assist the applicant in determining areas that are not likely to become open space acquisition such that the Road Home process could be implemented with full knowledge and disclosure of the likely future land use. The proposed acquisitions via the Road Home program also contain limits and penalties that are not applied in other proposed HMGP applications within these disasters. In order to eliminate these inequities, all proposed acquisitions would need to have the same standard applied. It is the State's decision whether to eliminate limits and penalties or impose them for all acquisitions.

This application does not include specific property information. FEMA does not expect the applicant to provide a listing now of all potential properties that ultimately will be included in the HMGP application. However in order to evaluate this project for programmatic eligibility, the application must contain sufficient descriptive information relative to State's planned uses for HMGP funds. The current application describes the Road Home program however it does not provide sufficient detail about the use of HMGP funds through the Road Home program so that we can perform an eligibility review of the proposed process. A list of properties that meet all program eligibility criteria, including cost-effectiveness must be provided and evaluated before any funding can be made available. As individual properties are identified, the applicant will need to provide specific cost and match share information with that structure's budget data. The project must identify the public entity that will be responsible for maintaining each property in accordance with open space requirements.

The project loosely describes acquisition and return to open space for approximately 12,000 properties-none of which have been identified as of the date of this letter. Likewise, the specific costs that can reasonably be directly related to these future acquisitions are not identified in the existing budget. The Road Home program description further indicates that if all funds cannot be expended, other uses will be determined for those funds. Without more descriptive budget, we are unable to determine the actual scope of the project or the allowable costs. This project must provide a budget that captures the estimated cost to acquire properties, including related costs – such that the amount reflects the entire amount of funding requested.

The Road Home description states that if there are insufficient acquisitions to absorb the full HMGP grant, OCD will use the balance of funds for elevation and/or reconstructions. Since elevations and reconstructions are also proposed in 'traditional' HMGP projects the potential is very high that there would be inequity between the two delivery processes that could render those activities ineligible for funding as an alternative in this project. FEMA cannot complete an

evaluation of the proposed alternatives without specific detail describing how these alternatives would be implemented. A discussion of alternatives, including estimated budgets must be provided in the project application.

I understand that a Programmatic Environmental Agreement is being developed that will address the methodology by which environmental and historic review requirements will be met for this project should the State re-submit this application. All properties included in this project must conform to the requirements of this agreement in order to meet FEMA's review requirements under the National Environmental Policy Act.

This project identifies two funding sources: DR-1603 and DR-1607, limiting the affected area to those parishes declared for Individual Assistance. The Hazard Mitigation Grant Program cannot fund a single initiative from more than one source. If it is intended that both DR-1603 and DR-1607 will ultimately be used as funding sources for acquisitions, a separate application must be submitted for each proposed source of funding.

The budget described in this application includes costs to administer the entire Road Home program, including staffing for the Housing Assistance Centers. The application indicates that approximately 123,000 households are expected to be serviced through these centers. Services include counseling for homeowners as they prepare to make decisions about their personal recovery, data intake and other activities that will support components of the Road Home program (rebuild or relocate). Many of these activities will not result in the identification of properties to be included into an HMGP project and most costs associated with the administration of the Road Home program would be ineligible since they do not relate directly to the HMGP activity.

Should the eligibility issues be resolved such that this project can be approved and implemented, FEMA will separate the project into smaller projects defined by parish or local jurisdiction rather than process these acquisitions in one large project. This separation will result in more efficient project management, oversight and accountability. One project containing approximately 12,000 properties presents a challenge in terms of long term management, progress reporting and budget drawdowns, and auditing. Dividing this activity into several, smaller projects allows better identification of mitigation activities within identified local communities. Since FEMA has agreed to perform NEMIS project entry and the subgrantee will not change, the effect to the State and applicant will be minor. The sliding scale calculations for administrative allowance is unaffected by this separation.

To summarize, the project as submitted is not eligible. It is inconsistent with statutory direction regarding equitable and impartial administration of the HMGP. It does not adequately involve the local jurisdiction such that their development and mitigation plans can be adequately addressed. The deficiencies identified by this letter must also be resolved in order for FEMA to evaluate the project for eligibility.

The Application Period deadline for all HMGP projects under DR-1603 and DR-1607 is March 1, 2008. Until this time, the Applicant may decide to submit another project or modify the existing project such that it meets FEMA's eligibility criteria.

If the Applicant decides to appeal they must do so within sixty (60) days of receipt of this decision in writing through the grantee to the Transitional Recovery Office Director. The grantee shall review and evaluate all appeals before submission. The appeal shall contain documented justification supporting the appellant's position, specifying the monetary figure in dispute and the provisions in Federal law, regulation or policy with which the appellant believes the initial action was inconsistent. Please refer to 44 CFR 206.440 Appeals for further guidance.

Please provide all updated project information or direct any questions concerning this letter to Franki Coons, Deputy Section Chief, Mitigation Programs at (504) 762-2545. FEMA is committed to working together to resolve these issues and support the State's recovery activities.

Sincerely,

James W. Stark
Director
Louisiana Transitional Recovery Office

cc: Gil Jamieson, Deputy Director for Gulf Coast Recovery
David Maurstad, Director, FEMA Mitigation Division
Bill Peterson, Regional Director, FEMA Region VI

Currently Approved Program Budgets

Sources and uses of funds

	CDBG ($MM)	HMGP ($MM)	Total ($MM)
I. Subtotal – Road Home Program	$ 8,080	$ 1,170	$ 9,250
II. Subtotal – Economic Development Program	350		$ 350
III. Subtotal – Infrastructure & Hazard Mitigation	1,970	330	$ 2,300
Total Budgeted Allocations of CDBG & HMGP*	$ 10,400	$ 1,500	$ 11,900

* Current HMGP estimate is $1.5B, down from original estimate of $1.7B. If HMGP increases, Infrastructure budget increases.

The Road Home Program Budget

	CDBG ($MM)	HMGP ($MM)	Total ($MM)
I. Road Home Housing Programs			
Homeowner Assistance Program	6,350	1,170	
Workforce and Affordable Rental Housing (Piggyback, Mixed Income, Small Rental, Supportive Services)	1,536		
Developer Incentives and Code Enforcement	32		
Homeless Shelter Infrastructure and Services	26		
Start up Housing Costs	18		
State Administrative Costs	121		
I. Subtotal – Road Home Program	**$ 8,080**	**$ 1,170**	**$ 9,250**

The Road Home program and this budget have been approved by the Governor, the Legislature and the federal Department of Housing and Urban Development.

* Current HMGP estimate is $1.5B, down from original estimate of $1.7B. If HMGP increases, Infrastructure budget increases.

Economic & Workforce Development Budget

Program Allocations	CDBG Allocation ($MM)
Tourism & Marketing Program	$28.5
Recovery Workforce Training Program	$38.0
Research Commercialization & Education Program	$28.5
Business Recovery Assistance	
Bridge Loan Program	$17.0*
Technical Assistance Program	$9.5
Long Term Loan Program	$68.0
Small Business Retention Program	$143.0
Administrative costs	*$17.5*
TOTAL:	**$350 million**

* Actual remaining Bridge Loan Program amount to be determined by repayments from 2nd round of Bridge Loans. If higher than $17m, it will affect figures in other programs.

Current Infrastructure Commitments

Budget Items	Proposed/ Approved ($MM)	Additional Committed ($MM)	Current Budget ($MM)
Total Infrastructure Budget			$ 2,300
FEMA Match for Local/State Govt.	550	225	775
FEMA-ineligible Repairs – K-12	200	50	250
Rate Reduction – Entergy NO	200		200
Medical Center of LA - New Orleans*	300		300
Private K-12/Universities FEMA Match*	40		40
State Buildings FEMA Ineligible Costs*	135		135
Fisheries Assistance		20	20
Parish Recovery Plans Allocations		200	200
Hazard Mitigation	330		330
Total	1,280	575	2,250

Total Uncommitted	$ 50

* Pending approval from the Legislature via mail ballot

INSURANCE JOURNAL
Texas / South Central News

Report: La. More Insured than any Other State for Flooding

March 20, 2006

In the aftermath of Hurricane Katrina, public officials and insurance experts predicted that the vast majority of property losses from the most costly flood in U.S. history would be uninsured.

But data from the office of Donald Powell, the Bush administration's liaison to the disaster zone, shows that Louisiana was a more enthusiastic participant in the National Flood Insurance Program than any other state in the nation, *The (New Orleans) Times-Picayune* newspaper reported in its March 19 editions.

By Feb. 22, Louisiana residents had received $12 billion in flood insurance payments for claims related to Katrina, nearly as much as all the flood claims before Katrina paid by the government since the National Flood Insurance Program was created in 1968.

The largest chunk of that money landed in the Lakeview neighborhood of New Orleans, where property owners in a single ZIP code, 70124, received checks totaling more than $1 billion by the end of the year. The average payment was $143,023.

The huge payouts caught many people by surprise because so many pundits and members of Congress had predicted a majority of homes would be uninsured.

Members of Congress rose up in righteous indignation to scold residents of New Orleans, one of the most vulnerable cities in America, for failing to buy federal flood insurance and then coming hat in hand and asking to be bailed out with federal money.

House Speaker Dennis Hastert, R-Ill., questioned whether the federal government should spend money to restore sections of the city below sea level, and members of conservative think tanks urged Congress not to put any money into rebuilding properties that lacked flood insurance.

"Although flood insurance is heavily subsidized, many - even most - property owners in New Orleans do not buy this insurance, expecting the federal government to bail them out whether or not they are insured," said Cato Institute Chairman William Niskanen in testimony to Congress about the disaster in September.

In fact, New Orleans and the rest of state participates heavily in the flood insurance program.

Of the 113,053 single-family homes in Louisiana that sustained hurricane-related flood damage in 2005, at least 72,787 - 64.4 percent - were covered by flood insurance, according to Powell's data.

By comparison, just 30 percent of the 28,800 flooded homes in Mississippi had flood insurance.

To pay Katrina claims, the Federal Emergency Management Agency, which oversees the flood insurance program, has had to borrow $18.5 billion from the U.S. Treasury because the agency hasn't collected enough in premiums. In the past 12 years, the agency has borrowed $1.4 billion to recoup after other disasters.

The problem lies in the flood insurance program itself - a rigged actuarial system that doesn't even try to balance its books or calibrate premiums in ways that would encourage safer housing practices in areas that flood repeatedly.

"It's kind of ironic - we've had to borrow so much money that we won't be able to pay it back, and that has been cited as a weakness of the program," said Ed Pasterick, a senior adviser to FEMA. "But in a way, you can cite it as a sign of the program's success. So many people were protected by flood insurance that we had to replenish the fund."

Katrina has made it clear that Louisiana is a standout success in a nation where the vast majority of people living in high-risk areas don't buy flood insurance.

Consider Jefferson Parish, where Metairie became the first community in the nation to join the flood insurance program in 1969. Of the top 100 flood insurance markets, Jefferson Parish has the highest market-penetration rate in the country, with 84 percent of all single-family homes covered by the program, according to an analysis of flood insurance and census data by the newspaper.

Also in the top 10, in terms of market penetration are: St. Bernard Parish, ranking eighth with a 68.4 percent rate, and Orleans Parish, 10th with 66.7 percent. Altogether, six Louisiana parishes have market penetration rates that rank in the nation's top 25.

At the other end of the spectrum is Harris County, home to Houston. Though Harris County has generated the third-highest number of repetitive flood claims in the nation - after Jefferson and Orleans parishes - its penetration rate for federal flood insurance is 25 percent.

On average, just 5.4 percent of single-family homes in the nation's top 100 flood insurance markets have coverage, the newspaper's analysis shows.

Information from: *The Times-Picayune*, www.timespicayune.com.

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The Times-Picayune

New Orleans had better coverage than most other communities
Sunday, March 19, 2006

By Jeffrey Meitrodt and Rebecca Mowbray
Staff writers

In the immediate aftermath of Hurricane Katrina, public officials and insurance experts predicted that the vast majority of property losses from the most costly flood in U.S. history would be uninsured.

Members of Congress rose up in righteous indignation to scold residents of New Orleans, one of the most vulnerable cities in America, for failing to buy federal flood insurance and then coming hat in hand and asking to be bailed out with federal money.

The irony, now revealed in data painstakingly worked up by aides to Donald Powell, the Bush administration's liaison to the disaster zone, is that Louisiana was a more enthusiastic participant in the National Flood Insurance Program than any other state in the nation.

Worth the effort

Until Katrina swamped it in 6 feet of water, the Lakeview bungalow that Marie Callihan shared with her 94-year-old mother had never flooded. Not during Betsy. Not during Camille.

Some of her neighbors thought the neighborhood would never flood, even though it lies below sea level in one of the most flood-prone parts of the United States.

But Callihan knew better. She figured that when The Big One came, it wasn't going to spare her house. So the part-time treasurer at Sacred Heart Federal Credit Union scrimped and saved enough to cover the $1,000 annual premium for flood insurance, even though her mortgage had been paid off for decades, freeing her from any such obligation.

Callihan was in the majority. Two out of three New Orleanians carried flood insurance -- 67 percent -- compared with a national rate of about 5 percent.

"If I could have bought more insurance, I would have," said Callihan, 74, who also paid two car notes and other bills on her $30,000 salary. "But I only had my income, and that wasn't much."

Callihan's fears came true in August. By the time a helicopter arrived to rescue her ailing mother, who was floating near the ceiling on an air mattress, Callihan had watched the floodwaters destroy nearly everything she owned.

Less than a month after an adjuster visited the property in October, Callihan received $197,000 from the National Flood Insurance Program, enough to cover most of her rebuilding and refurnishing costs.

"If I didn't have flood insurance, this whole house would have to be leveled -- and my life would go with it," Callihan said.

Money pours in

Callihan's settlement is part of a river of money that has flowed into the region in the past six months. By Feb. 22, Louisiana residents had received $12 billion in flood insurance payments for

claims related to Katrina, nearly as much as all the flood claims before Katrina paid by the government since the National Flood Insurance Program was created in 1968.

The largest chunk of that money landed in Callihan's Lakeview neighborhood, where property owners in a single ZIP code, 70124, received checks totaling more than $1 billion by the end of the year. The average payment: $143,023.

The huge payouts caught many people by surprise, after all the bellyaching in Congress and elsewhere about Louisiana's profligate ways. House Speaker Dennis Hastert, R-Ill., had questioned whether the federal government should spend money to restore sections of the city below sea level, and members of conservative think tanks urged Congress not to put any money into rebuilding properties that lacked flood insurance.

"Although flood insurance is heavily subsidized, many -- even most -- property owners in New Orleans do not buy this insurance, expecting the federal government to bail them out whether or not they are insured," said Cato Institute Chairman William Niskanen in testimony to Congress about the disaster in September.

Niskanen was wrong about New Orleans. And like New Orleans, the rest of state also participates heavily in the flood insurance program.

Of the 113,053 single-family homes in Louisiana that sustained hurricane-related flood damage in 2005, at least 72,787 -- 64.4 percent -- were covered by flood insurance, according to Powell's data.

By comparison, just 30 percent of the 28,800 flooded homes in Mississippi had flood insurance.

Not enough money

To pay Katrina claims, the Federal Emergency Management Agency, which oversees the flood insurance program, has had to borrow $18.5 billion from the U.S. Treasury because the agency hasn't collected enough in premiums. In the past 12 years, the agency has borrowed $1.4 billion to recoup after other disasters.

The problem lies in the flood insurance program itself -- a rigged actuarial system that doesn't even try to balance its books or calibrate premiums in ways that would encourage safer housing practices in areas that flood repeatedly.

