



3rd Year Anniversary Report on Hurricane Katrina

Humanity on the Line



Report By:

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Gulf Coast Renewal Campaign
A Project of the Hip Hop Caucus
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Rev. Lennox Yearwood, Jr. is a minister, community activist, and one of the most influential people in Hip Hop political life. Firmly grounded in his Caribbean and Louisiana roots, Rev. Yearwood is a fierce advocate for the human and civil rights in the 21st century. A powerful and fiery orator, Rev. Yearwood works diligently and tirelessly to encourage the Hip Hop generation to utilize its political and social voice.

He currently serves as President of the Hip Hop Caucus in Washington, D.C. The Hip Hop Caucus is a national, nonprofit, nonpartisan, organization that inspires and motivates those born after the Civil Rights Movement of the 1960s.

Rev. Yearwood is known for his activist work as the National Director of the Gulf Coast Renewal Campaign in which he organized a coalition of national organizations and grassroots organizations to advocate for the rights of Hurricane Katrina survivors. Rev. Yearwood has become an important figure in the peace movement as an outspoken critic of the war in Iraq and the Bush Administration. He was an Officer in the U.S. Air Force Reserve and led a "Make Hip Hop Not War" national tour to engage more young people in the movement for peace.

Rev. Yearwood was a co-creator of the 2004 campaign "Vote or Die" with Sean "Diddy" Combs. He was also the Political and Grassroots Director for Russell Simmons' Hip Hop Summit Action Network in 2003 and 2004, and a Senior Consultant to Jay Z's Voice Your Choice.

Rev. Yearwood, was born in Shreveport, Louisiana. He earned his undergraduate degree from University of the District of Columbia in 1998 and was awarded a Master of Divinity from Howard University in May 2002. Rev. Yearwood has been seen on CNN, BET Tonight, MTV, BBC, C-Span, and Hardball with Chris Mathews and featured in the Washington Post, The New York Times and VIBE.

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About the Gulf Coast Renewal Campaign

In 2006, the Gulf Coast Renewal Campaign was awarded the *40th Annual Letelier-Moffitt Human Rights Award*.

The Gulf Coast Renewal Campaign (GCRC), a project initiated by the Hip Hop Caucus, grew out of an ad-hoc coalition of organizations and individuals who, since September 1, 2005 have been fighting for the rights of those displaced by Hurricane Katrina. The destruction caused by Hurricane Katrina in the Gulf Coast region and the ongoing struggle of Gulf Coast residents to return to their communities and cities has revealed a critical need for a renewed, coordinated and organized effort in the South for racial, social and economic justice.

Find out more specifically about the vast amount of work we have done in the Gulf Coast and around the Country for Katrina survivors at www.hiphopcaucus.org/about/history.

About the Hip Hop Caucus

The Hip Hop Caucus was established in September 2004 by activists and organizers who were working to get out the vote. In organizing and mobilizing around the elections we realized the critical need for a sustainable political organization that empowers the Hip Hop generation to participate in the policymaking process.

Through the Hip Hop Caucus we are challenging the demonization of a generation and culture by creating a space for young people to speak up - to discuss and debate a new vision of a society and a government that works for all of us. We insist that issues of poverty, inequality and opportunity be placed at the center of our national debate. We challenge the status-quo in Washington, which relies on "experts" to determine what our communities need. We engage the Hip Hop generation, those born after 1964, through issue campaigns, events, and voter education. We work to broaden and revitalize a civil and human rights agenda for the 21st century that is embodied in a multi-racial, multi-cultural and multi-class progressive movement.

Cover Photo: Katrina Survivors Rally For Federal Assistance Photo By: Chip Somodevilla

WASHINGTON - MARCH 14: (L-R) Dr. Rashad Zaydan of Baghdad, Iraq, Rev. Lennox Yearwood, President and CEO of the Hip Hop Caucus and Hurricane Katrina survivor Bilal Moran of Gretna, Louisiana clasp hands in prayer in Lafayette Square across from the White House March 14, 2006 in Washington, DC. Zaydan is a pharmacist that sold her business in Baghdad to found the Knowledge for Iraqi Women Society to assist widows and orphans of the war in her home country. During the rally, Rev. Yearwood drew parallels between the innocent civilians in Iraq and the homeless survivors of Hurricane Katrina. Earlier in the day, Yearwood, members of Congress, civil rights leaders, faith leaders and Hurricane Katrina survivors rallied on Capitol Hill to call on the Bush Administration and Congress to halt the March 15 eviction of some 10,000 hurricane survivors that are living in hotels across the country. They also demanded that the Voting Rights Act be enforced and call off the upcoming election in New Orleans, and to pass HR 4197, 'The Hurricane Katrina Recovery, Reclamation, Restoration, Reconstruction and Reunion Act of 2005.' (Photo by Chip Somodevilla/Getty Images)

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Executive Summary

Hurricane Katrina was a domestic natural disaster of unprecedented magnitude. Areas of Gulf Coast states – Louisiana, Mississippi and Alabama – were ravaged by a combination of flooding and winds of 145 miles per hour on August 29, 2005 (Elliot and Pais, 2006). The scope of the disaster was prodigious as more than one million people were displaced from their residence (Kromm and Sturgis, 2008). Over 1800 people are thought to have died as a result of Katrina (Shaw et al., 2008). The total area of damage – approaching the size of Great Britain - is approximately 90,000 square miles. Monetary damages due to the storm total nearly \$81 billion (Shaw et al., 2008).

Three years have passed since that tragic day in August altered the lives not only of Gulf Coast inhabitants, but also of the nation. While it has become customary for the national media to annually venerate those affected by Katrina, its domestic prominence has been lessened by a crisis in health care; global warming; an energy crisis; wars in Iraq and Afghanistan; a national housing crisis; anemic economic growth; increasing food prices; widespread malfeasance in the Department of Justice; an exponentially ascending national debt which has been adjusted to fourteen digits and domestic warrant-less wiretapping among other problems.

Some of the aforementioned issues have been allocated ample resources. The monthly operating expense for running the war in Iraq is approximately \$12.5 billion; the war in Afghanistan requires \$16 billion monthly (Stiglitz and Bilmes, 2008). Federal money to rebuild areas affected by the storm in the form of Community Development Block Grants (CDBG), however, totals approximately \$16 billion. More so, the rebuilding funds are allocated through supplemental war spending requests. Thus, rebuilding the Gulf Coast has been inextricably linked to war spending for the past three years (Crowley, 2006).

Another example of a national issue receiving adequate resources and prompt action concerns the national housing crisis. President George Bush recently signed into law a bill that would allow the Treasury Department to rescue Fannie Mae and Freddie Mac – two Government Sponsored Enterprises that either own or guarantee half of the nations \$12 billion in mortgages – by potentially injecting billions of taxpayer money into the companies. One of the salient accomplishments of this legislation is the establishment of an affordable housing trust fund. The nonpartisan Congressional Budget Office (CBO) estimates that rescue package will cost taxpayers \$25 billion over the next two years. Additionally, the bill allows the Federal Housing Administration (FHA) to insure up to \$300 billion in troubled mortgages. The legislation should prevent 400,000 homeowners from experiencing foreclosure. The CBO estimates that only \$68 billion should be utilized though (Herszenhorn, 2008). While this legislation could alleviate the Gulf Coast affordable housing crisis, no funds will be allocated to the Housing Trust Fund until FY 2010. Thus, while this legislation is integral to the functioning of the economy, it represents nearly \$100 billion of taxpayer money which could have been utilized to expedite recovery of affordable housing in the Gulf Coast.

Hurricane Katrina did not discern based on income – affluent and poor alike lost their homes and in many instances places of employment. The storm, however, created additional problems for low-income people who are less likely to own a home; hold insurance or possess significant assets which could assuage the financial burden of recovery. Overall, approximately 302,405 housing units were either seriously damaged or destroyed by Katrina. Census data exhibits that 412,844 housing units comprised the jurisdictions of Louisiana, Mississippi and Alabama that were affected by the hurricane (Crowley, 2006). Therefore, nearly 3 of 4 housing units in the affected areas were damaged or destroyed.

A tragedy within the disaster concerns housing for low-income cohorts. Much of the housing that was compromised or lost was affordable to low-income people; of the 700,000 people that lost their homes due to Katrina, approximately 300,000 are classified as low-income by federal poverty standards. Approximately seventy percent of the 300,000 housing units damaged or destroyed were affordable to families of low income (Crowley, 2006).

