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## **Housing Families Displaced by Katrina: A Review of the Federal Response to Date**

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Within a week, Hurricane Katrina displaced more than a million Gulf Coast residents.<sup>1</sup> Though about half of the evacuees returned to their homes within days of the storm, up to 600,000 households remained in hotels, shelters, and other temporary housing a full month after the storm's landfall.<sup>2</sup> Now, more than 70 days later, nearly 500,000 displaced families are living in, or transitioning to, rental housing subsidized by the federal government, while another 50,000 to 100,000 remain in temporary housing.<sup>3</sup>

Addressing this situation requires action along broad policy goals. Clearly, flexibility in the federal housing response is key to accommodating the various needs of displaced families. Helping families find more secure, longer-term housing as they begin to find jobs and return to some semblance of normalcy, especially for their children, no matter the location is paramount. Also important is enabling those families who are eager to return to their long-time neighborhoods in New Orleans or Biloxi to do so, so they can begin cleaning out and repairing their homes. The response must also allow businesses, large and small, to find and retain workers so they can quickly contribute to the reconstruction of the Gulf Coast and its economy.

But, in the current fiscal environment, the federal housing response must also be cost-effective while meeting the scale of the housing challenge.

In the following tables, we analyze the status and use of the storm recovery housing options currently made available by the Bush administration, along with the known costs associated with each type of housing aid. We find that the federal government has allocated a substantial amount of money for housing displaced families. But, the government's policy response has not been cost-effective and does not make sufficient use of the Section 8 housing voucher. In particular:

**The federal government has allocated \$7.15 billion to house families displaced by Katrina in both *temporary* and *longer-term* housing.**<sup>4</sup> Temporary housing, including cruise ships, hotels, shelters, trailers, and mobile homes, is emergency housing designed for short-term occupancy. It also may be torn-down or discontinued once more intermediate-term housing is found. In contrast, longer-term housing relies on the supply of existing apartments and other housing so families can more easily secure jobs, services, and amenities in their new environments.

**Based on available data, the known cost of the federal provision of *temporary* housing for displaced families totals at least \$3.8 billion to date.<sup>5</sup> Temporary housing has included:**

#### *Trailer and Mobile-Homes*

Nearly \$3 billion of the \$7.15 billion devoted to house displaced families has gone to trailer and mobile-home communities, which includes costs associated with: (a) constructing new trailer/mobile-homes, (b) shipping and transporting each unit, (c) renting land for the trailer park communities, (d) extending and installing water, sewer, and other utility infrastructure to these communities, (e) maintaining the homes and community; and (e) deactivating the communities once such temporary housing is no longer needed.<sup>6</sup>

No data is available for each of these separate costs. However, Federal Emergency Management Agency (FEMA) contract data indicate that approximately \$1.4 billion has been devoted to construction, transportation, and land rentals; and, another \$1.5 billion has been pledged to maintain and deactivate up to 100,000 trailers once families have found more permanent housing options.

Nearly all of the land leased to build these communities is in sparsely populated suburban and exurban areas in Louisiana and Mississippi.<sup>7</sup>

Although trailer and mobile-home communities represent 41 percent of the current allocation for displaced families, only 125,000 of the estimated 600,000 families will be housed in these communities. Meanwhile, only 19 percent of the 125,000 ordered trailers are currently in use. About 23,156 families are currently housed in those communities.

As a result of the delay in producing these trailers and the goal of bringing families closer to their original homes, trailers may increasingly serve as a central part of the federal government's longer-term housing response.

#### *Shelters*

In the weeks that immediately followed Katrina, most families were housed in Red Cross shelters. Although total costs are still not determined, the Red Cross has estimated that the overall bill will come to about \$513 million.

#### *Hotels*

A large number of displaced families have also been housed in hotels. The most recent estimates suggest that about 53,000 people remain in hotels.<sup>8</sup>

Housing displaced families in subsidized hotel rooms was originally managed by the Red Cross, which estimates that it spent about \$225 million. Unlike the shelters it managed, the Red Cross will be fully reimbursed for these costs.