"It's kind of ironic -- we've had to borrow so much money that we won't be able to pay it back, and that has been cited as a weakness of the program," said Ed Pasterick, a senior adviser to FEMA. "But in a way, you can cite it as a sign of the program's success. So many people were protected by flood insurance that we had to replenish the fund."

In fact, as Katrina has made clear, Louisiana is a standout success in a nation where the vast majority of people living in high-risk areas don't buy flood insurance.

Consider Jefferson Parish, where Metairie became the first community in the nation to join the flood insurance program in 1969. Of the top 100 flood insurance markets, Jefferson Parish has the highest market-penetration rate in the country, with 84 percent of all single-family homes covered by the program, according to an analysis of flood insurance and census data by The Times-Picayune.

Also in the top 10, in terms of market penetration: St. Bernard Parish, ranking eighth with a 68.4 percent rate, and Orleans Parish, 10th with 66.7 percent. Altogether, six Louisiana parishes have market penetration rates that rank in the nation's top 25.

At the other end of the spectrum is Harris County, home to Houston. Though Harris County has generated the third-highest number of repetitive flood claims in the nation -- after Jefferson and Orleans parishes -- its penetration rate for federal flood insurance is 25 percent.

On average, just 5.4 percent of single-family homes in the nation's top 100 flood insurance markets have coverage, the newspaper's analysis shows.

Much as Louisiana nursed the hope that the big one would go somewhere else, there was an awareness that the region was a hurricane target, Pasterick said. "Because of that fear and vulnerability, I think there was a sense that, 'We better protect ourselves here.' And thankfully, you did," he said.

Coverage falls short

Local officials who are trying to persuade Congress to spend billions of dollars rebuilding the state cite the insurance data as evidence that residents did their part in protecting against a catastrophic event like Katrina.

The big problem, they say, is that people didn't have enough insurance. Under federal law, lenders have to require only enough flood insurance to cover the outstanding mortgage balance, not the cost to rebuild a home, as is typical on a homeowners policy.

In Louisiana, that often means that someone facing a $150,000 rebuilding project has about $80,000 worth of flood insurance, said Walter Leger, chairman of the Louisiana Recovery Authority's housing task force.

State officials say there is still a $10 billion gap between property damage caused by Katrina and losses that will be covered by insurance.

"Given the risk, our investment in flood insurance was reasonable, but it wasn't sufficient to deal with a storm of this magnitude," said real estate expert Wade Ragas, a consultant to the Louisiana Recovery Authority. "I don't think there's anyplace on the planet where people write insurance based on the idea that large areas are going to be hit with a 35-foot tsunami."

Typically, when a major flood strikes, only 10 percent to 20 percent of the damaged properties are covered by flood insurance, according to Robert Hunter, who ran the National Flood Insurance Program for six years and serves as director of insurance at the Consumer Federation of America.

The problem, according to critics, is that the agency doesn't operate like a real insurance company. The rates it charges for coverage are far too low, the risks are not spread out over a large enough population, and properties that repeatedly generate flood claims are allowed to remain in the program indefinitely without any major adjustment in premiums.

In the past 25 years, the government has shelled out $800 million to settle claims on 10,000 properties that had two to four major losses, an average of $80,000 per property. Buying those properties and turning them into green space through the government's mitigation program, FEMA said, would have cost the government just $450 million.

"Allstate could never run its business like that -- no way," Allstate Insurance Co. spokesman Mike Trevino said. "We'd be out of business."

An identity crisis

The most obvious solution, critics say, is for flood insurance to grow its way out of trouble. But unlike other insurance products, which are advertised aggressively by the industry, flood

insurance is virtually invisible in the marketplace.

In 2005, for instance, private insurers spent $2.7 billion to advertise their products on television and other media, while the government spent just $8.3 million to promote flood insurance, according to TNS Media Intelligence, which tracks advertising spending.

And if there is one type of insurance that needs some marketing muscle, it's flood insurance. Most people who need it don't have it, either because they don't know they live in a flood zone or because they figure the government will come to their rescue if disaster strikes, research shows.

Congress is considering a variety of measures to strengthen the program, such as requiring more people to have flood insurance and increasing the amount of insurance available, but Hunter said the time for small fixes is over.

The integrity of the program must be restored, Hunter told a Senate committee last month. "This means bringing the program back to its promise of covering all high-risk homes and businesses, eliminating unwise construction in the nation's flood plains and taking steps to ultimately achieve actuarial soundness," he said. The only alternative, which Hunter said he deplores, would be to shut down the broken program.

Program takes shape

It was another Louisiana disaster -- Hurricane Betsy, in 1965 -- that provided the impetus for creating the flood insurance program. At the time, flood insurance was largely unavailable in the private market. Insurers shied away from the business because it was so unpredictable -- a single catastrophe could wipe out a company's ability to survive.

With no history to build on, the government had to create the business from scratch. One of the first tasks was creating flood maps that would show which areas of the country were at risk of flooding. Communities were split into zones, with an "A" zone reflecting high risk, and other letters -- B, C and X -- designating areas of low to moderate risk.

To make the policies attractive, the government decided to subsidize the program. Instead of charging actuarial rates, which would generate enough in premiums to cover anticipated losses, the government elected to discount those rates 35 percent to 40 percent.

The subsidy means the government is undercharging its customers about $750 million per year, according to a recent report from the Government Accountability Office. If FEMA removed the subsidy, which primarily involves homes in high-risk areas built before 1975, the price of those policies would jump from $585 to $2,000 per year, according to a government study. About 30 percent of all flood insurance policies are subsidized. Policies on newer homes would not be affected.

At first, flood insurance was purely voluntary and hardly anyone bought it. When Hurricane Camille hit the Gulf Coast in 1969, not a single home damaged by the storm was covered. Three years later, when Tropical Storm Agnes swamped the East Coast, there were only 95,000 flood insurance policies nationwide, and just $5 million of the $400 million in losses were covered.

In response, Congress passed the Flood Disaster Protection Act of 1973, which required all homeowners living in a so-called Special Flood Hazard Area to buy flood insurance if they had loans with federally insured lenders. A special flood hazard area, also known as a 100-year flood plain, is an area in which there is a 1 percent chance of being flooded in any given year.

Though the rule spurred the sale of a million flood policies in four years, critics say the government wound up using the wrong standard. In a 1979 report, the GAO noted that there were 127 floods between 1968 and 1978 that met or exceeded the boundaries of a 100-year flood in

62 counties.

Furthermore, FEMA, in its effort to promote flood insurance in low-risk areas, has noted that nearly 25 percent of its claims have been generated in parts of the country that weren't expected to flood.

Robert Hartwig, chief economist at the Insurance Information Institute, said a more appropriate standard would be the 500-year flood, which would greatly expand the area in which flooding would be considered "high risk."

"Most people think that if they live in a 100-year flood plain, that means a major flood won't happen there for 100 years," Hartwig said. "They don't understand the risk. Over the life of a typical 30-year mortgage, your odds of being flooded in the 100-year flood plain are actually 26 percent. That is pretty high."

Concept gains ground

Hartwig isn't the only fan of the 500-year standard. Several members of Congress have touted the idea as well, and there is a big push to increase the pool of properties that would be required to have flood insurance. In New Orleans virtually the entire city falls within the 500-year flood plain.

As it stands, nearly half of the homes in high-risk areas have no flood insurance, which amounts to nearly 2 million properties, according to a recent study by the Rand Corp.

Among homeowners with mortgages, the participation rate is about 75 percent in high-risk areas, but it falls to 18 percent for homeowners who are not subject to the mandatory participation requirement.

"The only time most people deal with flood insurance is when they buy their house," said Leger, chairman of the LRA's housing task force. "And if they don't live in the flood plain, they're told that they don't need it. But this is New Orleans. We all should have flood insurance."

That's a lesson David Hume is learning the hard way. Three years before Katrina struck, Hume refinanced and remodeled his five-bedroom home in Meraux, but he didn't take out flood insurance because his property is in a "B" zone, an area of low or moderate risk that doesn't require such coverage.

He now faces rebuilding costs of $140,000, but like most local residents he is getting minimal help under his homeowners policy: $30,098 for structural damage. Many insurers are offering nothing at all under homeowners policies, based on the argument that the bulk of damage from Katrina came from rising waters and should be handled through the federal flood program.

To help fill the gap, Hume is taking the $26,200 he got from FEMA for disaster assistance and spending it all on Sheetrock and other construction materials. He took a five-week leave of absence from his job to do much of the rebuilding work himself, but he's still facing some big bills from his roofers, plumbers, electricians and the air-conditioning contractor.

"I'm running out of money," said Hume, who said he was hospitalized for chest pains a few weeks ago. "I'm going to be stuck with a house that's a quarter done."

Cut because of cost

For other residents, the reason for not getting flood insurance was economic. Some people in New Orleans -- especially elderly residents and those living on fixed incomes -- said they couldn't afford the average $400 annual cost of coverage.

Laurette Williams said she hated the idea of going without flood insurance on her Gentilly home, which is in a high-risk zone. That's why she kept the coverage in place for more than 10 years after she paid off the mortgage, even though she usually had to put the payments on her credit card.

But last year, Williams said, the payments were simply more than she could handle. Now she's trying to figure out what to do with her gutted property, which sustained heavy damage after taking on 5 feet of water.

"If I could get an offer of $80,000 as is, I'd sell it to give me something to start over with," said Williams, a licensed practical nurse who has taken a job at a New Orleans nursing home because she can live on the site.

Some residents said they would prefer not to have a choice about whether to buy flood insurance.

"The flood maps don't point out the real risks," said Ervin Thomas, who didn't have flood insurance on two of the three properties he owns in the New Orleans area. "It's misleading to the people who live here."

Thomas said he carried insurance on his house in Metairie because his lender required it, but his two rental properties in the Lower 9th Ward are uninsured because they're in a B zone and did not meet the mandatory provisions.

"I wish it had been a requirement. It wouldn't have been a financial burden," said Thomas, who spent more than $150,000 to purchase and renovate the 9th Ward properties three years ago. "Then I'd have plenty of money to rebuild."

Lax enforcement

Though lenders are supposed to make sure that customers who live in high-risk zones have flood insurance, they don't always get the job done, research shows. After discovering that just 2 percent of the 1,549 victims of a 1998 flood in Vermont had flood insurance, FEMA took a harder look at the records. It discovered that 45 percent of the people living in high-risk areas had mortgages but failed to obtain flood insurance.

Overall, about 25 percent of the property owners for whom flood insurance is supposed to be mandatory don't have it, according to the Rand study. If a borrower fails to buy a flood policy, the lender is supposed to make the purchase and add the cost to the mortgage payment.

Under 1994 legislation, any regulated lender who fails to require borrowers to obtain flood insurance can be fined as much as $100,000 each year.

But federal officials have not cracked the whip. Though the Federal Deposit Insurance Corp., which regulates most of the nation's banks, found that 475 financial institutions had significant violations relating to flood insurance in 2002, the regulator has handed out just 58 fines since imposing its first civil monetary penalty in 2000, according to a recent FEMA study.

Through the end of 2004, the seven agencies that regulate the nation's financial institutions had imposed fines on a total of 95 lenders, with an average penalty of $6,800, the study showed.

Rather than beefing up enforcement activities, reformers say it would be simpler to take lenders out of the equation and require flood insurance from anybody who lives in a high-risk zone, whether they have a mortgage or not.

"Voluntary purchase of flood insurance is an unmitigated failure," Hartwig said. "Most of the

people who could have benefited from flood insurance didn't buy it and won't buy it."

By using the 500-year-flood standard, the government could double the number of homeowners in the program, from about 4 million to 8 million, according Larry Larson, executive director of the Association of State Floodplain Managers.

"If you had a bigger mandatory pool, you'd have a lot more premiums coming in, and that would reduce everybody's rates," Larson said. "You'd also have enough money to pay claims without borrowing money from the treasury."

Another lesson from Katrina, critics say, is that the government isn't letting people buy enough flood insurance. Congress is debating legislation that would increase the limits on residential property from $250,000 to $335,000, and on commercial properties from $500,000 to $670,700.

Some homeowners in the more affluent parts of New Orleans have discovered that the $250,000 limit on structural coverage means they are facing hundreds of thousands of dollars in uninsured losses. Some of the grumbling, however, seems to reflect the mistaken assumption that flood insurance policies should cover the replacement cost of homes when in fact it is meant to cover repairs.

Though some private insurance companies have been willing to cover that gap through so-called excess flood policies, most people in the New Orleans area had no idea before Katrina that the market even existed.

"Agents are not marketing flood insurance to the extent that it can be marketed," Leger said. "I've talked to many people in Old Metairie and Lakeview who were never told it was possible to get excess flood insurance."

Insurers blamed

In general, insurance companies have done a poor job of marketing flood insurance for the federal government, Hunter said.

Though flood insurance is backed by the federal government, a customer can't buy it directly from FEMA. Instead, under a deal that goes back to 1983, private insurers and their agents have an exclusive right to sell flood insurance and handle all claims.

In the past five years, the industry has sold an additional 300,000 policies, or about half the number of new policies sold from 1978 to 1983, when the government was in charge of sales, Hunter said.

"I fault the . . . companies for being very weak at selling this stuff," Hunter said. "The reason we allowed them into the program in the first place is that they promised they would sell a lot of this stuff, and they didn't."

Industry officials said insurers have no profit motive to sell more flood insurance.

"Think about how we run our business," said Allstate's Trevino. "When we spend money on marketing and advertising, we spend it with the expectation that we are going to generate a return on our investment. But there is not a return we can generate here. We don't set the premium. All we can recover are our expenses."

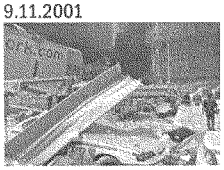
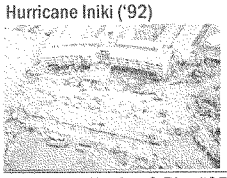
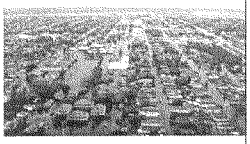
. . . . . .

On Sept.15, 2005, President Bush stood in Jackson Square and promised
“ an unprecedented response to an unprecedented crisis ”

But 18 months later in Louisiana

WE ARE STILL WAITING

to be treated like other states.

Disaster	State	FEMA spend per capita	Cost share waived
9.11.2001 	New York	$390	☑
Hurricane Andrew ('92)	Florida & Louisiana	$139	☑
Hurricane Iniki ('92) 	Hawaii	$234	☑
Hurricanes Katrina & Rita ('05) 	Louisiana	$6,700	☐

Treat us fairly.

House Subcommittee on Housing and Community Opportunity

Solving the Affordable Housing Crisis in the Gulf Coast Region Post Katrina: Why No Progress and What are the Obstacles to Success?

February 22, 2007

Testimony of C. Ray Nagin
Mayor, City of New Orleans

I am C. Ray Nagin, Mayor of New Orleans, one of America's most beloved and culturally distinctive cities, and a city which is facing the challenge of recovering and rebuilding after the worst natural and man-made disaster to occur in the United States of America.

To Chair and Congresswoman Waters, distinguished members and guests of the United States House Subcommittee on Housing and Community Opportunity: Thank you for coming to New Orleans to continue your support for the rebuilding of our city. Housing is a critical and essential component of rebuilding, and we look forward to working with you to resolve our challenges.

I would like to again thank the American people, who continue to devote their time, labor and resources to the recovery of our city and the restoration of our hope. I am humbled and amazed by the spirit of compassion and goodwill that we continue to experience in this region.