The devastation wrought by Katrina begins to reflect a Matryoshka doll when one considers the racial dimension. Data from the 2000 census exhibits that approximately half of the population that lived in acutely impacted neighborhoods- characterized by significant structural problems or flooding - were black (Crowley, 2006). Nearly three of four acutely impacted people in New Orleans were black. Despite loss being experienced throughout the income distribution, the class and racial dimensions of Katrina are conspicuous.

The recovery and reconstruction efforts throughout the damaged areas have largely marginalized the needs of low-income people. State action plans for recovery are more focused on homeowners and restoring infrastructure. Restoring rental units has been a lower priority; almost one of two housing units damaged or destroyed by Katrina were rental units (Crowley, 2006). Importantly, one of the prominent conduits through which low-income housing could be restored – CDBG appropriations – has been modified to increase its scope of utilization. Prior to Katrina, seventy percent of CDBG monies were to be utilized for projects involving moderate to low-income people. The Department of Housing and Urban Development (HUD), which oversees CDBG funds, modified that amount to at least fifty percent. The former Secretary of HUD, Alphonso Jackson, endowed states with the ability to waive the fifty percent requirement if they could demonstrate a need (Crowley, 2006).

The housing plight of low-income people in Katrina affected areas will be the focus of this paper. Allowing people for three years to languish in formaldehyde-tainted FEMA trailers, in homes with makeshift roofs of blue tarp, doubling or tripling up with other families, residing in shelters, living in tents and inhabiting areas under overpasses is unacceptable given the copious financial and intellectual resources of this country.

Initially, this paper will discuss the plight of Internally Displaced People (IDP). The second section will cover which federal legislation has been passed by the 109th and 110th sessions of Congress. More so, this section will serve to highlight the many bills that could



alleviate the crisis, yet either expired in the 109th Congress or are still languishing in committees awaiting mark up in the 110th Congress. It is likely that many of the bills currently in committee will expire in this session. Thus, many exemplary bills that would confer right-of-return status as well as one-to-one replacement of damaged or destroyed units will need to be reintroduced in the next session of Congress. The third section will cover opportunity costs – or trade-offs – of war spending on Iraq and Afghanistan. A dollar spent on operations in the aforementioned countries is a dollar not allocated to housing for low-income people in the Gulf Coast. This section is not designed to denigrate the public servants that were deceived by the Bush Administration and a Congress that admittedly did not fully read or comprehend legislation pertaining to the war. The people that comprise our armed forces should be commended for bravely serving our country. Rather, prudent policy analysis considers costs and benefits of public expenditure. One could consider the recent housing legislation. While there are obvious financial costs, the monetary benefits of allowing people to stay in their home are obvious. Five years after the commencement of operations in Iraq and Afghanistan, monetized benefits to the public of invading sovereign countries are not palpable. Lastly, this paper offers a policy solution that corrects the market failure of inadequate private production of affordable housing in Katrina-affected areas.

Introduction

The recovery for Hurricane Katrina has been an arduous process. Revitalization of affordable housing, however, has lagged behind other rebuilding efforts. The policy process has placed less emphasis on the interests of moderate and low-income families. The CDBG program is intended to benefit moderate to low-income families. Approximately \$16 billion, over three years, has been allocated to this program through supplemental spending measures. The political process, however, has redefined the use of those funds. Prior to 2005, 70% of CDBG funds were to be allocated to projects assisting moderate to low-income households as measured by area median income (AMI). The first rebuilding supplemental in 2005 modified the rules governing allocation by stating that at least 50% of CDBG funds be utilized for moderate and low-income cohorts. Furthermore, the Secretary of HUD has the ability to grant a waiver to any Katrina affected state which demonstrates a compelling need. Mississippi has received a partial waiver from former Secretary of HUD Alphonso Jackson.

Another example that exhibits the perverse incentives of political actors concerns housing vouchers. Given that many people lost their homes as well as their jobs, Section 8 housing vouchers would allow displaced households to secure subsidized housing in the interim. Senator Paul Sarbanes [D-MD] in 2005 introduced a Senate amendment to the FY 06 appropriations bill for Commerce Justice, and Science (CJS). The amendment would have appropriated \$3.5 billion for nearly 360,000 emergency housing vouchers. The House of Representatives, however, did not include the funding for emergency housing vouchers in its version of the bill. Subsequently, the conference committee did not include the funding in the final bill, H.R. 2862 the FY 06 appropriations bill for Commerce Justice, and Science (CJS) (NLIHC, 2005a; GovTrack.us. H.R. 2862--109th Congress (2005). During that time, Senator Mary

Landrieu [D-LA] and Senator David Vitter [R-LA] introduced the Louisiana Katrina Reconstruction Act; this bill authorized the same amount as the Senate amendment proposed by Senator Paul Sarbanes for emergency housing vouchers. Additionally, this bill waived tenant contributions toward rent; the requirement of one-year leases and would have allowed for the vouchers to be portable. Both bills, however, expired in the 109th Congress (GovTrack.us. S. 1765--109th Congress (2005); GovTrack.us. S. 1766--109th Congress (2005)). A few months after the introduction of those bills, Senator Landrieu introduced another piece of legislation, S.2172, which would have provided a similar amount of emergency housing vouchers via reapportioned disaster funds. The Hurricane Katrina Response Act, S.2172, did not become law (GovTrack.us. S. 2172--109th Congress (2005)). The Hurricane Katrina Recovery, Reclamation, Restoration, Reconstruction, and Reunion Act of 2005, H.R. 4197, introduced proximate to the time of the disaster would also have authorized \$3.5 billion for new Section 8 tenant-based rental vouchers; this bill also did not become law (GovTrack.us. H.R. 4197--109th Congress (2005)). Rather than allow households to exercise choice via housing vouchers, FEMA trailers became the long-term solution to the affordable housing crisis accentuated by Hurricane Katrina. Furthermore, HUD's experience in the provision of housing resources would have improved the lives of thousands of IDPs that subsequently inhabited FEMA trailers.

The Hip Hop Caucus is a nonprofit institution dedicated to edifying the lives of those affected by Hurricane Katrina. While the information contained herein has been available to the public for three years, it has generally been communicated poorly as well as sporadically. The overall response of the country during the past three years suggests that we have acquiesced to the agents of power and wealth. It is unlikely that the 110th Congress will either propose or pass legislation pertaining to Hurricane Katrina IDPs. Therefore, it will be at least six months until the 111th Congress proposes new legislation or re-introduces old bills. The purpose of this report is to inform and foment civic participation in the Gulf Coast recovery process.

Internally Displaced Persons

Hurricane Katrina displaced over one million people in the Gulf Coast. Unfortunately, an accurate count of those displaced is not possible since no federal agency is responsible for collecting data on internally displaced people. Prior to examining the literature relating to those displaced, it would be prudent to reconcile with reality certain terminology utilized by the media to refer to people affected by Katrina.

The term "refugee" has been loosely applied to refer to displaced residents of the Gulf Coast area. International law, however, defines a refugee as a person that crosses international borders to escape conflict in one's home country (Kromm and Sturgis, 2008). The definition of a refugee is ill suited in describing a displaced person from Katrina.

Another term bandied about by the media – and commonly used to refer to a person affected by Hurricane Katrina – is "evacuee". Initially, the term "evacuee" might sound apt,



however, many people were left homeless by Katrina; thus, they were not evacuated (Kromm and Sturgis, 2008).

A more accurate term, “internally displaced person (IDP)”, explains the plight of those driven from their homes by Katrina (Kromm and Sturgis, 2008). Due to the combination of inadequate planning and the severity of the storm, many people have lost their homes; valuable assets; place of employment; neighborhood friends and in some instances a family member.

Mr. Alton Love is an example of an IDP whose life trajectory experienced a tangent due to Katrina. One of the travails suffered by Mr. Love is spatial mismatch – a term applied to those which do not reside proximate to areas of employment. Mr. Love was living in Renaissance Village – a FEMA trailer park – until the trailers provided by FEMA were discovered to be hazardous to the health of its inhabitants. Mr. Love now resides in an apartment, which is paid for by an agency. As time to leave Renaissance Village approached, Mr. Love found a job. The job, however, was located a great distance from Mr. Love. Without an operating car, Mr. Love would have to rely on the inadequate Baton Rouge bus system. Other jobs more proximate to Mr. Love pale in comparison to the \$20 per hour wage he once received as a laborer in the New Orleans shipyards (Dewan, 2008).