On October 24, FEMA took over the administration of housing evacuees in hotel rooms from the Red Cross. At the time of publication, there was no data available on the amount of money FEMA has spent on hotel rooms.

FEMA plans to end hotel subsidies by December 1st, transitioning families to other longer-term options (see below).

### *Cruise Ships*

Approximately \$236 million has been spent housing evacuees and emergency workers in cruise ships. No data is available that speaks to the total number of families that have been housed in cruise ships, but approximately 2,881 cabins are currently occupied.

**At least three federal programs are now being used to house families in longer-term housing at an unknown cost.** Although costs associated with temporary housing represent the bulk of federal spending on housing families displaced by Katrina, there are also at least three programs in place that make use of the nation's permanent housing stock. These include:

#### *FEMA's Individual and Households Program (IHP)*

Through the IHP program, the administration has provided at least 488,000 households with rental assistance.<sup>9</sup> Benefits are being awarded through both the Standard Rental Assistance Program and the Transitional Rental Assistance Program—a variant of the standard assistance program that has been enhanced to meet the unique needs of Katrina evacuees.<sup>10</sup>

Standard Rental Assistance is provided to applicants once inspectors determine that an applicant's residence is uninhabitable. Benefits are based on the local Fair Market Rent (FMR) where the applicant is living, and are paid-out in two-month increments while home repairs are being completed. Recipients directly get the benefits, which cannot exceed \$26,200 or more than 18 months of assistance.

Transitional Rental Assistance is an enhanced program for a select group of Katrina evacuees providing benefits without a prior-inspection of their residence. Recipients receive a three-month benefit valued at \$2,358—the national FMR average. Benefits can be renewed every three months for up to 18 months and cannot exceed \$26,200.

In both types of rental assistance programs, FEMA benefits cannot be used to pay for security deposits or utility bills. The full cash benefit must be used for rent, and recipients must provide proof of payment before benefits are renewed.

In addition to the rental assistance program, FEMA is also administering the Other Needs Assistance Program through IHP. This assistance can be used for home repairs not covered by insurance, building a house to replace a residence destroyed by an emergency, and a variety of other expenses including medical, dental, funeral, transportation, and moving and storage costs associated with a disaster. Recipients of either rental assistance program can also apply for this assistance, but any assistance provided through the Other Needs Assistance Program counts against the \$26,200 cap.

In total, the most recent numbers indicate that 878,267 households have been approved for IHP assistance. Of that total, 652,057 are in Louisiana, 192,010 are in Mississippi, and 34,200 are in Alabama.<sup>11</sup>

Spending on IHP assistance has reached \$3.11 billion—households from Louisiana have received \$2.4 billion, Mississippians have received \$628 million, and households from Alabama have received \$79 million.

IHP assistance reflects both rental and non-rental assistance, so these numbers should not be used to make estimates about the amount spent on rental housing.

#### *Federally Owned or Rented Housing*

Approximately 12,000 families are also now being housed in FEMA-subsidized housing, which includes apartments leased by the federal government and extant federally owned housing. This is a new program, not pursued in past disaster recovery efforts. There is no estimated data available on the costs associated with this program, nor the location of these housing units.

#### *Vouchers*

An unknown number of vouchers have been awarded to displaced individuals through the Katrina Disaster Housing Assistance Program (KDHAP)—a temporary U.S. Department of Housing and Urban Development (HUD) program serving as a more restrictive version of the Section 8 housing. Recipients of this voucher are limited to those displaced individuals who were already receiving vouchers, previous HUD customers, or already homeless before Katrina made landfall. Although there is no information about the number of recipients, we estimate that only a small percentage of displaced individuals will receive this assistance because the housing needs of many former HUD clients had already been met. For instance, many such families were either placed in unoccupied units of federally-assisted housing developments in other cities or were put on the top of waiting lists to receive Section 8 vouchers.