I. New Orleans Pre-Katrina

I would like to take a moment to remind you of New Orleans before Hurricane Katrina and the breaching of the levees. New Orleans had a population of 455,000 residents, more than $3 billion in construction activity, 215,000 housing units and a viable and growing Central Business District.

Tourism has long been the main economic driver of the city and, prior to Hurricane Katrina, tourism hit a record high, with 10 million visitors coming to the city in 2004 and thousands of people cruising from our port. Between January and August 2005, 6.6 million people visited our city. The economic impact of welcoming these guests was significant: $4.9 billion in 2004 and $4.2 billion by August of 2005.

Adding color and vitality to the city was "Hollywood South," one of the newest and most exciting activities taking place in New Orleans. It was rapidly making its mark as an

economic development driver as well, with multi-million dollar films being made in the Crescent City.

The economic landscape was also looking better for working families. We moved 38,000 people off the poverty rolls in the city. An estimated 40,000 businesses were in operation, representing $8 billion dollars in annual revenues.

II. Hurricane Katrina's Impact

Hurricane Katrina was the largest and most costly disaster in American history. More than 1,400 Louisiana residents lost their lives. Katrina produced the first mandatory evacuation in New Orleans history, and the largest displacement of American citizens in U.S. history -- 1.3 million. More than 200,000 New Orleanians remain displaced.

It is estimated that New Orleans sustained 57 percent of all the damage in Louisiana. Pre-Katrina, there were 215,000 housing units, 188,251 of which were occupied. More than 70 percent of the occupied units – 134,344 units – sustained reportable damage, and 105,155 were severely damaged. Residential damage in New Orleans was $14 billion.

Hurricane Katrina, while difficult for everyone, affected renters especially harshly. In a community where 54 percent of people rented homes, the vast majority of rental stock and work-force housing was lost. The effects of this loss continue to play out as renters trying to return home face housing shortages and skyrocketing rents and employers struggle to attract sufficient numbers of local employees. This is especially difficult for service-industry employers who form the lifeblood of this post-Katrina tourism economy.

Clearly, the residential sector was not the lone sufferer at the hand of Hurricane Katrina and the subsequent flooding. Statewide, 81,000 businesses were impacted. The City of New Orleans lost $168 million in annual revenue, 50 percent of its operating budget. City government was forced to reduce its employees by 3,000 — half its workforce.

What the wind didn't destroy, the water did. Approximately 95 percent of the city's nearly 350 buildings were damaged at an estimated cost of more than $400 million. This does not include equipment and inventory such as police radios and New Orleans Recreation Department supplies. For example, 700 city vehicles were lost, at a cost of $128 million. Experts predict Katrina's final damage totals will be about $250 billion.

Katrina affected our courts, prisons, schools, parks and playgrounds, pools and libraries. Our infrastructure, the system of physical and permanent installations that allow the city to provide basic services to its citizens, was decimated. This includes all utilities, communications, roads, bridges, water systems and drainage facilities, such as canals and pumping stations.

With 80 percent of New Orleans under water for almost a month, the damage done by the moisture was extensive, but just as harmful to our infrastructure was the damage done by the weight of the water. In all, 480 billion pounds of water poured into our city and sat for

almost a month. Simply stated, portions of the city collapsed under the weight of the water. Entire areas were pushed even further below sea level. Hundreds of miles of underground utilities -- electric, gas, water, drainage, cable and phone lines -- were damaged.

Rebuilding our below and above ground infrastructure is key to recovery in New Orleans and one of this administration's top priorities. We cannot begin to rebuild communities until we have these foundational necessities in place to support them.

III. Immediate Response to Katrina

After the hurricane, we focused on five key areas: Search and rescue of people trapped and stranded; evacuation of the Louisiana Superdome, Ernest N. Morial Convention Center and bridges; patching the levee breaks; draining the floodwaters; and recovery of the dead.

After successfully dewatering the city, we conducted environmental testing to clear any concerns about toxicity, returned utilities to a delicate but operational level and began repopulation of the city in areas with little or no damage/flooding.

IV. Where Are We Now

Within one year, all hurricane-related repairs to city street lights on all major and minor streets were completed. The city utilized two contractors to replace 2,781 emergency stop signs. By the end of 2006, we repaired and replaced a total of 7,322 street signs and repaired more than 12,000 potholes, and we have repaired more than 10,000 more this year. Since the flooding, we have also cleaned more than 3,000 storm drains and more than 617,118 feet of drain lines. In excess of 3,700 damaged parking meters are now working. And to date, approximately 8,000 vehicles have been towed from staging areas and public rights-of-way. These basic infrastructure improvements are important to creating a city where residents feel confident enough and have the resources they need to rebuild their homes and their lives.

Hurricane Katrina also led to the largest clean-up in U.S. history. It produced 35 million tons of debris, enough to fill the Louisiana Superdome more than 10 times. To date, more than 90 percent of storm related debris has been removed from the city.

Although the New Orleans Recreational Department sustained more than $60 million in damages to parks and facilities, to date four multi-service centers, 33 playgrounds and 2 stadiums are open. Recreational centers provide safe places where young people can connect with each other and engage in physical activity. They also serve as outlets that give youth something to do and a vision for their future, helping to discourage them from acceding to lives of crime.

V. Continuing Challenges

A. Public Assistance and Funding

The slow pace and awkward bureaucratic regulation of federal funds presents a critical challenge to the recovery effort at the local level. The public infrastructure of the City of New Orleans -- including city office buildings, courts, police and fire stations, streets and playgrounds -- experienced damages estimated to be over $1 billion. The primary resource for the reconstruction of public infrastructure is Public Assistance Funding through the Robert T. Stafford Act, which is a reimbursement program. The extent of the damage to our economy and the magnitude of the damage to our infrastructure make it impossible for us to finance our own recovery up front: no locality can be expected to have a billion dollars available for a reimbursable recovery program.

A much-needed change to the Stafford Act, therefore, would establish a definition of "catastrophic disaster" for events such as Katrina to be differentiated in scale from "major disasters," and would amend the timeframes and formulas for assistance that a "catastrophic disaster" would call for. The extent of the devastation should determine the level of response. This trigger should automatically provide up-front funding, extend deadlines for applications for assistance, extend the 100% reimbursement time frames for emergency work, increase assistance calculations for all grant programs and make provisions for rapid delivery of operational funds for devastated jurisdictions and their critical agencies.

The State has asked that the 10 percent match requirement be waived. We concur, but it is essential that the funds made available by such a change be reallocated to the Parishes and the City of New Orleans on the basis of the formula used to allocate funds from the LRA or other funds intended to assist flooded areas.

In addition, while we appreciate the need to have State engagement, we are now well past time for the State to release funds that will jumpstart our recovery. The Louisiana Recovery Authority (LRA) has earmarked $117 million for New Orleans from its CDBG allocations. We believe that all of these funds should be released directly to the City of New Orleans – not to any other entity – as soon as possible.

B. Limited Housing Solutions for Homeless

Hurricane Katrina and the subsequent flooding demonstrated clearly that the chronically homeless are not the only people who sometimes find themselves without a place to live. Many of our homeless citizens are temporarily homeless and, once placed in housing, can be expected to maintain their status.

Given this, the eligible uses for the McKinley Program for the Homeless should be restructured and should receive more funding. Specifically, funds are needed for down payments, utility payments and first month's rent that will allow those who are temporarily homeless to become self-sufficient again.

C. Availability and Cost of Insurance

In the aftermath of Hurricane Katrina, many insurance companies have stopped writing policies in Louisiana or are charging exponentially higher rates than before. Understanding that the insurance industry is regulated at the state level, we will work with the State of Louisiana to help identify short term remedies and long term solutions to this crisis.

However, we also request Congress's assistance. The Federal Government should play a role in stabilizing the private insurance market in coastal areas of the United States. Options that should be considered include a federal reinsurance backstop; tax-free catastrophic disaster reserve accounts for insurers; tax free catastrophic disaster savings accounts for insureds; and a temporary tax credit on the value of premiums written by insurance companies on commercial properties in those areas hit hardest by Hurricanes Katrina and Rita.

D. Public Housing

Prior to Hurricane Katrina, 14,000 families lived in HUD-assisted affordable housing units. Of those, 5,000 families lived in public housing facilities and 9,000 lived in units subsidized by Housing Choice Vouchers (Section 8). The Housing Authority of New Orleans (HANO) has provided housing choice vouchers or public housing units in New Orleans and other communities for all former public housing residents.

We have sought to ensure that everyone who wants to return to New Orleans will be able to do so. As part of this effort, we have worked to assure that sufficient affordable housing units are available. I have met several times over the past 18 months with Secretary Alphonso Jackson. He committed early on that the Housing Authority of New Orleans would immediately place 1,000 units in service and that it would place another 1,000 units within 90 days. We also agreed that HANO could target the scattered site developments for redevelopment using modular technology, thereby providing 750 additional units. Subsequent to that conversation, we discussed that HANO would break ground on the redevelopment of C.J. Peete complex as soon as possible and would implement a phased re-occupancy of the Lafitte Development.

E. Louisiana Road Home Program

One of the greatest potential sources of recovery funding to our citizens is the Louisiana Road Home Program, which is designed to provide compensation of up to $150,000 to people who owned and occupied homes in Louisiana prior to Hurricane Katrina. The program is intended as a "break-even" allowance and therefore reduces award amounts by any insurance proceeds or other government benefits received. It also implements a penalty for inadequate pre-storm insurance as well as a penalty to those who choose not to rebuild in Louisiana.

Two fundamental problems with the program make it difficult or impossible for New Orleans homeowners dependent on the proceeds of this program to rebuild.

The first problem is the exceptionally long waiting period that applicants endure while waiting for their awards to be processed. When the development of this program began, other parish presidents and I urged the use of established financial institutions, who are accustomed to managing numerous and complex financial transactions, to administer the program. We still believe that this would have provided the capacity to deliver the funds in a timelier manner than the current administrator. As of February 14, 108,163 homeowners had applied to the program. At that time, 664 closings had been held, representing 0.6% of the program's applicants.

Just as significant to our citizens is the manner in which the Road Home determines property valuation starting points when calculating a homeowner's award. The program uses pre-Katrina home values, even though costs have increased significantly since the storm and flood and pre-Katrina valuations. Using pre-Katrina values leaves homeowners significantly underfinanced for renovating and returning to their homes. The actual replacement costs should be the starting point of assistance calculations if indeed the program is designed to restore homes, neighborhoods, communities and economies devastated by the flood.

For elderly and disabled citizens, this can be especially difficult. Many elderly never updated their property and casualty insurance amounts and, thus, maintained insufficient coverage. In addition, they were not required to carry flood insurance. The end result is that they will receive inadequate funds from the Road Home Corporation for rebuilding. At almost all income levels, they will need grants through the HOME program to rebuild.

For homeowners who do not have cash resources and especially those who were not adequately insured, these are significant hurdles.

VII. Accelerating Our Recovery

We have aggressively sought to accelerate our own recovery in response to Hurricane Katrina. New Orleans is a different place than it was in 2005 — the paradigm is shifting. *We can not use traditional government and business methodologies* in a Post-Katrina environment. The Executive Level of City government has been reorganized to reflect this shift. My executive team now includes Operations, Planning & Development, Law and a new office of Recovery Management.

In addition, we have focused our own limited funding to speed up recovery and rebuilding through aid to working families, seniors and small businesses. The top recovery priorities for this administration are public safety, repopulation, infrastructure repair, responsible fiscal management and the enhancement of the quality of life for our citizens. None of those commitments can be achieved without the return of our citizens, who must have safe and affordable housing in order to come back.

Although I expect it to be several years before New Orleans is again as large as it was before Katrina, our population has grown steadily in the 18 months since the storm. According to a University of New Orleans survey, there are now between 235,000 and 250,000 people living in New Orleans.

Already, there are significant signs of recovery in our housing sector. We have issued the equivalent of seven years' worth of building permits in the 18 months since Hurricane Katrina and the floods that followed. More than 12,000 apartment units in major complexes are now on line or under construction. At least 126 affordable housing units are now in commerce and developers plan to add 2,500 residential units in the downtown area. Much of this success was possible because of the passage of the GO Zone Act and the extension of key provisions to 2010, helping apartment owners make much needed units available. I would like to thank Congressman William Jefferson and Congressman Jim McCrery for their support on this effort.

And I have committed to leveraging the limited resources we control to accelerate our recovery. Last year, with the cooperation of the City Council, we were able to change ordinances to allow us to use approximately $30 million of our own funds that were slated for other projects such as our libraries and recreational buildings to repair critical public safety facilities such as criminal court buildings. We are working to design a bond issue and a dedicated line of credit to further "prime the pump" for infrastructure repairs without waiting on federal or state dollars to trickle through the bureaucracy. We have also launched several new programs to make it easier for citizens to repair their damaged houses so they can return to their homes, their neighborhoods and our city.

A. *One New Orleans* Road Home Fast Track

In an effort to assist homeowners who have applied and are awaiting their Road Home compensation checks, we developed a complement to the Road Home program called the *One New Orleans* Road Home Fast Track program. The *One New Orleans* Road Home Fast Track program enables New Orleans citizens to begin their home repair work while waiting for their proceeds from the Louisiana Road Home program.

The two-year pilot *One New Orleans* Road Home Fast Track program provides construction loans to accelerate neighborhood revitalization projects throughout Orleans Parish. Homeowners may borrow up to $50,000 to renovate their homes in Orleans Parish. Homeowners must qualify for the loans; the city pays closing costs as well as the interest for six months on the amount of the homeowner's expected Louisiana Road Home award up to $50,000. Homeowners pledge to repay the loan upon receipt of their Road Home awards.

The program was created by using $11 million in CDBG funds and locally generated dollars. Two local banks matched the city's investment 5-to-1 and began administering the program in late January.

B. Gutting/Remediation

Many homeowners whose properties were destroyed as a result of Hurricanes Katrina and Rita cannot afford to hire contractors to do the work necessary to gut or demolish their damaged homes.

We created two programs during the development of this year's budget to address this issue. Our Gutting and Remediation program will use $15 million in grant funds to gut and board up to 5,000 homes. This program targets seniors and low- to moderate-income families.

The demolition program, which addresses the need to demolish certain heavily-damaged properties, will use $5 million in grant monies to pay for 10,000 demolitions by the end of 2007.

C. Post-Katrina Adjudicated Property Program

These programs work alongside our Post-Katrina Adjudicated Property Program, which will provide affordable housing at scale. The Post-Katrina Adjudicated Property Program returns blighted, adjudicated or LRA-purchased properties to commerce. The New Orleans Redevelopment Authority (NORA) will aggregate and bundle housing stock for residential and neighborhood commercial redevelopment, issue blight bonds and work to ensure ongoing historic and community equity is maintained in New Orleans's unique and treasured neighborhoods.

This program will provide affordable workforce housing units built to community style. It will target teachers, first responders and low income home buyers who will be able to own the homes through lease purchase agreements and with Fannie Mae Mortgage assistance. Developers will work on bundles of 250-500 units at a time, with 70-80 percent being sold at affordable rates and 20-30 percent obtaining market rates.

Through the Post-Katrina Adjudicated Property Program, 2,500 abandoned and blighted properties were awarded to non-profit community and private developers in August 2006. Between 4,000 and 10,000 properties are expected to be awarded by the New Orleans Redevelopment Authority (NORA) by the end of 2007.

D. Office of Recovery Management

As we accelerate our recovery, it will be led by our Office of Recovery Management, which is being directed by Dr. Edward Blakely, a renowned scholar, urban planner and redevelopment strategist.

The office will guide recovery and set strategy. It also will coordinate all Federal funds for the Parish and will interact with and be the primary contact for entities such as the LRA, FEMA, HUD, Fannie Mae and many others.