Mr. Love is not an anomaly. A recent estimate of internally displaced persons a few months after the storm is between 450,000 to 650,000. More so, the population of Orleans Parish in Louisiana, as of June 2007, is approximately 66% of its pre-storm level. Many people would like to return to their area of residence, however, right of return has been a contentious issue encompassing a multitude of factors ranging from rebuilding in hurricane-prone areas to possessing insufficient resources to move and secure affordable housing.

Right of Return

Though it has yet to be legislated by the 110th Congress, right of return is a salient facet of the United Nations’ Guiding Principles on Internal Displacement. The United States, however, has acknowledged the Guiding Principles in the past. Therefore, it is inhumane to disavow their application to displaced people from Katrina.

Two surveys conducted in the aftermath of Katrina exhibit the desire among displaced persons to return to their communities. Additionally, both surveys denote barriers to return identified by participants. The first survey was conducted September 10-12 2005 at a Houston area Red Cross shelter. The 680 participants were largely from New Orleans.

Regardless of the timeliness of evacuation, the displaced people at the Houston shelter exhibited the following characteristics: more than 90% were African-American; more than half had income of less than \$20,000 in 2004 and a low rate of homeownership was pervasive among the participants (Brodie et al, 2006).

The most common reasons for not evacuating include lack of transportation and underestimation of the storm's magnitude. More than one out of three respondents reported not having access to a vehicle or other means of transportation (Brodie et al., 2006). A study on issues in sheltering and temporary housing corroborates that many in New Orleans do not own or have access to a vehicle. During Katrina, one in six people did not have a vehicle (Nigg et al., 2006). The paucity of vehicle ownership or access in New Orleans is exacerbated by the fact the primary means of evacuation in the Louisiana plan was through personal vehicle (Nigg et al., 2006).

Many of the participants – 43% - expressed a desire to return to their area of residence. Despite an enthusiasm to return, only 31% had bank accounts and 28% possessed access to credit (Brodie et al., 2006). Regardless of desire, the lack of financial resources to compensate for moving expenses as well as permanent housing serve as a barrier to return.

The Louisiana Recovery Corps administered another survey, which explicitly focuses on Louisiana. It was an attempt to gauge certain characteristics of those displaced from Louisiana by Katrina. The survey consisted of 3100 participants, which were identified using U.S. Postal Service change of address cards.

Many of the participants expressed a desire to return. Four in ten of displaced people desired to return to New Orleans or Louisiana, while 20% were undecided (Alfred, 2007). Hence, it is possible that 6 in 10 of those surveyed would like to return to Louisiana or New Orleans.

There are demographic differences apparent in the desire to return. Possessing a lower income appears to be correlated to likelihood of return. Regarding income, those earning less than \$20,000 per year are more than twice as likely to desire a return compared to those earning over \$40,000 per year (Alfred, 2007). Displaced people of fewer means are also more likely to cite insufficient resources as a barrier to returning; approximately 66% of those surveyed earn less than \$20,000 and cannot afford to move. More than half of the displaced people that cite not being able to find a place to live as a barrier earn less than \$20,000 per year (Alfred, 2007). The right to return has been complicated by method in which FEMA has executed provisions of the Stafford Act. The Stafford Act initially governed the fate of the aforementioned; it is the main federal legislation governing response to a disaster.

The Stafford Act

A salient factor in the slow recovery of affordable housing along the Gulf Coast concerns the method in which the government responds to major disasters. The Robert T. Stafford Disaster Relief and Emergency Act – signed into law in 1988 – authorizes the President to declare a disaster and allows federal agencies to disburse aid from the federal Disaster Relief Fund to affected states. The Federal Emergency Management Agency (FEMA), a department within the Department of Homeland Security (DHS), administers the legislation's major requirements (Shaw et al., 2008).



FEMA aid has an eighteen-month duration, which is rather constricted given the damage inflicted to the Gulf Coast. Disaster aid disseminated by FEMA under the Stafford Act has three strata. First, there is section 403 – Public Assistance -aid made available to states, cities, non-profits and other entities for disaster needs and repair or replacement of infrastructure. Aid disseminated through section 403 allowed cities and local entities to situate IDPs in temporary housing such as apartments or hotels immediately after Katrina. Next, there is Section 408 – the Individuals and Households Program. Lastly, hazard mitigation assistance is available for states that wish to protect against future disasters.

FEMA disaster assistance, however, has a catch. Prior to May 2007, the Stafford Act required local governments to submit a 25% match of funds to receive federal assistance. Eventually, this requirement was modified to 10% before Congress waived the local government match in H.R. 2206, a supplemental war appropriations bill. Interestingly enough, President Bush waived the matching requirement immediately following the terrorist attack on New York in 2001 (Shaw et al., 2008).

Section 408 – Individuals and Household Program (IHP) – refers to disaster aid for temporary housing, immediate shelter and home repair amongst other things. It was through section 408 that households received FEMA trailers for up to eighteen months as an alternative to rental assistance. Rent assistance provided under section 408 is limited to either eighteen months or \$26,200 – whichever is reached first. The debit cards containing \$2000, which were issued subsequent to Katrina, were allocated under section 408 (Crowley, 2006).

Section 408 as it relates to Hurricane Katrina is comprised of two components. The first component is operated by FEMA. It endows displaced people with rental assistance to secure housing in the private sector. HUD operates the second facet of Section 408 with funding supplied by FEMA. Those receiving services from HUD prior to the hurricane would be eligible for aid similar to a housing voucher.

The FEMA component provided \$2358 to each eligible household for three months of rent. Eligible households either owned or rented a home, which FEMA declared as uninhabitable. Recertification for additional funds was required. The Treasury department issued section 408 checks, but instructions- which arrived after dissemination of the funds – were mailed by FEMA. Without instructions, displaced people utilized the funds for housing and other needs. Since the funds were for housing, other expenditure made displaced people ineligible for further aid (Crowley, 2006).

The HUD component – the Katrina Disaster Housing Assistance Program (KDHAP) – was administered by local public housing agencies (PHA). Instead of a voucher, PHAs made direct payments to landlords. PHAs, however, were not required to participate. Also, landlords were not required to participate. Only 355 out of 2600 nationwide PHAs agreed to participate as of December 2005 (Crowley, 2006). Thus, this further exacerbated the housing crunch. Families that lived together presented another problem: only one family would be eligible for aid.

Doubling up or living with multiple families – usually due to deficient income - is a form of housing hardship.

The process for signing up for KDHAP was onerous. Initially a displaced person must have registered for FEMA, however, this did not mean that the IDP had also signed up for KDHAP. Therefore, only the well informed – since FEMA might not have communicated to HUD-eligible persons- would know to apply for KDHAP. The ad-hoc like process left many people without shelter. KDHAP was converted to the Disaster Voucher Program (DVP) in December of 2005. While DVP operates similarly to regular housing vouchers issued by HUD, there are no requirements for income eligibility or tenant contributions (Crowley, 2006). Though this program was to end in 2007, it is still currently operating. Overall, FEMA's administration of section 403 and section 408 was poorly executed. It has engendered dislocation to salient institutions, which in turn makes the process of return more difficult.

A controversial aspect of the recovery process concerns the utilization of trailers by FEMA to house IDPs. FEMA trailers are plagued by many inequities. Groups of low-income people relegated to the fringes of society and displaced from familiar aspects of everyday life is an accurate depiction of life in a FEMA trailer. Furthermore, some parish governments and residents of Louisiana were not excited at the prospect of living among stand-alone trailers and trailer communities. Former HUD Secretary Alphonso Jackson filed fair housing complaints against some parish governments for refusing to allow trailers (Crowley, 2006). Amongst the most egregious of FEMA' maladies is that the trailers are not suitable for areas subject to hurricane conditions. Further, Katrina Cottages – modular units suitable for areas prone to hurricane conditions – can be produced for less than a trailer. The decision by FEMA to utilize trailers rather than modular homes for IDPs is highly questionable.

The reliance on trailers as the primary means of housing internally displace persons has been routinely criticized. Thus, FEMA was given a mandate by President Bush and the 110th Congress to create a plan for housing disaster victims. The plan, which was due almost a year ago, would improve current policies utilized to respond to Hurricane Katrina.