Nor are estimates of the cost associated with this program currently available. However, a recent analysis of the program suggests that the benefits for recipients will be lower than if they had received the benefits as part of HUD's Section 8 housing voucher program.<sup>12</sup>

In addition to KDHAP, the administration has announced that it will be creating a temporary HUD voucher program for KDHAP recipients who were homeless prior to the disaster, who have HIV/AIDS, or who were already in HUD special needs housing. At the time of publication, program rules had not been released.

Finally, it is important to point out that several cities sponsored their own voucher programs, under the assumption that FEMA will later reimburse them. Houston, for instance, has awarded over 30,000 vouchers and is paying the utility bills of all recipients. FEMA has now partnered with Houston, and applicants are now being awarded federal rental assistance.

**Providing low-income displaced families with 12 to 18 month vouchers to move into rental housing would have reduced the costs of housing families displaced by Katrina.** After the LA earthquake in 1996, emergency Section 8 vouchers were made immediately available and within weeks, 14,000 families were living in existing rental apartments of their choice, for up to 18 months. Had that same, timely response been made after Hurricane Katrina, the federal government would have incurred significant cost-savings from: a) reduced demand for shelters, hotel stays, and use of cruise ships; and b) net savings from not having to build as many new housing units, such as trailers, and the associated new infrastructure and new maintenance services to support these new communities.

## **NEXT STEPS: Embracing a More Cost-Effective and Humane Approach to the Remaining Housing Needs of Families**

While no U.S. natural disaster has wrought such extensive damage as Hurricane Katrina, the past can still guide the federal government response in providing quick, cost-effective, and quality housing assistance to displaced families. For many families, the last 70 days have been a series of frustrations and uncertainties, moving from one short-term venue to another in search of more stable housing options and more long-term financial aid and security. And the ad-hoc nature and multiple components of housing aid have only added to the confusion.

With approximately 600,000 displaced families, opportunity remains to improve the quality and cost-effectiveness of the federal housing response.

### **1. Replace KDHAP and the FEMA-subsidized apartment program with a true Section 8 voucher program.**

Most of the families that are still without housing are those estimated to be caught in the middle, with few resources or networks of their own to find longer-term housing, but not former consumers of federal housing assistance. Deploying an expanded Section 8 voucher program now would meet the needs of these families.

Further, the Section 8 program is administered by housing experts who have access to a wide network of apartment listings, housing counseling and placement assistance, and other services that can help families find rental apartments in the housing market. While FEMA serves an important role in emergency disaster response—still critically needed in this short-term phase—FEMA is not a housing provider. Many families now, with IHP and other FEMA programs, are left on their own to find apartments that will accept rental assistance. As in past post-disaster recovery efforts, HUD needs to be made a central partner in helping these families find longer-term housing.

Furthermore, families receiving Section 8 rental assistance are given 18 months of aid outright. Recipients of IHP, on the other hand, must re-apply for assistance every three months, introducing more uncertainty for families than under the voucher program.

### **2. Drastically cut back the trailer program and use it in a more strategic, cost-effective way.**

It has been widely reported that families who lived in the trailer park communities built after Hurricane Andrew are worse off today than when they first arrived. As temporary villages, these parks do not foster a sense of community and are isolated from jobs, job training and placement centers, and from health care and other services. These conditions are not conducive to rebuilding their lives and reconnecting productively with society and the labor market

No doubt, these trailers are needed to provide temporary housing for workers and families proximate to the reconstruction activities in New Orleans and other Gulf Coast communities. Some families and businesses are demanding that such on-site housing be made available so that businesses can access workers and families can access their homes.