This staff will work to ensure that residents are able to return and that affordable housing is available to them when they do so. Among the key positions in the department are a manager of infrastructure management, a manager of population resettlement and a manager of strategic planning and liaison with city planners. The department also includes the roles of community development specialist and neighborhood design specialist.

E. Citywide Planning

Citywide planning is nearly completed and includes three phases:

i. Phase I – Revisioning for Recovery

This phase was centered on the Bring New Orleans Back Commission, which I convened 30 days after Katrina's landfall.

Key focus areas for the commission were land use, flood protection, public transit, culture, education, healthcare and economic development and governmental effectiveness.

The commission gave its final presentation in December 2005.

ii. Phase II – Neighborhood and Citywide Recovery Planning

The New Orleans City Council, the Rockefeller Foundation and the Greater New Orleans Foundation funded this phase. It involved the development of 13 district plans by people living in those districts with support from top national planning firms. These district plans have been knitted together with a set of city-wide strategies, implementation and financing recommendations. The Unified Plan has involved citizens in New Orleans and the diaspora in unprecedented levels of public participation throughout its process. Two weeks ago, the final recommendations received resounding support in the third and final Community Congress meeting of more than 1300 citizens in four cities across the country.

iii. Phase III – Comprehensive Master Plan with accompanying CZO

The Unified Plan will be presented first to the City Planning Commission, then to the City Council and lastly to my office. It will then become the official blueprint for the City's recovery strategy, and will inform completion of the City's Master Plan and a comprehensive overhaul of the City Zoning Ordinance (CZO).

VIII. Close

As a New Orleans native and as Mayor of this great city, I am encouraged by the progress we are achieving toward some degree of normalcy. But our city continues to struggle on a daily basis as we try to help our citizens. We all know that far too many have not yet

found a way to come home and that monumental tasks lie ahead in rebuilding the infrastructure and housing that will support their needs.

New Orleans is poised for a wonderful recovery. But to ensure that this City returns fully, that it incorporates the diversity of populations and experience and that it maintains not only its cultural legacy but its contemporary cultural essence, we must ensure that there is a place for everyone. That can best happen when we have unwavering federal support alongside our commitment to continue to stretch every dollar, dime and penny as far as we possibly can.

It has been 18 months since Hurricanes Katrina and Rita and the flooding that followed and our citizens are tired, frustrated and angry. Worst of all, some are losing hope. We need systemic, meaningful change now.

Ladies and gentlemen, thank you for allowing me to speak with you on the status of our recovery and the challenges we face -- the challenges the nation faces -- here. I believe the policies and legislation we propose will accelerate our recovery and assist any other city that faces a disaster of catastrophic proportions. With your assistance, our hard work and the good will of the American people, we will succeed in rebuilding New Orleans, this jewel among America's great cities.

STATEMENT OF ISABEL REIFF

SENIOR VICE PRESIDENT – ICF INTERNATIONAL, INC.

BEFORE

THE SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

OF THE HOUSE COMMITTEE ON FINANCIAL SERVICES

FIELD HEARING IN NEW ORLEANS, LOUISIANA

FEBRUARY 22, 2007

Good afternoon, Chairwoman Waters, and Members of the Housing and Community Opportunity Subcommittee. Welcome to New Orleans.

I am Isabel Reiff, Senior Vice President of ICF International, Inc. and the Deputy Program Manager for the Louisiana Road Home Program.

I am pleased to have the opportunity to participate in this hearing, and I look forward to describing for you today ICF's role (which has often been misunderstood) in the implementation of the State of Louisiana's Road Home Program.

Let me start by providing you with a brief history of ICF. ICF was founded as the Inner City Fund in 1969 to provide quantitative analysis and implementation advice on public policy issues facing inner city communities across the United States. In the ensuing 38 years, ICF has become a global corporation servicing Federal, State, and local governments, in addition to its commercial and international clients around the world. ICF has decades of experience with the Community Development Block Grant (CDBG) programs of the Department of Housing and Urban Development (HUD). We have also been intimately involved with major housing disaster recovery projects and emergency response-related work, all of which, of course, is relevant to

our important work on the Road Home program here in Louisiana. ICF currently employs over 2,000 employees in the United States and abroad.

Madam Chairwoman, the level of devastation caused by Hurricanes Katrina and Rita is unparalleled in the history of this country. Over 780,000 families were displaced from their homes. Over 123,000 homes suffered major or severe damage. An additional 82,000 rental units endured a similar fate. More than 18,000 businesses were destroyed. Insured losses exceeded $25 billion. And, in just the first six months after these storms, workers removed over 25 times more debris from Louisiana than was removed from the World Trade Center site. In short, the lives of countless American citizens along the Gulf Coast were devastated by these powerful hurricanes.

Responding to this crisis, the Congress provided $6.2 billion in Community Development Block Grants to the State of Louisiana on December 30, 2005, and an additional $4.2 billion on June 15, 2006, for a total of $10.4 billion for community development recovery efforts. Of this amount, the State is using $8.08 billion for the purpose of providing assistance to homeowners and renters whose dwellings were damaged by these hurricanes and for special needs housing. The State of Louisiana, in turn, established the Louisiana Recovery Authority (LRA), an organization consisting of 33 state and national leaders appointed by the Governor of Louisiana, Kathleen Babineaux Blanco. In coordination with the State of Louisiana, the LRA developed the Road Home program, which it unveiled for public comment in an Action Plan in April of 2006. The Road Home program was subsequently submitted to, and approved in May of 2006 by, the Louisiana Legislature. After all of these necessary approvals were obtained on the State level, the plan was submitted by Governor Blanco to the Secretary of HUD for final Federal approval –

which was initially given in late May of 2006. The State subsequently revised the Road Home Action Plan to clarify its design as a compensation program. The revision was approved in July.

The Road Home Action Plan specified the requirements for both a program to assist homeowners and a program to assist renters. The homeowner component is intended to provide financial assistance up to $150,000 for each of the estimated 125,000 homeowners whose homes were damaged or destroyed. The rental program has two components – a Small Property Rental Program of $869 million for reconstruction of up to 18,000 units in small-scale rental buildings and a program to augment resources provided through Federal Low Income Housing Tax Credits to promote mixed income developments and provide affordable units to very low income households.

On April 11, 2006, the State of Louisiana released a Solicitation for Offers (SFO) seeking proposals from private companies to implement the homeowner and Small Property Rental Program components of the Road Home program in accordance with the State's requirements, as approved by HUD. The SFO set forth in significant detail the terms, conditions and time lines for the Road Home program, including the Road Home Action Plan, that had been developed by the State of Louisiana and which the successful bidder would be contractually obligated to implement. It is worth noting that the SFO originally contemplated a five year program. Seven firms, including ICF, responded on April 28, 2006. Three finalists, including ICF, were selected in May of 2006, and, after rigorous review by the State of Louisiana, the LRA and the Louisiana Board of Ethics, ICF was selected as the Road Home contractor on June 9, 2006. We signed a three-year contract with the State on June 30, 2006 to implement the Road Home program in three distinct phases, as required by the State.

Phase 1 of the Road Home contract covered the period from June 30, 2006 through October 11, 2006, and included the following start up tasks:

1. Establishment of 10 Housing Assistance Centers throughout the State of Louisiana by August 29, 2006,
2. Hiring and training of Road Home program staff to take applications and run the program,
3. Implementation of a pilot project to fully develop the Road Home homeowner application and the steps necessary to process the voluminous number of anticipated applications, and
4. Planning with the State for the implementation of the Small Property Rental Program components of the Road Home program.

During this period, the State made wide ranging adjustments to the Road Home homeowner program as a result of "lessons learned" from the pilot program. ICF completed Phase 1 of the contract by October 11, 2006, as required by the Road Home contract.

Phase 2 – Implementation and Phase 3 – Wind Down of the Road Home contract were signed by ICF and the State of Louisiana on October 18, 2006. Phase 2 is the production phase of the contract under which applications from homeowners are processed and funds disbursed to eligible applicants. This implementation phase of the homeowner program has now been underway for just four months, and also includes the launch and implementation of the Small Property Rental Program. The rental program was initiated on January 29, 2007 – some 7 weeks ahead of the contractually-mandated date. As one indicator of interest in the program, in just the few weeks since the launch of the Small Property Rental Program, over 30,000 applications have been downloaded from the Road Home website.

As we geared up the production phase of our work, we made sure to include a significant number of Louisiana companies and residents on our team. In fact, 70% of the work on this contract has been subcontracted (under an open and competitive process) to Louisiana-based companies and 14% of the work has been awarded to minority, small or women-owned businesses. Of our 2,000 full time employees working on the Road Home Program, 84% are Louisiana residents, 70% were affected by the hurricanes, and 47% are African-American. I want to assure the Subcommittee that these Louisiana employees provide us with a true sense of urgency as we work to assist their fellow Louisianians who were displaced from their homes. We thank them for their selfless commitment to this vitally important program.

Originally, we contemplated the completion of accepting all Road Home homeowner applications, finishing all award calculations for eligible applicants, and closing on all of these transactions by the end of 2008. We now project that much of this work will be done, and most closings held, by the end of this calendar year, a year earlier than the original schedule. I should point out that the State of Louisiana and the Federal government have required strict auditing processes to prevent identity and application fraud, including substantial third party verification of data submitted by applicants. The entire process involves 12 specific steps designed by the State and the LRA, which are outlined in some detail on Attachment A to my testimony.

Now, Madam Chairwoman, let me turn to a description of the number of people that we have seen and processed through the Road Home homeownership program in the short four months of the implementation phase of this contract. As of February 18, 2007, we have received 108,751 applications and have scheduled or held appointments with 79,597 of these applicants. We have calculated benefits of $3.37 billion for 42,082 applicants. The average benefit calculation is $81,448. We have held 749 closings and project that we will see a significant

increase in closings over the next weeks and months. In fact, we have advised the State that we expect to have held a total of 2,690 closings by the end of February and that we project the closings to accelerate appreciably thereafter. I want to assure you that we are doing everything in our power to process these applications and disburse the funds to the people of Louisiana as soon as possible, within, of course, the requirements of the State of Louisiana under the Road Home contract and the requirements of State and Federal law.

Although many articles have been written about the results of the homeownership portion of the Road Home program to date, it must be remembered that this program has been in operation for a little over four months. Changes have been made to improve the process. We continue to make changes that will expedite the process. We have recently changed the home appraisal methods to expedite the application process. We have hired additional personnel. We are prepared to make further changes if and when the State of Louisiana asks us to do so. But, we should all be clear that ICF has to adhere to State and Federal requirements while implementing the Road Home program. We are doing our level best to comply with these requirements and to provide Road Home grants to eligible applicants as quickly as we possibly can. We are committed to working with Federal, State and local officials to make the Road Home program a success.

Chairwoman Waters, thank you for allowing me to participate in today's hearing on behalf of ICF International, Inc. I would ask that an ICF International brochure explaining the Road Home Program in greater detail be included as part of the record of today's hearing.

Thank you very much. I would be pleased to answer any questions that you and Members of the Subcommittee may have.

CURRENT RESUME FOR ISABEL REIFF

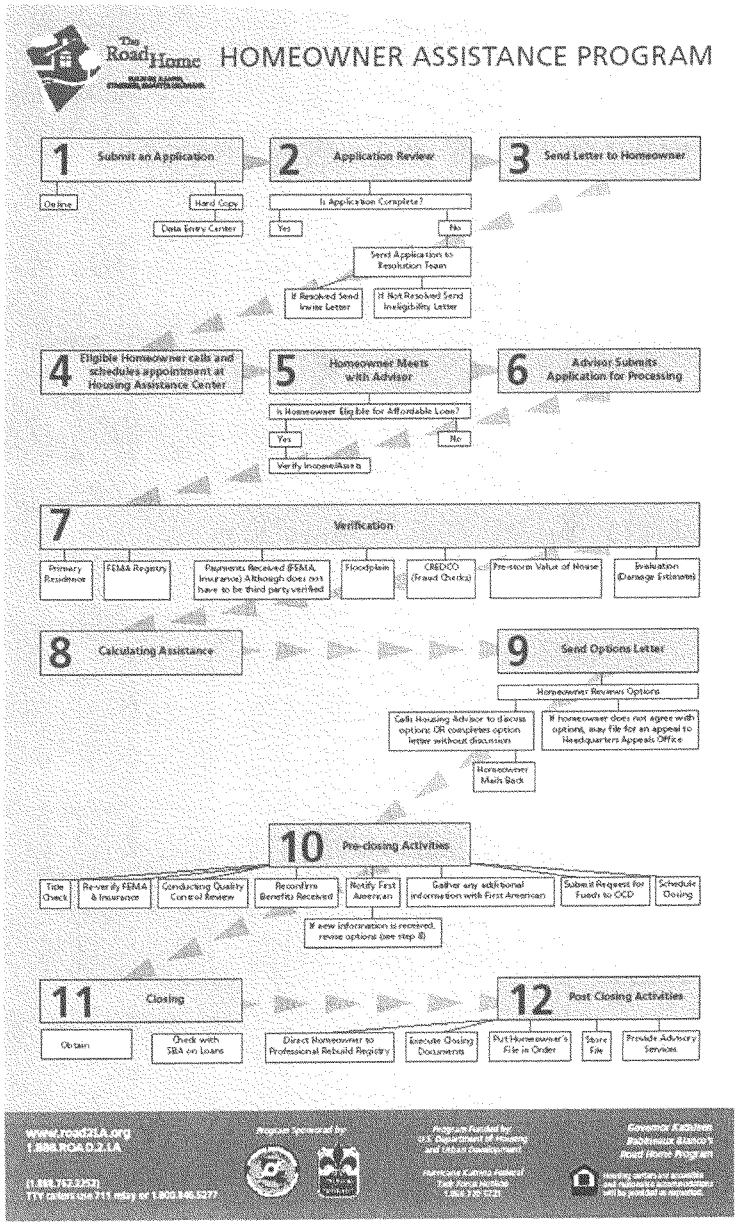
ISABEL REIFF

SENIOR VICE PRESIDENT – ICF INTERNATIONAL, INC.

SOCIAL PROGRAMS & STRATEGIC COMMUNICATIONS

Isabel Reiff joined ICF International in 1989 and brings nearly 35 years of experience in public policy consulting and program implementation including work for local government in California and the Federal government. She manages ICF's Social Programs and Strategic Communications Practice and has served as project manager on numerous contracts for state and Federal clients. She holds a B.A. in Art History from Mount Holyoke College and a M.A. in Architecture and Urban Planning from the University of California, Los Angeles.