Senator Mary Landrieu – Democrat of Louisiana and a regular sponsor of legislation to assist displaced people from Hurricane Katrina - questioned the veracity of the plan drafted by FEMA during a Senate Subcommittee hearing on Disaster Recovery. Conspicuously absent from the FEMA report were plans for housing disaster victims near their vocation as well as accommodating disabled people and special-needs people. FEMA trailers have been subject to fair housing complaints due to their inability to accommodate disabled people. A telling signal of the exasperation with FEMA's incompetence, Senator Landrieu said, "It's hard not to conclude that someone either instructed or suggested that some of the details not be filled in because it might cost something." (Alpert, 2008). Her comments echo the myriad of complaints leveled against the agency, as it appears our country – three years later - is not prepared to properly react to a disaster of similar magnitude.



FEMA Trailers

The most egregious of all FEMA faults is that many trailers contain elevated levels of formaldehyde. Formaldehyde is contained in construction components such as glue, carpet, plywood and other materials (CDC, 2008). Symptoms of prolonged exposure to formaldehyde include irritation of the skin, eyes, nose, upper respiratory tract and irritation of the throat. People sensitive to formaldehyde can have adverse health affects at 100 parts per billion (ppb) (CDC, 2008). Perpetual exposure to formaldehyde is also correlated to the development of cancer (CDC, 2008). Warm weather is also associated with elevated levels of formaldehyde.

The Centers for Disease Control and Prevention published a study on July 2, 2008 conducted on sample of 519 occupied travel trailers, park models, and mobile homes supplied by FEMA under section 408 of the Stafford Act to IDPs from Louisiana and Mississippi. While levels of formaldehyde varied by trailer model, all types had levels equal to or exceeding 100 ppb; this elevated level of formaldehyde has been associated with the manifestation of health effects in sensitive persons (CDC, 2008). Travel trailers, from this sample, on average had much greater levels compared to mobile homes and park models; these travel trailers had levels of formaldehyde of greater than or equal to 100 ppb and levels greater than or equal to 300 ppb. Overall, the range of formaldehyde detected in the trailers ranged from 3-590 ppb; the mean level in the sample trailers was 77 ppb (CDC, 2008). The cited levels are greater than that of U.S. background levels.

Stories abound of the adverse effects of living in FEMA-supplied trailers. Sharon Hanshaw has been living in a FEMA trailer for two years. She developed a harsh cough soon after moving into a FEMA trailer. Additionally, she is aware of others residing in trailers that have developed similar health problems (Shaw et al., 2008). While it could be spurious to say that a FEMA trailer has caused these symptoms, the aforementioned research by the CDC concludes that there is an association.

Hurricane Pam: Unheeded Warning

FEMA was aware that the Gulf Coast was vulnerable to a natural disaster four years prior to Katrina. An emergency training session conducted by FEMA in August of 2001 cited the scenario of a strong hurricane hitting New Orleans as one of three likely domestic disasters (Shaw et al., 2008).

The breach of the levees, which precipitated the flooding that damaged the Gulf Coast, could have been prevented by prudent oversight and sufficient funding. President Bush, however, decreased the budget for the U.S. Army Corps of Engineers – the federal agency in charge of flood control projects – in the two fiscal years preceding Katrina (Shaw et al., 2008). Federal funding for U.S. Army Corps of Engineers projects from 2001-2005 cumulatively declined by 44%.

Government failure was again conspicuous in July 2004. Approximately one year prior to Katrina, a confluence of local, state, and federal emergency officials simulated a storm of similar magnitude to Katrina. The simulated storm – Hurricane Pam – left twenty inches of rain and possessed winds of 120 miles per hour; it breached the levees leaving approximately 60,000 dead (Shaw et al., 2008).

Another important protection against hurricanes is coastal wetlands. Federal funding through the Coastal Wetlands Planning, Prevention, and Protection Act was approximately \$50 million per year near the time of Katrina. Fourteen billion dollars, however, is required to adequately protect Gulf Coast communities (Shaw et al., 2008). A corollary of substandard disaster management is homelessness.

Homeless in New Orleans

Hurricane Katrina badly damaged the stock of affordable housing units. Prior to the storm, the number of homeless people living in New Orleans was approximately 6,450 people (Shaw et al., 2008). Three years after the storm, the number of homeless people in New Orleans is estimated to be 12,000 (Saulny, 2007). A recent survey by an advocacy group, which covered homeless havens such as Duncan Plaza and Clairborne overpass, illustrates how homelessness and hurricane Katrina are inextricably connected. The February survey exhibited that almost ninety percent were from New Orleans. Six in ten people surveyed responded that they were homeless due to Hurricane Katrina, while three in ten people had received FEMA rental assistance in the past three years (Dewan, 2008). In the same article, Ronald Gardner – an H.I.V positive man that is homeless for the first time in his life – commented, “If I could just get a warm room, I could take it from there.” The lack of affordable housing in this area makes assuaging his privation even more exigent.

Earlier this year a report commissioned by the American Human Development Project estimated that approximately 82,000 people occupied FEMA trailers in Katrina affected areas (Shaw et al., 2008). Given that many have recently received eviction notices, it is likely that the homeless population will swell. Supposedly FEMA wants to help displaced people, while concomitantly evicting them from their formaldehyde-laced trailers. FEMA spokeswoman Diane L. W. Perry said about the agency’s resolve to assist displaced people, “We’re with them every step of the way” (Saulny, 2007). Her comments diverge from reality. Given the paucity of affordable housing, the frayed social safety net, the end of the FEMA trailer program and the substantial increase in rent around the devastated areas it appears that non-governmental organizations such as UNITY of New Orleans – a network of agencies designed to assist the homeless - will fill the enormous vacuum left by government entities.

The homeless in New Orleans reside in areas in which the odor of human excrement emanates. Substance abuse is extensive and many have at least one disability. Unity of New Orleans has helped to place homeless people in apartments and hotel rooms. The lack of a social safety net, however, makes homelessness persist. Since the storm that number of beds for homeless people has declined from 2800 to 2000 (Dewan, 2008). Furthermore, a



substantial number of homeless people have at least one disability, which makes them less suitable for a group shelter. This population requires case management services. Case management services for Louisiana were to be included in the recent emergency supplemental appropriation bill for wars in Iraq and Afghanistan that was signed by President Bush in late June. While the Senate included six million dollars in the bill for case management services, the House of Representatives cut the funding in the final bill.

The Effects of Hurricane Katrina on the Gulf Coast Housing Stock

The damage to the housing stock in the Gulf Coast is considerable. As previously stated, over 300,000 housing units – 70% affordable to low-income people – were either damaged or completely destroyed. The government response to repair the housing stock is largely focused on homeowners and neglects the needs of renters. The following is an estimate of the damage to the housing stock in each affected state.

Alabama

Relative to Louisiana and Mississippi, the damage to the housing stock in Alabama was not as extensive. While Only 0.2% of housing in Alabama sustained severe or major damage, it does not mitigate the needs of thousands of displaced homeowners and renters awaiting assistance (Crowley, 2006).

As of August 2007, it was estimated that Hurricane Katrina damaged approximately 10,000 single-family structures; 550 housing units were also destroyed. Further, twenty multi-family residences were damaged by the storm. Cumulatively, the estimated amount of housing damage for Alabama due to Katrina is near \$100 million (Bettis, 2007).

Housing affordable to those with low-incomes was badly damaged. Due to Hurricane Katrina, the entire stock of public housing in Mobile – 4068 units – experienced major damage (Crowley, 2006). Even prior to the hurricane, a shortage of affordable housing existed (Bettis, 2007). The dearth of affordable housing has been accentuated as a damaged 200-unit apartment complex in Mobile Bay is being replaced with \$2 million condominiums (Bettis, 2007). While more than \$95 million has been allocated by HUD to restore housing, the unmet needs of inhabitants of Bayou La Batre and Coden perpetuate.

Coden is an unincorporated town of Mobile County, AL. Mobile was allocated \$8.4 million of CDBG funds for housing redevelopment. The sluggish pace of housing redevelopment is evident in the manner in which grant money is allocated. As of September 30, 2007 approximately 1200 applications for grant money have been received, yet none approved. Additionally, the application process was contrived to produce negligible results. Initially, the federal grant administrator for Mobile County provided prospective applicants one week to obtain an application and two weeks in which to return the form (Shaw et al., 2008). Commenting on the lack of rebuilding in Coden, a lifetime resident said, “From that day, and

still now, there are no funds to rebuild the few homes which just happened to be black owned.” (Shaw et al., 2008).