Trailers are best used for these temporary purposes and then only when sited on lots within city limits with access to existing service infrastructure. The number of trailers contracted to be built

should be revisited and dramatically cut back. Further, rather than build large trailer parks on greenfields in remote locations, these trailers should instead be placed near homeowners' properties or on vacant lots in cities, such as retail parking lots, school parking lots, or even temporarily in community parks. Once new construction begins in New Orleans and the surrounding parishes, especially on rental units, the number of trailers should be phased out.

Using trailers in this more targeted manner will ensure that such housing will more directly meet the needs of families and businesses while saving taxpayer dollars.

In sum, this brief reviews the current cost and effectiveness of the current federal response to providing longer-term but still temporary housing for displaced families. Strategies to help families pay for the cost of fixing up or rebuilding hundreds of thousands of damaged homes are still needed. But ensuring a more responsive solution to the intermediate housing needs of families and workers, as suggested above, will provide an important foundation to the longer-term recovery of the Gulf Coast region.

## ACKNOWLEDGEMENT

The Brookings Institution Metropolitan Policy Program thanks *Living Cities, Inc.: The National Community Development Initiative* for its generous support of our work related to Gulf Coast recovery. Living Cities is a partnership of leading foundations, financial institutions, nonprofit organizations, and the federal government that is committed to improving the vitality of cities and urban communities. Living Cities supports the work of community development organizations in 23 cities and uses the lessons of that work to engage in national research and policy development. Visit Living Cities on the web at [www.livingcities.org](http://www.livingcities.org).

## APPENDIX

**TABLE 1. A PROFILE OF THE TEMPORARY HOUSING PROVIDED TO FAMILIES DISPLACED BY KATRINA**

<b>HOTELS AND EXISTING STRUCTURES</b>	<u>Overall</u>	<u>Louisiana</u>	<u>Alabama</u>	<u>Mississippi</u>
Current number of households <sup>13</sup>	52,000 (11/4/05)	Not known	Not known	Not known
Cumulative number of households	Not known	Not known	Not known	Not known
Estimated total spent by FEMA	Not known	Not known	Not known	Not known
Estimated total spent by Red Cross <sup>14</sup>	\$225-250 million (10/23/05)	Not known	Not known	Not known
<i>Estimated total bill for hotels</i> <sup>15</sup>	Not known	Not known	Not known	Not known
<b>SHELTERS</b>				
Cumulative population of households <sup>16</sup>	445,294 (10/30/05)	142,494 (10/30/05)	5,493 (10/30/05)	42,768 (10/30/05)
Current number of shelters <sup>17</sup>	31 (10/30/05)	26 (10/30/05)	0 (10/30/05)	5 (10/30/05)
Cumulative number of shelters <sup>18</sup>	1,095 (10/30/05)	264 (10/30/05)	55 (10/30/05)	229 (10/30/05)
Current Red Cross bill for shelters <sup>19</sup>	\$110,100,000 (10/30/05)	Not known	Not known	Not known
<i>Estimated Red Cross bill for shelters</i> <sup>20</sup>	\$513 million (10/30/05)	Not known	Not known	Not known
<i>Estimated federal bill for shelters</i> <sup>21</sup>	<i>Unknown</i>	Not known	Not known	Not known

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## TRAVEL TRAILERS AND MANUFACTURED HOMES