Attachment A


The Road Home
HOMEOWNER ASSISTANCE PROGRAM
1 Submit an Application
Online
Hard Copy
Data Entry Center
2 Application Review
Is Application Complete?
Yes
No
Send Application to Resolution Team
If Resolved Send Invoice Letter
If Not Resolved Send Ineligibility Letter
3 Send Letter to Homeowner
4 Eligible Homeowner calls and schedules appointment at Housing Assistance Center
5 Homeowner Meets with Advisor
Is Homeowner Eligible for Affordable Loan?
Yes
No
Verify Income/Assets
6 Advisor Submits Application for Processing
7 Verification
Primary Residence
FEMA Registry
Payments Received (FEMA, Insurance) Although does not have to be third party verified
Floodplain
CREDCO (Fraud Checks)
Pre-storm Value of House
Evaluation (Damage Estimate)
8 Calculating Assistance
9 Send Options Letter
Homeowner Reviews Options
Calls Housing Advisor to discuss options; OR completes option letter without discussion
If homeowner does not agree with options, may file for an appeal to Headquarters Appeals Office
Homeowner Mails Back
10 Pre-closing Activities
Title Check
Re-verify FEMA & Insurance
Conducting Quality Control Review
Reconfirm Benefits Received
Notify First American
Gather any additional information with First American
Submit Request for Funds to CGD
Schedule Closing
If new information is received, revise options (see step 8)
11 Closing
Obtain
Check with SBA on Loans
Direct Homeowner to Professional Rebuild Registry
Execute Closing Documents
Put Homeowner's File in Order
Store File
Provide Advisory Services
12 Post Closing Activities
www.road2LA.org
1.888.ROAD.2.LA
Program sponsored by:
Program funded by:
U.S. Department of Housing and Urban Development
Governor Kathleen Babineaux Blanco's Road Home Program

HOMEOWNER ASSISTANCE PROGRAM: STEP 7 - VERIFICATION

The Road Home

STEP 7 - Verification

ELIGIBILITY

- Home Type (Eligible up to 4 units incl. mobile, condominiums)
  Data Source: FEMA NEMIS
  Possible Alternative Source: Evaluation Process
- Presidentially declared parish
  Data Source: First American RES
- Occupant (primary residence storm date)
  Data Source: First American RES
  Alternative Source: utility bills
- Severe or Major Damage
  Data Source: FEMA NEMIS
  Alternative Source: Home Evaluations
- Damaged/Destroyed by Katrina or Rita
  Data Source: FEMA NEMIS
- Owner (at time of storm)
  Data Source: Title Search
- Registered with FEMA
  Data Source: FEMA NEMIS
- "Murphy Oil" (if in Parish)
  Data Source: Geospatial Legal Contour

CALCULATION

- Pre-storm Value
  Data Source: First American AVM/BPO
  1. Applicant Appraisal Pre-storm
  2. Applicant Appraisal Post-storm
  3. Lender Appraisal Pre-storm
  4. BPO
- FEMA Mitigation Payments
  Data Source: FEMA ICC
- NFIP (FEMA) Payments (Flood)
  Data Source: NFIP
- Flood Zone
  Data Source: First American FDS
- Building Permit(s)
  Data Source: Homeowner provides copy
- Date of Birth
  Data Source: Homeowner's Government Issued ID
- FEMA Individual Assistance
  Data Source: FEMA NEMIS
- Insurance Claim Payments
  Data Source: Various Insurance Carriers
- Estimate Cost of Damage and Estimated Elevation Cost
  Data Source: Home Evaluations
- Mitigation Estimates (if appropriate)
  Data Source: Home Evaluations
- Income/Assets
  Data Source: Documentation provided by Homeowner

DISBURSEMENT

- SBA Loan Balance
  Data Source: SBA
- Title Search (liens)
  Data Source: First American Title
- Mortgage Lien Balances
  Data Source: Mortgage and Financial Companies
- Identity
  Data Source: First American CREDCO
- Fraud Check
  Data Source: Attorney General Fraud Database

www.road2LA.org
1.888.ROAD.2.LA

(1.888.762.3252)
TTY callers use 711 relay or 1.800.846.5277

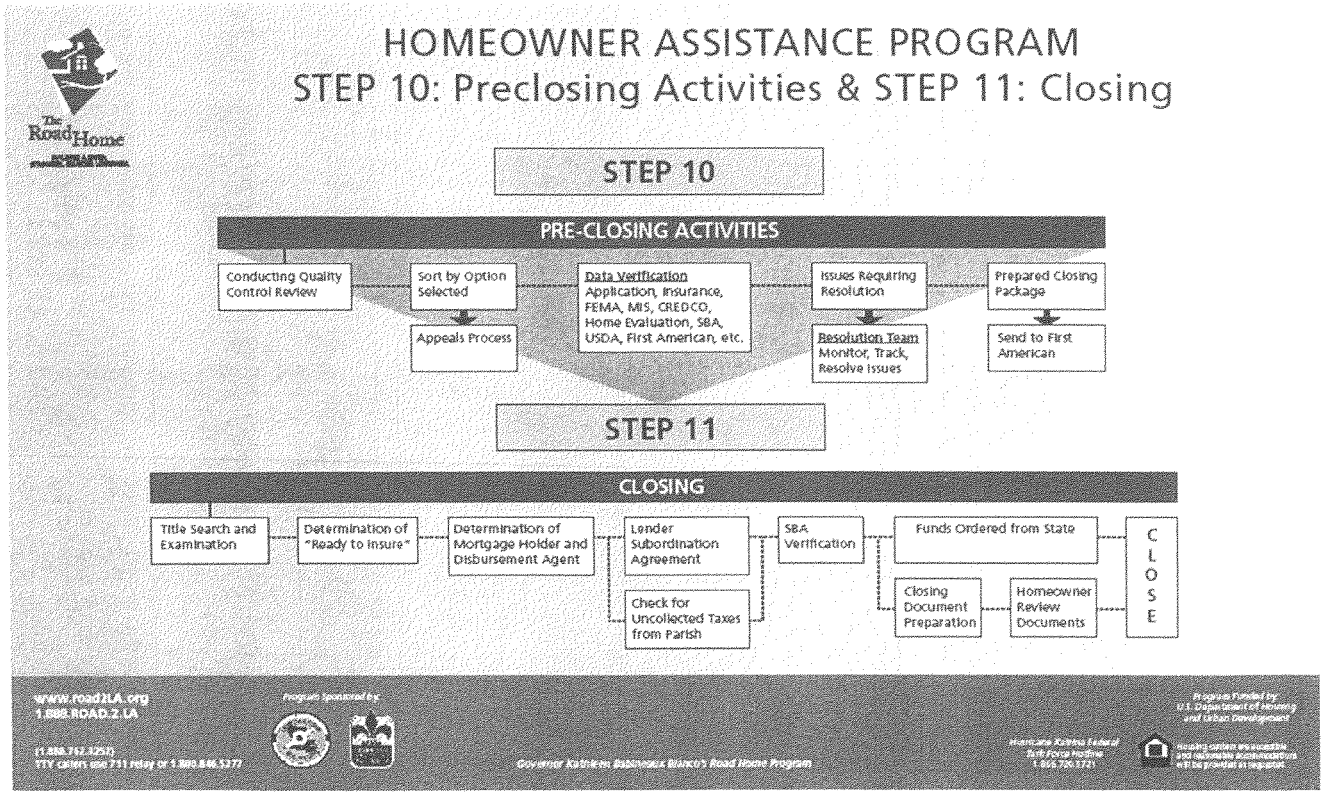
Program Sponsored by

Governor Kathleen Babineaux Blanco's Road Home Program

Hurricane Katrina Fraud Task Force Hotline
1.866.720.5721

Program Funded by U.S. Department of Housing and Urban Development

Housing centers are accessible and reasonable accommodations will be provided as requested.


The Road Home
HOMEOWNER ASSISTANCE PROGRAM
STEP 10: Preclosing Activities & STEP 11: Closing
STEP 10
PRE-CLOSING ACTIVITIES
Conducting Quality Control Review
Sort by Option Selected
Appeals Process
Data Verification
Application, Insurance, FEMA, MIS, CREDCO, Home Evaluation, SBA, USDA, First American, etc.
Issues Requiring Resolution
Resolution Team
Monitor, Track, Resolve Issues
Prepared Closing Package
Send to First American
STEP 11
CLOSING
Title Search and Examination
Determination of "Ready to Insure"
Determination of Mortgage Holder and Disbursement Agent
Lender Subordination Agreement
Check for Uncollected Taxes from Parish
SBA Verification
Funds Ordered from State
Closing Document Preparation
Homeowner Review Documents
CLOSE
www.road2LA.org
1.888.ROAD.2.LA
(1.888.762.3251)
TTY Callers use 711 relay or 1.800.846.5277
Program Sponsored by:
Governor Kathleen Babineaux Blanco's Road Home Program
Hurricane Katrina Federal Task Force Hotline
1.866.720.1721
Program Funded by U.S. Department of Housing and Urban Development
Housing counselors are available and reasonable accommodations will be provided on request

Statement of the National Association of REALTORS®

to the

Subcommittee on Housing and Community Opportunity
hearing on

"Solving the Affordable Housing Crisis in the Gulf Region Post Katrina: Why no progress and what are the obstacles to success?"

February 22, 2007, 2 p.m.
Lawless Memorial Chapel, Dillard University,
New Orleans, LA

(Kodi)

Introduction

Distinguished Members of the Subcommittee, my name is Mark Rodi. I am the President-Elect of the Louisiana Association of REALTORS®. I am a native of New Orleans, a graduate of the University of New Orleans, a Louisiana REALTOR® since 1976, and have served on the Louisiana Real Estate Commission since 1998. I thank the Subcommittee for the opportunity to testify here today.

The National Association of REALTORS® commends the Subcommittee for holding these field hearings and continuing to focus on the aftermath to Hurricanes Katrina and Rita, and the levee failures. There is much to be learned in the aftermath of these disasters, and we applaud your leadership in pursuing this discussion and identifying solutions that can help mitigate any future catastrophes.

As the winds subsided and the flood waters rose the most immediate need was shelter for the victims. REALTORS® responded to that need. Aside from raising money, REALTORS® quickly mobilized to identify available housing resources in the community and provide assistance to consumers and government entities in finding housing for victims. NAR assisted in the development of the internet portal *hurricanehousing.net.* The Louisiana REALTORS® Association worked with FEMA, the Department of Homeland Security and NAR to develop the site, which allowed those with available housing resources to post valuable information and those with housing needs to access the details. However, the REALTOR® commitment didn't end there.

NAR entered into a partnership with Habitat for Humanity International (HFHI) to build 54 homes in the Gulf region as part of HFHI's Operation Home Delivery. NAR 2006 President Tom Stevens challenged each state and territorial REALTOR® association to raise $75,000 for this project. To assist each association in meeting this goal, The REALTOR® Relief Foundation agreed to contribute the first $5,000 for each association. Half of the 54 homes will begin as a Home in a Box, which involves constructing the frame of the home then shipping it to the Gulf coast where it is completed. The remaining 27 homes are being built from-the-ground-up, in their permanent locations in the Gulf region.

Federal Housing Response

Immediately in the aftermath of the disasters, FEMA, HUD and Homeland Security struggled to develop a cohesive plan to assist evacuees who had then scattered nationwide. Working with a variety of different housing programs – Section 403 Housing, Section 408 Housing, and the HUD Disaster Voucher Program – officials found that none worked easily together and all had rules and regulations that were ill-equipped to address post-disaster housing needs. The Stafford Act, for example, stated that HUD could only provide housing assistance to those who already had been receiving HUD assistance. Compounding the problem was the fact that FEMA simply didn't have the resources or expertise to house people.

So the private housing industry tried to step in, sometimes with the assistance of state or local governments or charities. These groups found the red-tape and bureaucracy nearly

paralyzing. Victims, housing providers, and often government officials were confused by the different rules that applied to different people. Victims didn't receive assistance they were entitled to, some used monies for food and clothing and medicine and were later told those were ineligible uses; many others simply didn't know where to go for help. The federal government turned to cruise ships, hotels, and trailers in a complicated and ineffective attempt to respond. The end result of the various forms of chaos is the clear need for a coordinated response plan by the federal government to adequately respond to future disasters.

The Department of Housing and Urban Development has a unique opportunity to help in any post-disaster effort to provide housing. HUD should be the primary agency responsible for housing following a disaster. I would note, however, that making this change in statute is simply the first step to developing a disaster plan.

Following Katrina, HUD had responsibility to find housing for those people who were already receiving federal assistance. This included families with a Section 8 voucher, families in project-based Section 8, public housing residents, housing for the elderly and disabled, and more. HUD estimates that approximately 32,000 citizens receiving housing assistance were displaced. HUD has yet to locate nearly 10,000 of these as of today. These numbers do not include the tens of thousands who were not receiving HUD assistance at the time of the disaster, but due to the loss of their homes, businesses, and jobs, may now qualify for assistance under HUD programs.

When a community is declared a national disaster area, we believe that should immediately trigger a variety of waivers and changes in program requirements. Our members own and manage Section 8 and Section 515 rural housing properties across the country, some of which have vacant units. After Katrina and Rita, these units could not be quickly utilized by evacuees because Public Housing Authorities, owners and agents were still required to adhere to all program requirements which prohibited or delayed such a use.

In a national disaster area, some program requirements should be temporarily suspended to allow victims to find immediate shelter. Most important are the requirements related to initial inspections and income verifications. These requirements are time consuming and may be impossible to meet in the aftermath of a disaster. An automatic temporary waiver of program requirements would avoid programmatic delays and provide housing immediately to those in need. In addition, for those residents who had been receiving project-based assistance, NAR recommends that HUD immediately convert that subsidy to a portable voucher for use wherever the resident has been relocated.

Housing Authorities have the names of property owners who participate in the Section 8 voucher program. These properties should be immediately contacted to see if units are available for all disaster victims – not just those who already were receiving federal assistance. Lastly, HUD should work with the private sector firms that own and manage rental units nationwide. Rather than turn to makeshift solutions like trailers and cruise ships, the government should focus on housing that is readily available in communities.

We believe HUD is the federal agency with the most experience in housing. Therefore, HUD should be provided the responsibility for this area of disaster response. However, changes

need to be made now to allow the agency – and housing providers – to quickly respond to the needs of disaster victims.

FEMA Response

As someone who held flood insurance, I can tell you that while the program may need reforms, the National Flood Insurance Program works. My house was flooded when the levees were breeched. The first assistance check I received was from the NFIP. It was several months before I received any monies from my homeowner's insurance policy. The NFIP money helped me start to put my life back together. While the program may need changes to make it financially solvent, I urge the Subcommittee to consider changes that ensure the long-term viability of the NFIP.

Congress must insist that the NFIP abide by the changes that were implemented with the passage of "Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004." The purpose of the law is to improve the financial soundness of the NFIP by shifting more of the burden of recovery costs to property owners who choose to remain vulnerable to repetitive flood damage. The law directed FEMA to develop a pilot program for mitigation of severe repetitive loss properties. Implementing this program will provide dramatic savings to the NFIP.

We also believe FEMA must enforce the mandatory purchase requirement under current law. Homeowners with mortgages held by federally-regulated lenders whose homes are located in a special flood hazard area are required to purchase and maintain flood insurance. If a property owner fails to obtain and maintain this coverage, their lender is required to purchase this coverage on their behalf and bill the borrower. FEMA should increase enforcement of this requirement, which would increase premium revenue to the National Flood Insurance Program as well as further reduce the costs of a flood event to the federal government.

We further urge Congress to ensure adequate funding for FEMA's map modernization program. Flood maps determine whether a property is located in a floodplain, and thus whether flood insurance is required in order to secure a mortgage. When maps are inaccurate, people who need flood insurance will believe they do not need it. In addition, flood maps help communities develop flood management strategies, implement more effective land use and building codes, develop disaster preparedness plans, and incorporate disaster planning into regional economic development strategies. We urge Congress to work with FEMA to update these maps as quickly as possible.

I was one of the lucky ones. I was given a FEMA trailer to live in on my property. I lived there from December 2005 until November of 2006. But what about those people who did not own their homes? I know of many people who rented homes and land where a trailer could have gone, but they were not allowed to have one because they didn't own the land.

Federal Response for Businesses

The Small Business Administration (SBA) has long had a program to help small business owners who have suffered economic losses as the result of a disaster. The SBA's Economic

Injury Disaster Loan Program is designed to help these small firms meet their obligations and to pay its ordinary and necessary operating expenses that now cannot be met as a result of a disaster.