Recently, the House of Representatives deleted \$50 million of CDBG funds for Alabama included by the Senate in the war supplemental. Congress, adjourned for the summer, has placed a prospective second domestic supplemental on the periphery until September 2008. Thus, three years after Katrina, the federal government remains culpable as homeowners and renters continue to languish without assistance.

Housing hardship is palpable in Alabama. Severely burdened households – those allocating at least fifty percent of their income to housing – are common in Alabama’s first district. Households in good financial health usually spend one-third of their income on housing expenditures. Overall, 11,209 households in Rep. Jo Bonner’s first district, or nearly one in five renter households – expends at least half of its income on housing. More so, there is a deficit of 6,700 available and affordable rental units for extremely low-income households in the first district (NLIHC, 2008).

Mobile is an example of the divergence between reality and affordability. The area median income in 2007-2008 was \$47,900; extremely low-income households – at most 30% of the AMI – earned approximately \$14,370 per year. Spending one-third of monthly income on housing equates to \$359. The fair market rent for a two-bedroom house or apartment, however, was \$628 per month (NLIHC, 2008).

Louisiana

The state of Louisiana, and the city of New Orleans, experienced the greatest loss to its housing stock. Homeowners and renters alike experienced tremendous trauma. Prior to Katrina, there were 1,656,053 homes in Louisiana; 31% of the homes were damaged, while 12% were destroyed (Crowley, 2006). To aid in recovery of housing and infrastructure, Louisiana has received over \$10 billion in CDBG funds through supplemental war spending measures. Yet, the process through which funds are disbursed has relegated people of lesser means, especially renters.

The Road Home, Louisiana’s housing recovery plan which is administered by the Louisiana Recovery Authority (LRA), received full funding at the end of 2007 – over two years after Hurricane Katrina. It had taken ten months for Congress and the President to sign legislation which would compensate homeowners; one year after Katrina, no federal reconstruction funds had been distributed to affected states (Kromm and Sturgis, 2008). Only single-family homes and duplexes, however, are eligible for funds. Given the nature of the disaster’s toll – 40% of the 200,000 damaged housing units were rental units – the Road Home does not target those most in need. Furthermore, half of the damaged rental units were affordable to people classified as low-income, which is income between 51% and 80% of the Area Median Income (AMI) (Kromm and Sturgis, 2008). Regardless, homeowners have had to



wait 250 days on average – some have waited over a year – to receive grant money (Eden and Boren, 2008).

New Orleans suffered tremendous loss to its housing and rental stock. The area of New Orleans comprises half of the destroyed or damaged units; a majority of the housing units were rental (Crowley, 2006). More so, housing affordable to low-income cohorts was greatly damaged. Almost eight of ten housing units destroyed in New Orleans were affordable to low-income cohorts (Crowley, 2006).

Public and HUD-assisted housing experienced massive damage. The Housing Authority of New Orleans (HANO), which is in HUD receivership, owned almost 8,500 housing units prior to the storm. HANO reported that over 7,100 units sustained major damage (Crowley, 2006). A HUD report for Louisiana and Mississippi examined damage to Section 8 project-based housing, Section 202 housing for elderly, and Section 811 housing for disabled people. The approximately 67,000 assisted HUD units in Louisiana and Mississippi sustained extreme damage – 28% were damaged while 19% sustained severe damage (Crowley, 2006).

Though the damage to the public housing stock in New Orleans was of great magnitude, reports from various sources challenge the contention that the B.W. Cooper, C.J. Peete, Lafitte and St. Bernard housing complexes required demolition. The plan to demolish these complexes would eliminate roughly 4,500 public housing units, while building only 800 replacement units (Kromm and Sturgis, 2008). Kromm and Sturgis (2008) cite evidence from an independent housing expert which maintains that most public housing units were minimally damaged by the storm. HANO's insurance estimate corroborates claims that the public housing units could be repaired for less than the cost of demolition. All damaged units in Lafitte and C.J. Peete could have been repaired for less than \$10,000 each, while most units would have required an expenditure of only \$5,000. Plans to redevelop the razed public housing units center on mixed-income complexes. The former C.J. Peete complex is currently being developed in that manner; of the 464 planned units, one-third would be rented at market rates, another third would be reserved for people earning between 40% and 60% of the AMI, while the last third would be reserved for those earning less than 40% of the AMI (Eggler, 2008).

While mixed-income living is desirable, affordable public housing units are not being replaced at a one to one ratio. Senator Mary Landrieu of Louisiana has sponsored legislation connoting one to one replacement of units and right of return. HUD, however, has moved more quickly than Congress and rendered legislation obsolete. Thus, the inability of Congress to protect the rights of displaced low-income households has allowed HUD to raze public housing complexes. The laws of supply and demand suggest that rental prices will increase with fewer units available. Supposedly rents have tripled since Katrina. A laborer from New Orleans commented, "One of the main challenges is low income housing. They changed the definition of affordable housing.. it used to be \$300 to \$400 in New Orleans... Now the definition is \$800 to \$1200." (Shaw et al., 2008). That sentiment is corroborated by data from Louisiana's first district. The fair market rent for a two-bedroom housing unit in the New Orleans Metairie-Kenner Metropolitan Statistical Area (MSA) in 2007-2008 was \$990. As

evidenced in Alabama, those making 30% of the AMI in the Metairie-Kenner MSA can afford to pay \$449 per month (NLIHC, 2008).

Many households in Louisiana allocate more than 30% of their income to housing-related costs. Cumulatively, there are nearly 500,000 renter households in Louisiana, of which 133,072 expend at least half of their income on housing. Overall, there is a deficit of 80,694 housing units affordable and available to extremely low-income households in Louisiana (NLIHC, 2008).

PolicyLink accurately portrayed the New Orleans public housing crisis in a December 2007 report. Prior to Katrina the stock of affordable housing for those earning less than 30% of the AMI or \$15,900 per year consisted of 12,000 units. The affordable units were allocated in the following fashion: 6,606 public housing units; 773 units in private complexes; and 4,475 units for the elderly and special needs population. PolicyLink details that only 37% or 4,438 units will be restored. Given that many rental units regardless of income level were lost in the storm and resources exist to restore less than half of these units, housing hardship in New Orleans for the poorest and near poor households will not abate in the immediate future (Clark, 2007).

Mississippi

Next to Louisiana, Mississippi sustained the most damage to its housing stock. Mississippi contained 1,046,434 homes prior to Katrina; of this amount, 21% were damaged, while 6% were severely damaged (Crowley, 2006). The damage to affordable housing by Katrina was significant. The counties of Jackson, Hancock and Harrison experienced massive damage. Approximately 300 of 1570 public housing units were lost along with 8,000 rental units (Kromm and Sturgis, 2008).

Rebuilding the housing stock and infrastructure will prove difficult. To aid its efforts, Congress awarded approximately \$6 billion in CDBG funds to Mississippi between two war supplemental appropriation bills. Senator Thad Cochran, in drafting the first rebuilding supplemental, ensured that no state would receive more than 54% of the initial allocation. Thus, Mississippi was awarded \$5 billion, though Louisiana's housing losses comprised 77% of the storm's damage (Crowley, 2006; Kromm and Sturgis, 2008). Further, Kromm and Sturgis (2008) document that Mississippi received nearly three quarters of funds for a FEMA Alternative Housing Pilot Program to assist IDPs. The disbursement of funds is suspected of being politicized since Senator Cochran is a Republican while Senator Landrieu of Louisiana is a Democrat. The provision of Senator Cochran combined with the modified formula for CDBG funds undermine the ability of low-income households to successfully recover. The Mississippi Development Authority is responsible for allocating CDBG funds.

Therefore, it is not surprising that restoration of affordable housing is a low priority. Shaw et al. (2008) disclosed in their study that Hancock Country ranked affordable housing



fifteenth on its list of Katrina recovery priorities as well as denying a role for Habitat For Humanity in the rebuilding process.

Private sector entities appear to have recovered quickly. Many of the Mississippi's casinos re-opened quickly, while condominium development followed. Housing development has lagged in comparison. The Hurricane Recovery Fund, established by Governor Haley Barbour, was supposed to expedite the process of housing recovery. Though the fund has over \$100 million, few dollars have been allocated to rebuilding rental housing (Shaw et al., 2008).