Number of households in trailers or manufactured homes <sup>22</sup>	23,156 (11/7/05)	Not known	Not known	Not known
Number of manufactured homes <sup>23</sup>	559 (11/4/05)	337 (10/31/05)	0 (11/1/05)	42 (10/31/05)
Number of operational trailers <sup>24</sup>	22,597 (11/4/05)	4,355 (10/31/05)	2,178 (11/1/05)	12,394 (10/31/05)
Number of ordered trailers <sup>25</sup>	125,000 (10/31/05)	Not known	Not known	Not known
Average number of people per trailer	Not known	Not known	Not known	Not known
Costs associated with private land use <sup>26</sup>	\$13,709,180 (10/28/05)	\$9,398,415 (10/28/05)	\$603,292 (10/28/05)	\$3,443,070 (10/28/05)
Number of trailer communities built <sup>27</sup>	Not known	Private land: 141 leases signed (10/28/05) Public land: Not known	Private land: 9 leases signed (10/28/05) Public land: 13 state parks (10/20/05)	Private land: 22 leases signed (10/28/05) Public land: 4 state parks (10/20/05)
Amount awarded for travel trailer and manufactured homes construction <sup>28</sup>	\$1,864,121,983 (10/28/05)	\$51,842,801 (10/28/05)	\$76,326,582 (10/28/05)	\$42,163,181 (10/28/05)
Amount allocated for travel trailer and manufactured homes maintenance and deactivation <sup>29</sup>	\$1.5 billion (11/4/05)	unknown	unknown	unknown
<i>Estimated total cost of trailers<sup>30</sup></i>	<i>\$3.38 billion (11/4/05)</i>	<i>\$61,241,216 (10/28/05)</i>	<i>\$76,929,874 (10/28/05)</i>	<i>\$46,606,251 (10/28/05)</i>

## CRUISE SHIPS

Current number of households <sup>31</sup>	Not known	Not known	Not known	1,400 (10/30/05)
Cumulative number of households	Not known	Not known	Not known	Not known
Number of cabins in use <sup>32</sup>	2,881 (11/3/05)	2,304 (11/3/05)	0 (11/3/05)	577 (11/3/05)
<i>Estimated total cost of cruise ships<sup>33</sup></i>	<i>\$236 million (10/21/05)</i>	Not known	Not known	Not known

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**TABLE 2. A PROFILE OF THE PERMANENT HOUSING PROVIDED TO FAMILIES DISPLACED BY KATRINA**

<b>LONG TERM HOUSING (APARTMENTS/LEASED PROPERTIES/FEDERAL HOUSING)</b>				
Current number of households <sup>34</sup>	11,988 (10/31/05)	2,740 (10/31/05)	510 (10/31/05)	0 (10/31/05)
Cumulative population	Not known	Not known	Not known	Not known
<i>Estimated total cost</i>	Not known	Not known	Not known	Not known
<b>INDIVIDUAL AND HOUSEHOLD PROGRAM</b>				
Current number of households <sup>35</sup>	488,000 households	Not known	Not known	Not known
<i>Estimated total cost of housing</i>	Not known	Not known	Not known	Not known
<b>KATRINA DISASTER HOUSING ASSISTANCE PROGRAM</b>				
Current number of families being housed	Not known	Not known	Not known	Not known
<i>Estimated total cost of long term housing</i>	Not known	Not known	Not known	Not known

*Note: The administration has recently asked that \$390 million be allocated to move as many as 65,000 Katrina families into KDHAP.<sup>36</sup>*

**TABLE 3. A DEMOGRAPHIC PROFILE OF THE LOCATIONS FOR THE NEW TRAILER COMMUNITIES, BY TYPE**

	<u>Urban</u>	<u>Suburban</u>	<u>Exurban</u>	<u>Rural</u>	<u>Overall</u>
Number of contracts signed to lease land	9 (5%)	90 (52%)	51 (29%)	24 (14%)	174
Number of public land contracts	1 (6%)	7 (41%)	6 (4%)	3 (18%)	17
Number of private land contracts	8 (5%)	83 (53%)	45 (29%)	21 (13%)	157
Total value of contracts	\$1,846,283	\$7,735,912	\$2,818,940	\$1,347,806	\$13,748,940
Average unemployment rate	5.1%	5.8%	6.3%	6.9%	6.0%
Average median income	\$44,745	\$34,604	\$29,423	\$26,152	\$33,731
Average population	1,075,425	123,429	50,881	23,136	318,218

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*Note: Unemployment rates data is for August, 2005; median income data is for 1999; population data is for 2000.*

*Sources: FEMA Contracts Report, 10/28/05; Bureau of Labor Statistics; U.S. Census Bureau.*

## **ENDNOTES**

<sup>1</sup> Blaine Harden and Shankar Vedantam, "Many Displaced by Katrina Turn to Relatives for Shelter." *Washington Post* September 8, 2005, p. A1. Also, note that this paper uses "household" and "families" interchangeably, even though these terms can refer to different numbers of people. Most of the published literature, data, and press releases reviewed did not provide enough information to distinguish between these two units.