In the aftermath of the disasters, NAR worked with the SBA to revise the eligibility criteria for the program to allow independent contractors, such as real estate agents, to participate. Prior to this rule revision, most real estate agents were disqualified from the loan program simply because the SBA considered agents' affiliations with brokers as being not "free from significant control," which is a critical factor for determining EIDL eligibility. This was despite the fact that real estate agents are not employees of the real estate firms with which they are affiliated and are, in fact, the smallest of small businesses.

The new rule indicates that a state mandated professional affiliation will not, in and of itself, disqualify an Economic Injury Disaster Loan applicant. Additionally, the SBA incorporated many of NAR's recommended factors that Disaster Loan officers could consider in determining eligibility. NAR's regulatory actions were taken to help the thousands of real estate practitioners whose livelihoods have been be impaired by Hurricanes Katrina and Rita, as well as those real estate professionals who may be impacted by future federally-declared disasters. These revisions will enable Realtors® to apply for disaster assistance, and use these resources get their businesses back in working order.

Unfortunately I was not one of the ones to benefit from NAR's changes to the eligibility. My office had flooding following Katrina, and then had the roof ripped off by Hurricane Rita. Although I had agents in my office that needed to be paid and a business that needed to be run, I was denied a SBA loan. Luckily, RE MAX International helped me make my payroll, purchase equipment, and rebuild my office. Although I had business interruption insurance, I am still negotiating with my insurance company. Unfortunately, many of my agents did not return following the disaster.

Rebuilding New Orleans

While visiting New Orleans in 2006, Secretary Jackson said, "every family who wants to come home should have the opportunity to come back... HUD's goal is to bring families back to quality housing." To this end, HUD intends to demolish and rebuild much of the city's public housing units. While we would certainly agree that repairs need to be made, and would strongly encourage the building of new federally-assisted units, we must ask where are the families who resided here to go?

We urge HUD and Congress to provide vouchers for all of these families while the public housing units are rebuilt. Furthermore, we encourage HUD to work with the community in the rebuilding of these units. We urge HUD to consider rebuilding across the city, and not putting all the public housing units in one area of New Orleans. Providing scattered sites will help de-concentrate poverty and provide housing across the community.

Giving vouchers to public housing residents will allow some of them to find housing, but affordable housing is difficult to find in New Orleans today. According to HUD, 13 percent of

the damaged rental stock in the Gulf Region was subsidized housing. Although mostly unsubsidized, 75 percent of the damaged stock was occupied by low-income households.

There is a significant need for affordable housing, and without governmental intervention, it will be very difficult to build. Construction costs have skyrocketed in the region, and the lack of housing impacts all sections of the local economy, including construction. Without affordable housing, construction workers need to be paid more, further increasing the cost of reconstruction. The need for significant amounts of capital to construct new housing is acute.

One way to provide an incentive for construction or rehabilitation of housing would be to enact some version of H.R. 1549, a bipartisan bill of the 109th Congress, which would provide a tax credit for up to 50% of the cost of constructing or rehabilitating affordable housing. This mechanism or similar incentive would be an important aid to generate capital for restoring housing to decimated communities. A large majority of this Subcommittee's members sponsored that legislation in the previous Congresses. A substantial bipartisan majority of Ways and Means Subcommittee members have also sponsored the bill. While outside the purview of this Subcommittee, we urge Congress to seriously consider this legislation.

Insurance

NAR believes that now is the time for Congress to address a comprehensive natural disaster policy that includes natural disaster insurance. The inability to obtain affordable homeowners' insurance is a serious threat to the residential real estate market – and thus, our economy, in several ways. Because homeowners' insurance is a necessary component in securing a federally-related mortgage, an otherwise creditworthy potential homebuyer who cannot obtain the required insurance is priced out of the market. The lack of affordable insurance makes housing unaffordable. If an existing homeowner is unable to maintain insurance required by a mortgage lender, the mortgage is in default. In lease situations, insurance costs incurred by landlords are ultimately passed along to tenants in the form of higher rents.

NAR supports the creation of a federal natural disaster program that will prevent future disruptions in insurance markets and promote available and affordable homeowners' insurance in disaster-prone areas. Key elements of a comprehensive natural disaster policy include encouraging personal responsibility through insurance and appropriate mitigation measures, recognizing the roles of state and local governments regarding building codes and land use planning decisions, and addressing infrastructure needs. We strongly urge the Subcommittee to pursue a federal disaster program.

Conclusion

Members of the Subcommittee, thank you again for the opportunity to testify today. The Hurricanes and flooding experienced by residents of the Gulf region were unprecedented in our country. However, we do not believe these will be an anomaly. We believe the federal government needs to be prepared to handle similar disasters in the future. A coordinated housing

response, federal insurance programs for flood and disasters, and plans for rebuilding communities are needed to protect our citizens, our communities, and our economy.

We thank you for your attention to these important issues, and the National Association of REALTORS® stands ready to work with you on these important goals.

STATEMENT OF PAUL R. TAYLOR JR.,
PRINCIPAL AND MANAGING MEMBER OF SRP DEVELOPMENT LIMITED PARTNERSHIP
SUBMITTED TO THE SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY,
U.S HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL SERVICES

FIELD HEARING THURSDAY, FEBRUARY 22, 2007; NEW ORLEANS, LOUISIANA

"SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST KATRINA: WHY NO PROGRESS AND WHAT ARE THE OBSTACLES TO SUCCESS?"

Introduction & Background

Thank you madam chairwoman for the opportunity to testify today and submit this statement regarding the affordable housing crisis that New Orleans is facing in the aftermath of Hurricane Katrina.

I am here today testifying as a follow-up to an invitation extended by Chairwoman Waters during the Congressional Black Caucus Foundation's 35th Annual Legislative Conference. The invitation was to develop solutions for the rebuilding of New Orleans, as part of an outcome of "The Rebuilding Process in New Orleans: Strategies for Leveraging the Public – Private Partnership" forum held during the ALC.

I serve as principal and managing member of SRP Development, an Ohio-based Development and Construction firm. SRP Development's core business centers on urban and rural communities, with our concentration on faith-based communities, community development corporations and historically central-city communities.

In the 1980s, SRP and one of our affiliated companies pioneered financial products and services to address the challenges of providing affordable homeownership in urban communities of largely low- to-moderate income residents. We identified, addressed, and created solutions specifically focused on helping financially limited citizens purchase homes with non-traditional mortgage products. Homeownership has long been the first step in sustaining and/or revitalizing communities, especially those dominated by transient rental residents. As you can imagine, financial institutions were very reluctant to lend money to citizens typically earning wages below that of the area's median income and most were reluctant to become truly involved in offering products for affordable homeownership under the believe that the potential challenges outweighed the benefits. We now know that is untrue as an unprecedented number of our Country's citizens are able to obtain mortgages for affordable housing and the programs we developed have been duplicated across the country and are now standard financial institutions products and services.

The answer to obtaining this success was earmarked by forming a strategic alliance with public institutions such as Fannie Mae, the Congressional Black Caucus Foundation and local city governments; and private institutions such as regional banks and faith-based entities, e.g. churches, synagogues, community development corporations. This experience in writing sustainable, successful programs to address specific homeownership challenges is what brings me to New Orleans today.

Overview

As we are all very well aware, there are many, many challenges facing New Orleans and its residents in rebuilding this wonderful city. My focus today is to address the affordable homeownership crisis. Substantial portions of African American homeowners and renters in the historically African American communities in New Orleans have been impacted by severe damage to their existing homes or rental

properties or they have completely lost their homes due to Hurricane Katrina and its aftermath. Not only did they lose the physical structure they called home, they also lost their prized possessions and belongings. These were personal, treasured items that can never be replaced. However, along with these personal items that were a part of the home itself, they are facing financial ruin because their financial stability relies on the value of their real estate and many of their records such as mortgages, deeds and title documents were destroyed or lost in the catastrophe. Without these evincing records, property owners struggle to prove ownership or title to real property and therefore struggle for access to title insurance and corresponding lending in connection with the rebuilding effort.

Community Impact

There are several challenges that need to be addressed to allow the rebuilding effort to progress. One of the major challenges is the lack of title records, which impacts the rental community, as well as homeowners of New Orleans. The lack of title is a major concern and will have a bearing on other rebuilding efforts underway. Based on my development and real estate experience, title challenges are a major hurdle that will need immediate resolution to allow the funding flow to reach the affected communities.

Our research has shown that the lack of reasonable insurance for the replacement units will be another major challenge to overcome. The insurance impact for a typical homeowner is averaging $7,500 to $10,000 per year. This is significant to homeowners that are on fixed incomes and for the senior population. This amount of money will influence the quality of living and will force a decision to rebuild elsewhere where the cost of housing insurance will be manageable.

The financial impact of closing the gap for replacement housing will be enormous. The typical homeowner may be looking at a total subsidy of $80,000 to $100,000 after all formulas are utilized from the different recovery assistant programs. The cost of quality, compliant replacement housing will range from $175,000 to $225,000 per house. This will leave a cash gap of $95,000 to $145,000 per resident. This model will hold true for the rental community, which in return will create higher rent ceilings for families needing affordable housing in New Orleans.

The governmental process for assisting the least-served communities is very slow due to the amount of structural rebuilding of impacted families centered on property title, insurance, credit capacity and income limitations. These challenges will continue to cause the low income and historically minority communities to lag behind in the rebuilding efforts.

SRP Recommended Solution to the Challenge

In an effort to resolve the issues raised SRP is proposing the following:

> Title Issue
> As a planned solution to this challenge, SRP has proposed to work with Stewart Title Guaranty Company in concert with members of the Congressional Black Caucus to provide access to title insurance and to propose legislation, which establishes a title mitigation fund. The purpose of the fund would be to provide a secondary source for the title alliance to fund claims brought by owners against title to real property that has been redeveloped on behalf of new settlers. I am pleased to announce that Stewart Title Guaranty has entered into a Memorandum of Understanding to start the work product.

Insurance
SRP is working to develop a similar solution for title insurance.

Funding
SRP is working with Freddie Mac, Fannie Mae and HUD in developing lending programs and processes that will accelerate the redevelopment effort. In addition to the above, SRP is working with Financial Freedom Senior Funding Corporation to bring the reverse mortgage loan program on a large scale, to the affected communities in New Orleans.

SRP and its partners are setting a target of 10,000 housing loans over the next decade using the reverse mortgage form of funding. The reverse mortgage loan program can bridge the funding gap previously mentioned and, once in place, would eliminate housing payments for the borrower. This would free up needed capital to fund other needs in the family.

Government-Sponsorship
SRP has offered to partner with Dillard University Community Development Corporation to act as a central stakeholder in the Gentilly community. This relationship will allow SRP to bring its technical resources and construction experience to the area. In creating this partnership, SRP would work through the existing construction community that has ownership in the rebuilding effort. This process will create substantial jobs in the community, will allow business development to occur, and will have a positive economic influence as wages are earned and cycled into the local community. I am pleased to announce SRP is working with the administration of Dillard University in developing a request for qualifications to add additional experience to our team.

In Closing
My resume speaks to SRP's ability to manage our efforts. I believe that if everyone at the Federal, State, and local levels communicates in a proactive manner we will be able to birth new, redevelopment and rebuilding solutions for New Orleans that will in turn become a foundation to build upon in other communities in our Nation. I will issue my formal update during the 2007 Congressional Black Caucus Foundation's Annual Legislative Week as part of Chairwoman Waters' Brain Trust sessions.

Thank you madam chairwoman for the opportunity to speak to here today.

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U.S. House Financial Services Committee Hearing

SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF REGION POST KATRINA: Why No Progress and What Are the Obstacles to Success?

Prepared Statement of
Tracie L. Washington, Esq.
Director – NAACP Gulf Coast Advocacy Center
February 22, 2007

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U.S. House Financial Services Committee Hearing

SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF REGION POST KATRINA: Why No Progress and What Are the Obstacles to Success?

Prepared Statement of
Tracie L. Washington, Esq.[1]
Director – NAACP Gulf Coast Advocacy Center
February 22, 2007

Good afternoon and thank you for the opportunity to testify today on behalf of the NAACP. My name is Tracie L. Washington, and I am the Director of the NAACP Gulf Coast Advocacy Center. I graduated from the University of Texas School of Law, and during the first 16 years of my practice both in Austin, Texas and here in New Orleans I litigated labor and employment disputes. Since Hurricane Katrina, I have devoted my practice to public interest work, namely in housing, education, and worker justice issues.[2]

Founded in 1909, the National Association for the Advancement of Colored People (NAACP) is the nation's oldest and largest civil rights organization. The Gulf Coast Advocacy Center was created to address the post-Katrina systemic legal and policy barriers to those civil rights and social contracts we saw fail in the aftermath of Hurricane Katrina. Hurricane Katrina uncovered existing man-made threats to fair and affordable housing, created by specific policy decisions and many years of neglect. This has culminated in the lack of affordable housing, low rates of home ownership, racial discrimination, and residential segregation combined with a slow and uneven reconstruction effort that poses barriers to displaced and returning residents hoping to start over. In August 2006, the NAACP Gulf Coast Advocacy Center convened a Town Hall Meeting on the State of Housing in New Orleans One Year After Katrina. We offered many practical, policy solutions to the housing crisis in New Orleans, and I would like to share those solutions with you this afternoon.

There have been many marginal efforts to address the permanent housing issues for residents displaced by Hurricane Katrina, but significant, immediate action must be initiated to insure these displaced residents are made whole with affordable and long- term housing.

HOUSING CONDITIONS IN NEW ORLEANS PRIOR TO KATRINA

Before Katrina struck, the people of New Orleans faced significant barriers to housing opportunity, including a severe shortage of affordable housing, low homeownership rates, a problematic housing policy, and acute racial and economic segregation. Understanding that landscape and the decisions that caused it is important to avoiding the problems of the past, and to pursuing a fair and effective building process that fulfills the promise of opportunity.

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[1] NAACP acknowledges The Opportunity Agenda (www.opportunityagenda.org) and The Kirwin Institute for the Study of Race and Ethnicity (www.kirwininstitute.org) as partners in the joint housing study completed by NAACP, Opportunity Agenda, and Kirwin Institute, Housing in New Orleans One Year After Katrina, from which much of this statement has been adapted.

[2] Please see attached witness biographical.

A Lack of Affordable Housing

Like most cities across the country, New Orleans already had an affordable housing shortage before Katrina. Two-thirds (67%) of extremely low-income households in New Orleans bore housing costs that exceed 30% of income, considered excessive under federal standards, and more than half (56%) of very low income households paid more than half their income for housing.[3]

Low Homeownership Rates

Before the flooding, New Orleans already had a low homeownership rate–only 47% compared to 67% nationally.[4] Of those owning homes, rates were not even among residents, as African American and low-income families in New Orleans had far lower rates of home ownership than whites and higher-income families.[5]

Segregated Neighborhoods

New Orleans suffered acute residential segregation prior to Hurricane Katrina's landfall, which contributed to the disproportionate impact of the storm on low-income and minority communities. Indeed, the city and region have an extensive history of legal segregation,[6] which continued long after the U.S. Supreme Court's decisions in *Shelley v. Kramer*[7] and *Brown v. Board of Education*[8] struck down racially restrictive covenants and legal segregation, respectively.

That pattern and practice of discrimination at times included the direct participation of the federal government. In 1969, for example, the U.S. District Court for the Eastern District of Louisiana found that the U.S. Department of Housing and Urban Development's practice of intentionally concentrating New Orleans' public housing in African American neighborhoods violated the U.S. Constitution.[9]

As a result of this history, New Orleans remained highly segregated when Katrina hit.