As with Louisiana, the laws of supply and demand have resulted in an increased cost of housing among fewer units. Shaw et al. (2008) exhibits that the median mortgage payment has increased from \$876 prior to Katrina to more than \$900 post-hurricane. The cost of rental housing has increased as well. The median rental price increased from \$552 to \$587. The cost of land also plays a salient role. Shaw et al. (2008) displayed that the price of land in certain areas has increased from \$4,000 to \$30,000. The housing plight of extremely low-income households is also evident in Mississippi. The fair market rent for a two-bedroom housing unit in Lee County is \$545, while the monthly rent affordable to an extremely low-income household is \$364. Mississippi's first district contains 9,778 severely burdened households, which translates to between one of every six or seven households allocating half of their income to housing expenditures. Overall, there is a deficit of 43,916 affordable and available rental housing units available to extremely low-income households in the state (NLIHC, 2008).

Mississippi has utilized their CDBG funds primarily to compensate homeowners. An adverse sign for low-income cohorts arrived June 14, 2006 when Secretary of HUD Alphonso Jackson partially waived the requirement to spend at least half of CDBG funds on households making 80% or less of the AMI. Overall, only \$100 million, or 1.7%, of CDBG funds will be utilized to restore public housing in Mississippi. The income-targeting rules for the funds have been set to 60% or less of AMI, which corresponds to LIHTC units. Thus, internecine battles among the moderately poor and extremely poor people will determine the allocation of the dearth of affordable housing (Crowley, 2006). The legislative follies of the past three years are largely to blame for the current scenario.

Gulf Coast Affordable Housing Recovery Legislation

Concerning the rebuilding of affordable housing along the Gulf Coast, the 109th and 110th sessions of Congress could be aptly characterized as apathetic. While each year witnesses the proposal of ambitious legislation to remedy the housing inequities that exist between homeowners and renters, the majority of legislation either languishes in committee or expires when a session of Congress adjourns.

The politicization of recovery has resulted in the widespread utilization of temporary housing in the form of FEMA trailers. Two years after Katrina, nearly 82,000 FEMA trailers were still occupied in four states; Louisiana possessed 45,000 trailers, Mississippi had 20,000, 17,000

in Texas, and approximately 400 in Alabama (Shaw et al., 2008). Nigg et al. (2006) characterizes the trailers as a form of housing that allows people to resume everyday life. The temporary arrangement can last from a few months to a few years. Subsequently, permanent or replacement housing is to be secured. The recovery of affordable housing, however, has been a slow process and may not allow many to graduate to permanent housing.

The closing of Renaissance Village, a FEMA trailer park proximate to Baton Rouge, aptly illustrates how government at each level has failed the citizenry. The closing of the village – expedited by discovery of unhealthy levels of formaldehyde – left government officials unprepared to act. Without ample resources to assist the trailer occupants, many have acquiesced. The closing of Renaissance Village has left many with nothing but a mattress (Dewan, 2008). The public and private sectors are complicit in failing to afford those in the affected Gulf Coast states with decent temporary shelter as well as permanent housing.

Failure of the private sector should be a harbinger for government intervention. Yet, as this section will exhibit, government has not enacted policies to assuage the plight of internally displaced people. First, this section will analyze the few pieces of legislation enacted heretofore. Subsequently, other notable bills that were not passed by Congress– such as the Hurricane Katrina Recovery, Reclamation, Restoration, Reconstruction, and Reunion Act of 2005 – will be analyzed.

Legislation Passed by Congress

109th Congress

Aside from funding allocated through supplemental appropriation bills for the wars in Iraq and Afghanistan, the only major piece of legislation enacted to rectify the affordable housing dilemma was H.R. 4440, the Gulf Opportunity Zone Act of 2005. The GO Zone bill was introduced by Rep. William Jefferson [D-LA] and Rep. Jim McCrery [R-LA] on October 27, 2005. President Bush immediately signed this legislation into law on December 22, 2005.

Devastated areas in the Gulf Coast were declared “opportunity zones”, in which the tax system would be utilized as an incentive to spur economic growth. The area encompassed by GO Zone does not cover the entirety of affected areas, but only covers 60,000 of the estimated 90,000 square miles damaged by the storm. There are many provisions in this legislation such as an expanded employee retention credit to all firms; reduced business taxes; the expensing of half of cleanup and demolition costs; expensing of brownfields and petroleum contamination cleanup costs; a reduction in personal income taxes that protects people in affected areas from the Alternative Minimum Tax; one billion dollars in New Markets Tax Credits available to nonprofit organizations involved in rebuilding and an increase in Low-Income Housing Tax Credits (LIHTC) by a factor of three among other facets of the legislation (Stoker and Rich, 2006).



The LIHTC program is designed to increase production of affordable housing through private sector investment. The incentive for private investors to provide cash for the production of LIHTC units is a tax credit. The tax credit results in a dollar for dollar reduction in the investor's federal income taxes. The lower rental costs are a result of a reduction in the amount of borrowed funds, which decreases overall costs (Fischer, 2008).

The increase in LIHTC for the affected areas was estimated to result in 54,000 refurbished or newly constructed units (Fischer and Sard, 2006). An important component of H.R. 4440 was the maintenance of income-targeting rules for LIHTC units. LIHTC units are available to households making less than 50% or 60% of the AMI. The rent that a tenant pays is not based on their income, but on the AMI. Thus, tenants could pay more than one-third of their income to cover the cost of rent and utilities. Paying more than the aforementioned amount could result in other hardships such as food insufficiency as well as not possessing enough money to pay for medical care among other needs. Fischer and Sard (2006) note that the reduced cost of housing through LIHTC probably would not result in affordable housing for poor households. They recommend coupling LIHTC units with 13,500 Section 8 project-based vouchers. The estimated cost of the additional vouchers is \$100 million (Fischer and Sard, 2006).

There are several problems with dependence upon the LIHTC program to restore affordable housing in the Gulf Coast. First, a paucity of LIHTC units was produced in Louisiana and Alabama a year prior to Katrina. Louisiana produced 1,000 units in 2004 while Mississippi constructed a paltry 743 units (Crowley, 2006). Obviously, this meager total does not auger well for increased future production. Additionally, it is difficult to imagine this incentive being attractive given the increased cost of land and insurance. While the LIHTC program is designed to lower overall costs, the exorbitant rise in land values as well as higher insurance costs would likely nullify any cost savings produced by the tax credits. The original GO Zone legislation stated that housing units built with LIHTC must be placed in service by December 31, 2008. Given that insurance costs have increased by an estimated 200% to 600% in some areas along with the difficulty in obtaining financing, the LIHTC program might not produce as many units as expected. Further, a shortage of labor and raw materials has increased the time needed to construct units. H.R. 2206, a 2007 supplemental war spending bill, amended the placed in service date of housing units constructed under GO Zone to January 1, 2011 (GovTrack.us. H.R. 2206--110th Congress (2007)).

Within one month of Hurricane Katrina, The Heritage Foundation released a report containing detailed recommendations for Gulf Coast recovery. Among the recommendations was a plan to declare the damaged areas as "opportunity zones". Opportunity Zones, according to the report, would promote reconstruction of damaged or destroyed property by modifying the federal tax code (Meese et al., 2005). Nearly a year later, the Brookings Institution released research which detailed the federal government's experience with utilizing tax incentives to repair badly damaged areas. Tax incentives as a stand-alone policy tool, the report stated, are probably not sufficient. The report though recognizes the value of tax incentives if combined with block grants for economic development, engagement of the local community, good

planning and cross-sector, collaborative governance (Stoker and Rich, 2006). Thus, the last three years illustrate utilizing the LIHTC program via GO Zone needs to be revised so that the rebuilding of affordable housing can be expedited.

Another piece of legislation signed in the aftermath of Hurricane Katrina concerned tax relief. Rep. James McCrery [R-LA] introduced The Katrina Emergency Tax Relief Act of 2005-H.R. 3768- on September 14, 2005. President Bush signed the bill into law nine days later. Specifically, this bill allows individuals in Katrina affected states to use their 2004 income level for their 2005 tax return. Additional provisions include abrogating the penalty for withdrawing funds from a retirement account as well as claiming a \$500 deduction – maximum \$2000 deduction – for providing shelter to hurricane victims (GovTrack.us. H.R. 3768--109th Congress (2005); NLIHC, 2005b).