<sup>2</sup> Testimony of Robert David Paulison, Acting Director, FEMA, before the Senate Committee on Homeland Security and Governmental Affairs, October 6, 2005. More recent estimates from FEMA reported in the media suggest the number of displaced individuals is more in the neighborhood of 600,000.

<sup>3</sup> Spencer S. Hsu, "FEMA Speeds Katrina Relief: Owners in Areas With Worst Damage To Receive \$26,200." *Washington Post*. November 5, 2005, p. A01.

<sup>4</sup> FEMA, Weekly reports to the House Appropriations Committee.

<sup>5</sup> Please refer to Appendix 1 to find references for all cost estimates. "Known" data refers to the fact that the publishing of costs associated with housing is very uneven across both programs and over time. For this reason, we would like to caveat all of the cost estimates in this paper as currently "known" estimates.

<sup>6</sup> Please refer to Tables 1 and 2 in the Appendix to find references for all cost estimates.

<sup>7</sup> Please see Table 3 in the Appendix.

<sup>8</sup> Conversation with FEMA Media Desk, November 9, 2005

<sup>9</sup> Eric Lipton, "Hurricane Evacuees Face Eviction Threats at Both Their Old Homes and New." *The New York Times*, November 4, 2005, p. 20.

<sup>10</sup> Conversation with James McIntyre, FEMA Media Desk

<sup>11</sup> These data are from James McIntyre, FEMA Media Desk, and Mary Margaret Walker, FEMA Public Affairs.

<sup>12</sup> Barbara Sard and Douglas Rice, 2005. "Changes Needed in Katrina Transitional Housing Plan to Meet Families Needs" (Washington: Center on Budget and Policy Priorities).

<sup>13</sup> Conversation with James McIntyre, FEMA Media Desk

<sup>14</sup> Disaster Public Affairs, American Red Cross.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Ibid.

<sup>21</sup> Ibid.

<sup>22</sup> Conversation with James McIntyre, FEMA Media Desk

<sup>23</sup> FEMA Field Office-Baton Rouge.

<sup>24</sup> Ibid.

<sup>25</sup> Ibid.

<sup>26</sup> FEMA Contracts Report, October 28, 2005.

<sup>27</sup> FEMA Contracts Report, October 28, 2005; FEMA Field Office-Alabama; FEMA Field Office-Mississippi.

<sup>28</sup> FEMA Contracts Report, October 28, 2005.

<sup>29</sup> FEMA, "FEMA, Small Business Administration Work Together to Award Hurricane Katrina Recovery Contracts to Small and Minority-Owned Businesses." Press Release Number: HQ-05-362, Release Date: November 3, 2005.

<sup>30</sup> Ibid.

<sup>31</sup> Quincy Collins, "Ship of Evacuees Arriving Tonight." *Biloxi Sun-Herald*, October 29, 2005, p. A9..

<sup>32</sup> FEMA Field Office-Baton Rouge.

<sup>33</sup> *Associated Press*, October 21, 2005.

<sup>34</sup> Conversation with James McIntyre, FEMA Media Desk

<sup>35</sup> FEMA, General News Releases, available at <http://www.fema.gov/news/newsarchive.fema?year=2005&month=10> (November 2005).

<sup>36</sup> Barbara Sard, Center on Budget and Policy Priorities, as quoted in Spencer S. Hsu, "FEMA Speeds Katrina Relief: Owners in Areas with Worst Damage to Receive \$26,200." *Washington Post*, November 5, 2005, p. A01.

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