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[3] S.J. Popkin, M.A. Turner, and M. Bert, "Rebuilding Affordable Housing in New Orleans: The Challenge of Creating Inclusive Communities." The Urban Institute, January 2006, http://www.urban.org/UploadedPDF/900914_affordable_housing.pdf.

[4] Ibid.

[5] Greater New Orleans Community Data Center, "*Orleans Parish: Housing and Housing Costs.*" July 2006, www.gnocdc.org/orleans/housing.html.

[6] In *Plessy v. Ferguson*, 163 US 537 (1896), the U.S. Supreme Court upheld Louisiana's segregated railway car laws.

[7] 334 US 1 (1948).

[8] 347 US 483 (1954).

[9] *Hicks v. Weaver*, 302 F. Supp. 619 (E.D. La. 1969).

While residential segregation in the city declined slightly between 1990 and 2000, it continued to remain significantly above the national average.[10] U.S. Census Bureau figures from 2000 ranked New Orleans the 11th most-segregated city among large U.S. metropolitan areas.[11]

Racial segregation also played a part in the economic segregation of New Orleans, resulting in racially segregated high- or concentrated-poverty neighborhoods. Before Katrina, New Orleans had the second highest rate of African-American concentrated poverty in the nation, with 37% of the city's African-American population living in neighborhoods of concentrated poverty.

After Katrina, these racially and economically segregated areas bore the brunt of the disaster. More than three quarters of concentrated poverty areas were flooded.[12] And 80% of residents in the most flooded areas were nonwhite.[13]

THE OBSTACLES TO SUCCESS
WHY THERE EXISTS AN AFFORDABLE HOUSING CRISIS IN NEW ORLEANS

Hurricane Katrina and its aftermath displaced hundreds of thousands of New Orleans residents, creating a diaspora of hurricane survivors around the region and across the country.[14] Despite public promises, the rebuilding process has been unacceptably slow, and has poorly served African Americans and low-income residents—the very people who bore the brunt of the storm. Moreover, many aspects of the reconstruction threaten to worsen rather than redress the problems of high housing costs, discrimination, and segregation that existed in pre-Katrina New Orleans.

The Lack of Affordable Rental Housing

The shortage of affordable housing that existed in pre-Katrina New Orleans has since erupted into a major crisis, robbing thousands of displaced residents of their right to return.[15] Hurricane Katrina damaged or destroyed 82,000 rental units in Louisiana, a fifth of which were

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[10] J. Logan, "Ethnic Diversity Grows, Neighborhood Integration Lags Behind," Lewis Mumford Center for Comparative Urban and Regional Research, University of Albany, December 18, 2001, http://www.albany.edu/mumford/census.

[11] U.S. Census Bureau, "*Table 5-4. Residential Segregation for Blacks or African Americans in Large Metropolitan Areas: 1980, 1990, and 2000.*" www.census.gov/hhs/www/housing/resseg/tab5-4.html.

[12] Brookings Institute Metropolitan Policy Program, "*Katrina's Window: Confronting Concentrated Poverty Across America Executive Summary,*" October 2005, and The Brookings Institute. "*New Orleans after the Storm: Lessons from the Past, a Plan for the Future,*" October 2005. Special Analysis by the Brookings Institutions Metropolitan Policy Program.

[13] *Ibid.*

[14] Congresional Resaerch Service, December 2005.

[15] Filosa, Gwen, "*Protesters take plight to the avenue: Scarce public housing has people upset,*" Times-Picayune, June 18, 2006.

affordable to low income households.[16] The large loss of habitable rental space in many damaged areas has caused sharp rent increases. As the following table from the Brookings Institute shows, since fiscal year 2000, fair market rents in New Orleans are now at their highest levels, surpassing pre-Katrina rent prices:[17]

Year	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
FY 2000	$365	$418	$521	$709	$858
FY 2001	369	423	527	717	868
FY 2002	446	512	637	867	1050
FY 2003	461	529	659	896	1085
FY 2004	463	531	661	899	1089
FY 2005	522	578	676	868	897
FY 2006	725	803	940	1206	1247

Source: Liu et al., July 2006.

Despite this severe shortage of affordable housing, of the entire $11.5 billion Community Development Bloc Grant allocation for Louisiana, just $920 million is targeted towards rental housing for extremely low and very low income people.[18] Because affordable permanent housing has yet to be made available for returning residents, the number of occupied emergency trailers and mobile homes has swelled by 30,164 units since March 2006, while the number of households receiving rental assistance has increased by 33,350.[19]

Public Housing

Despite the lack of housing for low-income people, HUD intends to demolish four of the city's largest public housing complexes: St. Bernard, C.J. Peete, B.W. Cooper and Lafitte. While

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[16] Louisiana Recovery Authority, *"The Road Home Housing Programs Action Plan Amendment for Disaster Recovery Funds,"* n.d. http://www.lra.louisiana.gov/assets/april26/HousingActionPlanAmendment042606.pdf

[17] A. Liu, M. Fellowes, and M. Mabanta, "Katrina Index: Tracking Variables of Post-Katrina Recovery." *The Brookings Institute*, updated July 12, 2006, http://www.brookings.edu/metro/pubs/200512_katrinaindex.htm.

[18] The National Alliance to Restore Opportunity to the Gulf Coast and Displaced Persons, *"The Aftermath of Katrina and Rita: The Human Tragedy Inflicted on the Gulf Coast,"* http://www.linkedfate.org/documents/Factsheet%20A_Human%20Dimensions%20of%20Katrina.pdf, accessed 7/20/06.

[19] The National Alliance to Restore Opportunity to the Gulf Coast and Displaced Persons, *"Progress in the Gulf Coast: 10 Months Later,"* http://www.linkedfate.org/documents/Factsheet%20C_Progress%2010%20Months%20Later%20_Summarized%20from%20Brookings%20Research_L.pdf, accessed 7/19/06.

HUD and the Housing Authority of New Orleans (HANO)[20] have continually pledged to reopen as many as 2,500 units, to date less than 1000 units have been reopened to the 5,200 families displaced by Hurricane Katrina.

Instead, HUD/HANO have made plans to demolish perfectly usable housing in this city so desperate for affordable housing, replacing some with "newer and fewer" apartments.[21] According to documents filed with the Louisiana Housing Finance Agency:

- St. Bernard will be reduced from 1,400 apartments to 595 aprtments, only 160 of which will be for low-income public housing residents. There will be 160 tax credit mixed income and 145 market rate units;
- CJ Peete's capacity will be reduced to 410 units from the 723 units in place now, with only 154 public housing eligible units, 133 mixed income and 123 market rate units;
- BW Cooper will go from 1,546 to 410 units, 154 public housing eligible units, 133 mixed income and 123 market rate units.
- Lafitte will be reduced from 896 units to just over 500 units, with less than one third eligible for public housing residents.

Removing so many apartments of affordable housing from an already devastated market only makes worse the short and long term housing problem for all renters in New Orleans. According to Greater New Orleans, Inc., NOLA area employers are seeking to fill 15,000 hospitality industry jobs, 10,000 health/hospital industry positions, and nearly 10,000 construction jobs. These workers need affordable housing, and removing over 7,000 housing units from the market is not only devastating for public housing residents, but also for the rest of the City of New Orleans, which needs workers to restart its economy.

Homeownership

_____The uneven rebuilding effort will likely exacerbate the existing racial gap in homeownership in New Orleans. Despite a low homeownership rate in New Orleans in general, many of the African American neighborhoods devastated by flooding had high ownership rates. The Lower Ninth Ward, which was 96% African American, had a homeownership rate of 54%. Similar characteristics were found in New Orleans East (86% African American, 55% home ownership rate) and Gentilly (70% African American, 72% home ownership rate).[22] But many of the homeowners within these neighborhoods did not have flood and hazard insurance, creating a significant impediment to rebuilding. Approximately one quarter of homeowners in New Orleans East and Gentilly and two-thirds of homeowners in the Lower 9th Ward lacked insurance.[23]

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[20] The U.S. Department of Housing and Urban Development has controlled HANO since 2002 pursuant to an executive branch receivership.

[21] Prior to Hurricane Katrina, there were approximately 5,200 families living in public housing in New Orleans, which had a total public housing stock of 7,100 units.

[22] John Logan, *The Impact of Katrina: Race and Class in Storm-Damaged Neighborhoods*, Initiative in Spatial Structures in the Social Sciences, Brown University, January 2006.

[23] Greater New Orleans Community Data Center, *Current Housing Unit Damage Estimates, Hurricanes Katrina, Rita and Wilma*, February 12, 2006 (Revised April 7, 2006).

SOLVING THE CRISIS
PRACTICAL ADVICE TO RESOLVE OUR HOUSING EMERGENCY

Katrina exposed stark racial and economic inequality that many Americans thought no longer existed in our country. In rebuilding New Orleans, we have a historic opportunity to reverse these trends in ways that will benefit all communities. But the U.S. Department of Housing and Urban Development has thus far offered New Orleans little beyond business as usual – boarding up the public housing projects, dispensing block grant dollars inequitably, and offering limited mortgage relief to FHA-insured homeowners.

Public Housing Resident Just Need to Come Home

Gloria Irving spent nearly 70 years living in public housing in New Orleans, and her unit at the St. Bernard Housing Development could be restored, according the engineer Dr. Marty Rowland, with re-wiring and restoration of utilities. But this is not what the developers want. In a November 3, 2005 speech, HUD Secretary Alphonso Jackson promised to build $1.8 billion worth of public housing along the Gulf Coast. Bet, he said, the government would not build "traditional public housing anymore." Instead, the Hope VI project, such as the St. Thomas housing development here in the New Orleans Garden District would be the model for public housing.

Our public housing residents are skeptical of this promise, and history supports their fears. In 2000, the city demolished the St. Thomas housing projects – home to nearly 1,700 people – under a deal to re-develop the area for "mixed-use" homes and retail space. The plan was blessed and paid for by the federal government under the Housing Opportunities for People Everywhere (HOPE) VI program, which was designed to rehabilitate distressed public housing into so-called "mixed-income" developments. As with many Hope VI projects, only a small percentage of the previous residents were able to afford to live in the new development, River Garden. Most of the affordable housing was replaced with luxury condominiums and a Wal-Mart Superstore; the rest of the residents scattered in search of housing they could afford.

New Orleans public housing residents understand life before Hurricane Katrina may not have been perfect, but they were home. Residents of St. Bernard and other projects say it is illogical and cruel for the Housing Authority to refuse to reopen public housing developments at the moment they are most needed, with huge numbers of poor, black residents wanting desperately to return to the city but having nowhere to go. Some have been promised FEMA trailers and relocation aid, but they say those are only temporary solutions, while many of their former homes are habitable and sitting empty. Stephanie Mingo has said it best, "Why pay for a trailer for me when you could pay someone to clean up my unit, so I can come home?"

These "Big 4" housing developments are solid structures. Just ask Lynette Bickham, who has lived at St. Bernard for 27 years and raised her kids there. "The walls and floors are cement – they're not going to fall down. Residents would clean out and rehab their own units if they let us, that's how badly we want to come back. We'd get together as a team and do what we have to do."

There are no easy solutions to the public housing debate in New Orleans. But this problem may not stall indefinitely, as residents deserve resolution to their demand to return to home. What follows is a 10 Point Plan, which can be enacted into federal legislation and provide relief to public housing residents while at the same time affording HUD/HANO and the City of New Orleans the opportunity to begin real, transparent discussion concerning what

should become of public housing in the city.

1. HUD/HANO should open public housing units according to the following schedule, which may be adjusted depending upon former residents' ability to return to New Orleans:

    - By April 2007, HANO/HUD shall make available for reoccupation 2,500 public housing units in New Orleans;
    - By June 2007, HANO/HUD shall make available for reoccupation an additional 700 public housing units in New Orleans;
    - By August 2007, HANO/HUD shall make available for reoccupation an additional 500 public housing units in New Orleans, for a total of 3,700 units.
    - By December, 2007 HUD/HANO shall make available for reoccupation additional units as needed up to 5,146 units. Need will be determined by a new survey of all pre-Katrina residents.

2. HUD/HANO must open units at C.J. Peete, St. Bernard, Lafitte, B.W. Cooper, Florida and other locations as needed to meet housing requirements.

3. HUD/HANO must reoccupy units on a rolling basis as soon as the units become available.

4. Residents whose units are not re-opened must be given choices of various housing opportunities.

5. HANO/HUD to provide former residents the opportunity to assist with the repair and cleaning of their pre-Katrina units if such units are scheduled to be reopened.

6. HUD/HANO must provide opportunities to resident-run companies to contract for the repair and cleaning of the apartments.

7. HUD/HANO must solicit input from residents regarding any redevelopment plans that affect the residents' pre-Katrina developments.

8. HUD/HANO must provide monthly written progress reports to residents regarding the status of the reopening and reoccupation of public housing units.

9. All opened and available units must be offered in the first instance to their pre-Katrina residents. If the pre-Katrina residents decline the offer, units will be offered to other residents of the same development, and next to public housing residents from other developments.

10. HANO shall rescind its RFQs for C.J. Peete, St. Bernard, and B.W. Cooper to bring them into compliance with Agreement. For example, RFQ's that include one-for-one replacement should be given special consideration. Further, HANO/HUD must engage in a good faith process of soliciting, listening and considering resident input in the decision whether to demolish/redevelop. Finally, HANO/HUD must provide residents with an opportunity to purchase the buildings as required by Section 18 (c) (1) of the Housing Act of 1937, as amended; HUD regulation 24 CFR §970.9 (b).

The Road Home Program Must Be Retooled

New Orleans homeowners have been ensnared in the bureaucratic mess created by ICF International and the Louisiana Recovery Authority for too long. The current slow pace of closings by ICF poses a significant threat of defeating the primary goal of the Road Home Program, getting grant money into applicants' hands soon enough to do any good. The apparent inability of ICF and the Louisiana Office of Community Development (OCD) to either efficiently allocate resources and personnel to the task of advancing files to closings threatens to further delay grant payments and may well destroy what little public confidence remains in the competency of its administration.

Tens of thousands of Louisianians are desperate for this help, people from neighborhoods devastated not because of the hurricanes, but because our government gave them canal walls that failed. The hope of getting this money has been dangled in front of them, and now they are angry, frustrated, and frankly many are giving up because after losing their homes, possessions, their children's schools, their friends and neighborhoods, this promise of help is being strangled. Now, they feel betrayed by the Road Home Program.

Again, all our homeowners are hearing are promises and more empty promises from Road Home contractor ICF International, which pledged on February 1 to complete 2,300 closings this month. As of Sunday, ICF had completed approximately 300 closings for February. This increased ICF's total to 749 closings since the first grant was award six (6) months ago, in September 2006.

What needs to be done?[24] The most important priority of the Road Home Program must be to get the money Congress granted this state into the hands of the applicants for these grants. The model for the solution has been used by banks and by insurance companies since Hurricane Katrina. Congress should enact legislation that requires the following:

1. For those homeowners who have applied for Road Home Program grants, tender $50,000 or one-third of the maximum award immediately. Just as insurers were required to tender at least one-third of the estimated damage to homes as an up award to their policy-holders, with a lien against the property to insure there was no fraud, the Louisiana Recovery Authority and its contractor, ICF International, should provide these grant funds to all applicants so that they can begin the rebuild. For those homeowners who need more money inorder to complete repairs to their homes, they can apply through the Road Home Program for additional grant money, up to $150,000.00.

2. Accelerate Closings. The RHP though ICF and OCD must rapidly accelerate the rate of closings. Where slow verifications are occurring, use affidavits and allow applicants to begin receiving funds to start re-building and escrow those awards conditionally, with a percentage withheld while RHP completes the verification of FEMA and insurance payments.