Flood insurance was another contentiously debated topic subsequent to Katrina. Congress established The National Flood Insurance Program (NFIP) in 1968. Flood insurance is an area of coverage that the private sector has not adequately provided; thus, private markets are economically inefficient in this sector of insurance. Since homeowners were unable to be adequately paired with insurance companies offering flood insurance due to missing markets, the government created the NFIP to correct for this market failure. The NFIP is operated by FEMA. Homeowners with houses in areas termed 100-year flood plains and possessing mortgages from federally regulated lenders are mandated to obtain flood insurance. The predicted insurance payouts for Hurricanes Rita, Wilma, and Katrina are estimated to be \$23 billion. Three pieces of legislation increased the ability of FEMA to borrow from the Secretary of Treasury. One of the bills -S.2275 The National Flood Insurance Program Enhanced – was sponsored by Sen. Richard Shelby [R-AL] and increased FEMA's borrowing from \$18.5 billion to \$20.775 billion through fiscal year 2008 (GovTrack.us. S. 2275--109th Congress (2006); NLIHC 2006a).

Additional legislation passed by the 109th Congress aided the Small Business Administration. The Small Business Administration (SBA) was to be a component of the Katrina recovery effort. The SBA offers low-interest disaster loans to qualified borrowers to make repairs to homes that were not covered by insurance. Rep. Jerry Lewis, [R-CA], was the sponsor of H.R. 4745 – Making Supplemental Appropriations for FY 06 for SBA Disaster Loans Program. The bill was introduced on February 14, 2006 and signed into law four days later. Specifically, the bill would reallocate \$721 million in appropriated FEMA funds for the SBA disaster loan program. Many people, however, have been unsuccessful in their attempt to secure a loan through SBA; As of February 2006, 375,000 applications were received, but only 57,000 loans approved (GovTrack.us. H.R. 4745--109th Congress 2006; NLIHC, 2006b).

Another bill enacted in 2007 amended the Stafford Act. The Department of Homeland Security Appropriations Act, 2007 – sponsored by Rep. Harold Rogers [R-KY] – was signed into law on October 4, 2006. Key provisions of H.R. 5441 include substantial revisions to the Stafford Act, an overhaul of FEMA, and the creation of a National Disaster Housing Strategy (NDHS). The legislation overhauls FEMA, while keeping it in the Department of Homeland



Security. Furthermore, the bill allows disaster victims to use FEMA cash assistance for security deposits and utilities. Additionally, spending caps within the Section 408 \$26,200 cash assistance limit for repair and replacement were eliminated. One beneficial provision, included in S.3721, was omitted. The provision in S.3721 would allow pre-disaster households living separately subsequent to the storm to receive separate assistance due to domestic violence (GovTrack.us. H.R. 5441--109th Congress (2006); NLIHC, 2006c).

Three years into the Gulf Coast recovery effort, 2008 has been evidenced by much less proposed legislation. Aside from the recent Iraq and Afghanistan war supplemental bill, the only germane legislation signed by President Bush in 2008 was H.R. 6081. While this bill, the Heroes Earnings Assistance and Relief Tax Act 2008, concerns military personnel, it also protects the housing interests of Gulf Coast IDPs. Introduced by Rep. Charles Rangel [D-NY] in May of 2008, this bill stipulates that the military service basic allowance must be included in calculating income to determine eligibility for LIHTC units. Given the dearth of LIHTC units produced in the three years since GO Zone was introduced, Gulf Coast IDPs are badly in need of affordable housing. While H.R. 6081 does not expedite construction of LIHTC units, it is a positive statement for low-income IDPs of the Gulf Coast (GovTrack.us. H.R. 6081--110th Congress (2008); NLIHC, 2008a).

Legislation Which Congress Did Not Pass

The amount of legislation proposed by Congress to ameliorate the effects of Hurricane Katrina is prodigious. While the initial effort to aid people affected by Katrina was admirable, divisive politics and questionable priorities have denied justice for thousands of IDPs. This section will act as a compendium of major legislation and other germane bills proposed by both chambers of Congress.

109th Congress

Two pieces of legislation, proposed a few months after Katrina, would create a homesteading program operated by HUD. The provisions in both S.2088 and H.R. 4514 are aligned with many facets of President Bush's initiative to assist disaster victims in securing housing. Specifically, low-income IDPs would be able to secure houses owned by the federal government. To receive title, participating IDPs would have make required repairs within one year and remain in the property for five years (NLIHC, 2005c ; GovTrack.us. S. 2088--109th Congress (2005); GovTrack.us. H.R. 4514--109th Congress (2005).

Members of the Congressional Black Caucus proposed comprehensive legislation in 2005 to aid in the recovery of the Gulf Coast on November 2, 2005. H.R. 4197 The Hurricane Katrina Recovery, Reclamation, Restoration, Reconstruction and Reunion Act of 2005 would authorize \$3.5 billion for 300,000 new Section 8 tenant-based rental vouchers. Additionally, it would authorize increased spending for the following HUD programs: \$100 million for HOPE VI; \$1 billion for the HOME program; an additional \$1 billion in CDBG funds; \$10 million for Fair

Housing Enforcement and \$10 million for Section 108 Loan Guarantee Funds. Another provision would prohibit placement of IDPs in substandard housing. The bill also would provide compensation for individuals and relatives of a deceased person that suffered economic or non-economic losses due to Katrina. Other specifications included tax credits for people that buy a residence in a Katrina-damaged area as well as an offer of alternative land or housing as compensation (GovTrack.us. H.R. 4197--109th Congress (2005); NLIHC, 2005d).

H.R. 4197 was co-sponsored by ninety-three Democrats from the House of Representatives. The politicization of rebuilding lives is evidenced by the lack of any Republican co-signors. Noticing the conspicuous partisanship exhibited by the 109th Congress, Congresswoman Cynthia McKinney reminded her colleagues that Congress is a human entity, not an agent of any one political party.

While H.R. 4197 was one of the first attempts to assuage the suffering of displaced residents of the Gulf Coast, the language of the bill has obscured the sincerity of congressional advocacy efforts. Most co-sponsors did not approve their signature until January 2006 – five months after the disaster. More so, there were few champions of this legislation in Congress; Congresswoman McKinney was the one of a few members of Congress to ardently advocate H.R. 4197 to her Republican peers in the House of Representatives. Despite the presence of internally displaced Gulf Coast residents in the Washington D.C. Armory for two months, efforts to ameliorate the situation in the legislative arena failed.

The paucity of advocacy regarding H.R. 4197 is one example of the indifference displayed by not only Congress, but also FEMA. The Stafford Act, which is administered by FEMA, has an eighteen-month duration. Yet, FEMA commenced hotel, motel, and temporary housing evictions on March 15, 2006 – a mere seven months after the hurricane. Many displaced victims construed FEMA, in the aftermath of Katrina, as a savior of sorts. FEMA's subsequent dereliction of duty in administering the Stafford Act left hundreds of thousands of IDPs without a government entity devoted to their needs.

Senator Mary Landrieu was the sponsor of the Louisiana Katrina Reconstruction Act – S.1765. Louisiana's other Senator, David Vitter [R-LA], introduced an identical bill – S.1766. Both bills would provide Katrina affected families and individuals with emergency assistance vouchers; \$3.5 billion would be required to fund the vouchers. Further, the Secretary of HUD would be required to waive certain voucher specifications such as one-year leases, restrictions on portability and tenant contributions towards rent. Lastly, the legislation would authorize \$50 billion to be allocated primarily amongst CDBG, HOME, and HOPE VI (GovTrack.us. S. 1765-109th Congress (2005); GovTrack.us. S. 1766--109th Congress (2005); NLIHC, 2005e).

The Natural Disaster Housing Reform Act of 2006 was an effort to amend certain provisions of the Stafford Act as well as to mandate that HUD be the lead agency in coordinating long-term federal housing assistance resulting from a disaster. Rep. Richard Baker [R-AL] introduced the house version – H.R. 5393- while Sen. Mary Landrieu [D-LA] introduced a companion bill – S.2983- in the Senate. Aside from appointing HUD as the lead agency for long-



term housing issues resulting from a disaster, it also amended Section 408 of the Stafford Act. Specifically, the legislation would allow FEMA resources to be utilized for utility costs; repair of a damaged rental unit and security deposits among other things. Further, Section 408 would be modified to allow FEMA to purchase modular housing – also known as Katrina cottages. Recognizing the error of FEMA trailer parks, the bill would also stipulate that the modular units could not be placed on a site containing thirty or more similar units (GovTrack.us. H.R. 5393--109th Congress (2006); GovTrack.us. S. 2983--109th Congress (2006); NLIHC, 2006d).