3. Institute Tender of Awards. Institute promised tender of award money (RHP turns over to

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[24]NAACP GCAC graciously acknowledges the assistance and work of the Citizens' Road Home Action Team (CHAT), a member supported advocacy group which has tracked the Road Home Program for nearly one year. GCAC has partnered with CHAT, and believes these recommendations for RHP reform are sound and viable.

escrow accounts the grant award that ICF has determined is due while permitting every applicant the right to appeal the amount).

4. Transparency in the RHP Rules. Post a complete list of current RHP rules and regulations at the RHP website, in award letters, and distribute to RHP staff. Included in the list should be specific and complete methods and factors for determining pre-storm value, elevation allowances and allowed rebuild costs, a statement that post-storm appraisals of pre-storm values by LA certified appraisers provided by homeowners will be accepted as the primary means for grant determination, and an explanation of the exact nature of the residency requirement. Inform applicants who desire but cannot afford to prepay a LA certified appraisal to select an appraiser from a list provided by ICF and to have the cost of that appraisal deducted as a closing cost.

5. Quality Control and Responsiveness. Many fewer mistakes must be made and obvious errors must be corrected much faster. Members of RHP support staff are often uninformed, unresponsive, or unavailable. In addition, there should be a fast track for obvious errors.

6. Dispute Resolution and Appeals. Applicants need to be fully informed about dispute resolution vs. appeals on the website and in award letters. Award letters must specify the exact method used for determining each individual applicants' award. An efficient appeal process provided with award letters needs to be instituted immediately.

The $7.5 billion due more than 100,000 applicants to the Road Home Program for Homeowner Assistance is crucial not just to individual families, but to the economic recovery and viability of Louisiana in general. For our homeowners, the spotlight is on sheer survival with last week's tornado killing a woman in a FEMA trailer in New Orleans, who was awaiting her RHP grant to be able to move into her house. The State of Louisiana has failed in its management of this program, but Congress cannot fail the American public that trusted the $7.5 billion grant would be spent to compensate owners of severely damaged or utterly ruined homes.

Our Forgotten Renters

The Community Development Block Grant program (CDBG) was created by the U.S. Congress to provide assistance to low and moderate income households. The CDBG federal law states: "The primary objective of this chapter and of the community development program of each grantee under this chapter is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income." 42 USC 5301(c). But the Louisiana plan for spending the CDBG funds is not addressing the needs of low and moderate income renter households across the state. For example, in Orleans Parish, over half of the households which sustained damage were rental homes. There is no provision in the Louisiana plan for the housing needs for renters - over half of the most impacted population.

Congress is empowered to 'right' this wrong, and mandate monetary grants to those renters who lost shelter due to Hurricane Katrina. The Small Rental Program developed by the Louisiana Recovery Authority is simply insufficient to address the needs of these residents, who should receive direct compensation for their damages.

HOUSE SUBCOMMITTEE ON HOUSING & COMMUNITY OPPORTUNITY

Solving the Affordable Housing Crisis in the Gulf Region Post Katrina:
Why No Progress and What are the Obstacles to Success?

FEBRUARY 22, 2007

TESTIMONY OF SHERECE Y. WEST
CEO, Louisiana Disaster Recovery Foundation

To Chair and Congresswoman Waters, distinguished Members and guests of the House Subcommittee on Housing and Community Opportunity, Mayor C. Ray Nagin, colleagues and distinguished guests, thank you for coming to Louisiana and for your continued support of the families and communities damaged or destroyed by Hurricane Katrina.

I am Dr. Sherece Y. West, CEO of the Louisiana Disaster Recovery Foundation. I want to thank you for the opportunity to serve as a witness at this hearing and offer testimony on behalf of the Louisiana Disaster Recovery Foundation, *Louisiana's Fund for Louisiana's People.* The grantees and constituents that I serve have identified three core issues essential to recovery: housing, jobs, and schools. I am honored to relay their collective wisdom and views about affordable housing.

And I am particularly happy to be here at Dillard University. The university serves as a historic anchor to the City of New Orleans and remains vital in leading the City's equitable recovery.

The Louisiana Disaster Recovery Foundation - *Louisiana's Fund for Louisiana's People* – is an independent public philanthropy. It was established by Governor Kathleen Babineaux Blanco in the aftermath of hurricanes Katrina and Rita. Our mission is to transform the disaster caused by hurricanes Katrina and Rita into an unprecedented opportunity for a rededicated New Orleans and new Louisiana- providing resources for the relief, recovery, and betterment of its people by ensuring access and opportunity in building their communities and culture. We have $43 million in assets. Our support comes from the generosity of individuals, corporations, foundations; including the Bush Clinton Katrina Fund, and others from across the United States and around the world. To date we have awarded $14.7 million in grants to 52 nonprofit organizations providing services and supports to displaced individuals and families, and working to redevelop hurricane damaged communities, throughout the State of Louisiana.

The disaster took its toll on our citizens of the State. About 1,500 people lost their lives and thousands upon thousands were seriously injured. Over 1.3 million Louisianans' lives were seriously disrupted. More than 205,000 homes were destroyed displacing 123,000 homeowner households and 82,000 renter households. Over 82,000 households remain living in trailers with minimal amenities.

As you have heard from Mayor C. Ray Nagin, New Orleans sustained 57% of all damage to the State. In the City, 134,344 units sustained reportable damage, and 105,155 were severely damaged. Residential damage in Orleans Parish was $ 14 billion and more than 200,000 New Orleanians remain displaced.

Before disaster hit Louisiana, there was a severe affordable housing crisis triggered by growing poverty. Today, we have an affordable housing shortage epidemic. We have this epidemic while there are clear signs of economic progress. We just celebrated a Mardi Gras that offered twenty additional hotels since last year. Our airport is now accommodating 100,000 more arriving passengers each month with almost 100,000 for Mardi Gras alone. Unemployment has dropped below 5% with a growing tourism industry.

Yet, while market forces drive the local economy, the housing market is moving at a snail's pace. The Army Corps of Engineers tore down only 80 homes in January – significantly less than the projected monthly average of 387 demolitions. Home rebuilding continues to trickle with only 664 Road Home closings out of 108,163 qualified applicants. And the number of residential properties for sale continues to grow-now at
13,385 - with little movement in real estate.

The Foundation firmly believes that a rededicated New Orleans and new Louisiana can flourish over the next 20 years. But our vision has to be larger than the disaster that placed us in harms way.

Our vision is that all people have the tools and opportunity to understand, organize, advocate for, and be involved in the decisions that affect their lives and communities. We have a deep commitment to promote *Equity* and *Inclusion*.

The devastation has created a sea change in housing policy in Louisiana. Over the last year we have supported housing advocates, faith-based and racial justice leaders, and community organizers to nurture social action. We fund and promote strategies that result in effective public policy and advocacy, community organizing and strengthening the nonprofit sector. This brings people back to "communities of opportunity" – vibrant neighborhoods with descent housing, good schools, local retail and banking, green space and transit accessibility. Affordable housing is the lynch pin for these communities to develop.

The Foundation is committed to "equity" in housing. We want to ensure that all current residents have the "right to return." They are entitled to safe, decent and quality affordable housing. And, public housing residents, Section 8 voucher holders and homeowners in recovery are included in this right of return.

The Foundation is committed to "inclusion" – (1) to ensure all voices are heard in the use of land and property and (2) to ensure diverse and rich mixed-income communities for

current and future residents. We want "responsible redevelopment" in New Orleans and throughout the State. We want its people to directly benefit from the rebuilding of this City and our State. It is a matter of both equity and inclusion.

My comments will concentrate on the following posed questions:

- Why is there little to no progress in restoring affordable housing?
- What are the obstacles to the success of restoring affordable housing?
- How can the affordable housing dilemma be resolved?
- What is the role of LDRF in addressing the affordable housing crisis?

Why is there little to no progress in restoring affordable housing?
Langley Keyes, an urban planning professor at MIT, wrote a book about 20 years ago entitled **Strategies & Saints. Strategies & Saints** follows a simple proposition. It states that when the federal government fails to provide a central housing strategy; then cities and their neighborhoods are left to their own devices and must depend on "saints" or local front line leaders.

It is a widely held view that the federal government has failed to address the growing affordable housing crisis. Moreover, it also remained ill-prepared to address housing relief (should there be a natural disaster). With the defining event of Katrina, the federal government response was in itself a disaster. There was a delayed response to the needed resources for relief. There was serious under funding of what was actually needed for recovery. And there is insufficient oversight in the rebuilding process. There remains no comprehensive federal strategy and its role remains unclear as regulatory agent.

Equally, the voters of this City and the State had entrusted their elected and appointed officials to promote their general welfare and well-being. Our elected officials have become entangled within federal bureaucracy and unable to reach an accord with the federal government on a State and locally-driven strategic plan. Where the federal government has failed to act as regulator, State and municipal government has failed to act as the accountability agent --- making sure that the federal government serves its citizens of Louisiana.

There is enough blame to go around. The Foundation does not want to point fingers or cast any aspersion. Rather, it is interested in moving forward to work with all levels of government to find remedies and recourse for restoring affordable housing. And it is committed to building a litany of "saints" or local front line leaders and organizations. The Foundation has utilized some of its resources to fund 52 "saint" organizations to promote and restore affordable housing and support recovery. Among them:

- ACORN Housing Corporation to rehabilitate/restore homes in the Ninth Ward in New Orleans

- America Speaks for reaching out to African Americans within the Louisiana Diaspora to participate in the New Orleans neighborhood planning process

- Louisiana Association of Nonprofit Organizations for organizational triage, assessment, planning, and technical assistance to help rebuild the nonprofit sector in New Orleans and creating state-wide collaborations like the Louisiana Housing Alliance

The Foundation is embarking on a strategic Housing Recovery & Development Initiative and an Equity & Inclusion Campaign which I will share with you briefly later during the conclusion of my remarks.

What are the obstacles to the success of restoring affordable housing?
There are several underlying obstacles as follows.

One obstacle is federal government fragmentation. It took almost a year after Katrina for the federal government to establish an Office of the Federal Coordinator for Gulf Coast Rebuilding. Even today, all federal agencies are not working in sync. During the House Financial Services Committee hearing in Washington, D.C. on February 6th, 2007, it was quite apparent that HUD and FEMA were not aligned with one another as they were questioned by members of the Committee. Another agency, SBA is being strongly criticized by another House Committee for not formulating a clear strategy for New Orleans business recovery in coordination with other federal sister agencies.

Another obstacle is State government's laxity. To date, the State has not defined a number of goals and measures with ICF International, the company selected to administer $ 7.5 billion in federal funds. One example is the absence of clear targets and benchmarks in moving eligible applicants through the Road Home Program. ICF is still in negotiations with the State Office of Community Development to establish these targets and benchmarks. The ICF contract is being amended for the fourth time. Recently, the State has moved more expediently on conducting an audit of the Road Home Program. And as Mayor Nagin mentioned, the problematic waiting list and backlog has accounted for only 664 closings from a pool of 108,163 eligible grant homeowners.

And yet another obstacle is inertia in City government. City government was not equipped to address such a disaster of such monumental proportions. The Mayor has shifted traditional municipal government into a recovery mode that concentrates on public safety, repopulation, and infrastructure repair. Last month the Mayor hired Dr. Edward Blakely to direct the Office of Recovery Management and last week a recovery team has been put in place. In part, the City has been stymied by the federal government with the inflexibility of the Stafford Act and the absence of blanket waiver authority from HUD. Additionally, many insurance companies have stopped writing policies or are charging ridiculously higher rates than before.

How can the affordable housing dilemma be resolved?
As I mentioned, there was an affordable housing crisis in New Orleans and Louisiana before Katrina and Rita. In the aftermath of these storms, there is now an affordable housing shortage epidemic. There are no silver bullets or quick fix remedies. It will simply take a concerted effort to solve this dilemma. And realistically, it will take twenty years or more toward the full road to recovery.

This effort must be led by those who govern. They must exert leadership and the political will to succeed. There are several promising developments which the Foundation supports.

Congressional intervention is needed to address federal agency fragmentation.

- Support for Representative Waters' proposed memorandum of understanding with HUD to guarantee the right of return and one-to-one housing replacement
- Support for Representative Jefferson's proposed rehabilitation and re-occupancy of public housing developments (not in major disrepair) and Section 8 voucher portability
- Support for Representative Frank's proposed National Affordable Housing Trust Fund
- Support of Representative Clyburn's amendment of the Stafford Act

Governor & State legislature has an opportunity to promote innovative housing policy and funding.

- Enactment of a State Housing Trust Fund with sizeable funding (from the State surplus)
- Enactment of a low-income tax credit amendment dedicated to mixed-income communities and directing the Louisiana Housing Finance Agency (to act accordingly)
- Enactment of additional "piggyback funds" for affordable housing amendment and directing the Louisiana Recovery Authority (to act accordingly)
- Enactment of a provision for "soft second loans" for any household below 80 percent of median income

Municipal government has an opportunity to advance creative land assemblage and resettlement of homeowners and renters.

- Support for One New Orleans Road Home Fast Track program as described by the Mayor "fast track" homeownership initiative
- Support for expansion of the City's programs for the disposition of property: gutting, remediation and adjudicated property
- Support for the Unified Plan to engage citizens in re-planning; especially with flexible land use policies promoting inclusionary zoning and land trust authority

These opportunities will need flexible federal funding streams from HUD and we support the City's efforts.

What is the role of LDRF in addressing the affordable housing crisis?
The role of the Louisiana Disaster Recovery Foundation and its philanthropic partners is to promote affordable housing. We are embarking on a Housing Recovery & Development Initiative and an Equity & Inclusion Campaign.

The Housing Recovery & Development Initiative is a placed-based strategy to adopt a number of neighborhoods in New Orleans and invest $7 to 11 million toward leveraging additional resources and the commitment of developers, housing intermediaries, community development corporations and local residents. We are working in cooperation with the Fannie Mae Foundation in forming a collaboration with groups like the Local Initiative Support Corporation and AFL-CIO Housing Investment Fund. We want adopted neighborhoods to be part of a "responsible redevelopment" model fostering diverse, mixed-income communities composed of renovated public housing, rebuilt homes and newly constructed housing.

Second, with my testimony today, the Foundation is embarking on an Equity & Inclusion Campaign building a coalition of elected and appointed officials, policy makers, community activists, celebrities and faith-based leaders to promote affordable housing and community development. Some of our activities will include:

In Baton Rouge --- On March 22-23, we will sponsor a Statewide Legislative Affordable Housing Convening of our grantees and the Louisiana Housing Alliance. On March 30, we will serve as co-sponsor and host for a Right of Return Forum convened by the Congressional Black Caucus and Congressional Black Caucus Foundation.

In Washington, D.C. --- In June, we will convene a forum on the Policies of Equity & Inclusion hosted by the Brookings Institution. In September, we will conduct an Equity & Inclusion Issues Forum as part of the Congressional Black Caucus Legislative Conference.

And in the spirit of non-partisanship, we have met with the White House to promote our Louisiana faith-based leaders (who remain champions of recovery). Also, we have begun to explore how we as a Foundation, and our grantees and constituents can become better prepared for hurricane season.

As part of my testimony and for the record, I submit to you a set of policy papers prepared in partnership with Rutgers University's Initiative for Regional and Community Transformation. We lead with policy and follow with social action.

I am proud to represent the Louisiana Disaster Recovery Foundation - *Louisiana's Fund for Louisiana's People*. Thank you for providing me with the opportunity to testify before you today! We are available to you as an additional resource.

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