Senator Barack Obama, [D-IL] introduced the Hurricane Recovery Act of 2006. A major provision of the legislation was the establishment of an Affordable Housing Fund, which was included in the recently signed housing bill. The fund would be populated by a percentage of Fannie Mae and Freddie Mac profits. Furthermore, the legislation included funding for CDBG, fair housing enforcement and housing counseling for families residing in temporary shelters. S.2319 also would prohibit the placement of IDPs in inadequate housing as well as ensure that states receiving HOME program money reserve housing units for families with income below the poverty line (NLIHC, 2006e; GovTrack.us. S. 2319--109th Congress (2006).

110th Congress

Two ambitious pieces of legislation were drafted in 2007 to address housing recovery in the Gulf Coast. The Gulf Coast Hurricane Housing Recovery Act of 2007, H.R. 1227 and The Gulf Coast Recovery Act of 2007, S.1668 contained key stipulations pertaining to the plight of IDPs. Salient provisions of each bill will be reviewed.

H.R. 1227 passed the house on March 21, 2007, however, has yet to be voted on in the Senate; it will likely expire in this session of Congress. The bill, sponsored by Rep. Maxine Waters [D-CA] would make \$1.175 billion of FEMA appropriated funds available for the Louisiana Recovery Authority's Road Home program. It would also require Katrina affected states to submit quarterly reports on utilization of CDBG funds. Additionally, title I of the bill would appropriate FEMA funds to reimburse cities and states which used CDBG funds to provide rental assistance.

A key provision in the title II public housing section would require the Secretary of HUD to survey households that lived in Housing Authority of New Orleans (HANO) public housing prior to Hurricane Katrina and account of those which intend to return. Public housing occupants would be asked if they desire to return to refurbished public housing or if they would rather continue to receive mobile rental assistance from the federal government. Further, the legislation would require that by August 1, 2007 that HANO make available the greater of either 3,000 public housing units or the number of units corresponding to those which answered the survey question affirmatively regarding right of return to public housing. Additionally, the bill requires that reopened HANO units be made available first to previous tenants. These tenants would also be given relocation assistance. Former tenants would also be given the ability to

select the location of their public housing unit. Another provision requires that HANO or other PHA in a disaster area not demolish any public housing until a replacement plan is conceived the Secretary of HUD; the plan must allow for the participation of public housing residents. Further, there must be no net loss of public housing units. Right of return for former public housing tenants in a disaster area is required by all PHAs. Lastly, the bill requires that all PHAs in disaster areas provide relocation assistance to former public housing residents.

Title III concerns the Disaster Voucher Program – formerly Katrina Housing Disaster Assistance Program – and Section 8 project based rental assistance. It requires that the Secretary of HUD identify and assist all previously assisted HUD households, which are not receiving disaster vouchers. Funds would be made available to extend DVP until January 1, 2008.

H.R. 1227 would authorize appropriations for 4500 project-based vouchers for provision of permanent supportive housing units in Katrina affected areas. Upon request, 3000 vouchers must be made available to the state of Louisiana. More so, the bill prohibits the expiration of project-based housing assistance contracts.

Title IV would authorize FEMA to reimburse landlords that participated in the section 403 program for losses due to FEMA not honoring the twelve-month contract.

Other key provisions include extending FEMA housing assistance for those affected by Katrina through December 31, 2007. Upon termination of the FEMA program, all income-eligible households would be transferred to the Section 8 voucher program. Fair housing enforcement initiatives would also receive funding (GovTrack.us. H.R. 1227--110th Congress (2007); NLIHC 2007a).

The Gulf Coast Recovery Act of 2007, S.1668, was introduced on June 20, 2007. Senator Chris Dodd [D-CT] is the legislation's sponsor and Sen. Mary Landrieu is one of the co-sponsors. The legislation would authorize funding the Road Home program shortfall.

Additionally, the legislation requires that there is no net loss of affordable housing. The bill authorizes the appropriation of funding 4,500 supportive housing vouchers and the construction of 1000 housing units for the homeless. Home ownership for low-income households is also a subject of the legislation. HUD must transfer any housing in New Orleans under its ownership to the New Orleans Redevelopment Authority. Another important provision concerns LIHTC units. HANO would be required to try to couple project-based vouchers with LIHTC units. Furthermore, the bill recognizes that HUD should be the lead agency in the provision of long-term housing solutions. Rental assistance for IDPs would continue and FEMA funds would be transferred to HUD to provide rental assistance to those families in need. Additionally, fair housing enforcement initiatives would receive funding. Due to disagreeing with certain provisions of the bill, Sen. David Vitter [R-LA] has blocked the bill's progression. (GovTrack.us. S. 1668--110th Congress (2007); NLIHC 2007b).



Rep. Maxine Waters introduced a major piece of legislation, which would substantially amend the section 8 housing voucher program, in 2007. The Section 8 Voucher Reform Act of 2007, H.R. 1851, contains provisions for voucher funding, rent rules, and an improved method for inspection of units. Public Housing Agencies annual voucher budget would be based on the number of vouchers utilized and the average cost in the preceding year. Households on section 8 waiting lists would also be aided by this legislation. H.R. 1851 would direct HUD to reallocate unspent funds to other PHA's, which would then shorten the time for households on waiting lists. Further, portability of vouchers would be strengthened by this legislation. Also, while tenants would still be required to allocate 30% of their income towards rent, the process by which income and deductions are determined would be simplified. The simplification of this calculation would be administratively prudent. Also, families with fixed-income budgets would now only need to be recertified every three years. Another provision would improve the inspection process, which would be attractive to landlords and thus increase the number of rental units amenable to voucher compensation (GovTrack.us. H.R. 1851--110th Congress (2007)).

While restoration of housing is salient, infrastructure and employment are necessary for economic growth. H.R. 4048 the Gulf Coast Civic Works Act, which is sponsored by Rep. Zoe Lofgren [D-CA], would provide funding for economically sustainable infrastructure projects. Additionally, it would create jobs for IDPs. Local businesses would receive priority for contracts (GovTrack.us. H.R. 4048--110th Congress (2007); NLIHC 2007c).

Many bills have been proposed to amend the Stafford Act. H.R. 3422 would amend section 406 of the Stafford Act to authorize the administrator of FEMA to provide funding to landlords of destroyed or damaged rental units for repair. A caveat would require that the units were affordable to moderate and low-income families prior to Katrina and would remain affordable in the future (GovTrack.us. H.R. 3422--110th Congress (2007); NLIHC 2007d).

Another bill proposed by Senator Dianna Feinstein [D-CA] would alter section 408 of the Stafford Act. Sen. Feinstein introduced S.2388, the Disaster Rebuilding Assistance Act of 2007. This bill would augment the maximum amount of disaster assistance under section 408 of the Stafford Act to \$50,000 from its current allotment of \$25,000. Unfortunately, this legislation would only apply to disasters occurring on or after October 21, 2007. Thus, while it is a portent of increased support by the public sector for disaster victims, it does not assist those affected by Hurricane Katrina. A similar bill, H.R. 4689 the Disaster Rebuilding Assistance Act of 2007 was introduced shortly thereafter (GovTrack.us. S. 2388--110th Congress (2007); NLIHC 2007e).

Two identical bills to make alternations to the Stafford Act were introduced in the latter months of 2007. The Mortgage and Rental Disaster Relief Act of 2007, S.2386 and H.R. 4919, an identical bill introduced one month later, would authorize temporary rental and mortgage payments to households who as a result of a major disaster received notice of eviction, lease termination, or foreclosure (GovTrack.us. S. 2386--110th Congress (2007); GovTrack.us. H.R. 4919--110th Congress (2007); NLIHC 2007e).

Senator Mary Landrieu, one of the co-sponsors of S.1668, proposed additional legislation to strengthen and update the original bill. The Gulf Coast Multifamily and Assisted Housing Recovery Act, S.2975, amends several provisions of the Housing Act of 1959 and the Cranston-Gonzalez National Affordable Housing Act. The latter would be amended to authorize further appropriations to the Secretary of HUD for the purpose of increasing the availability of housing for low-income people with disabilities. Additionally, the Housing Act of 1959 would be amended to authorize extra appropriations to the HUD Secretary for the purpose of expanding the affordable housing supply for low-income elderly people via private nonprofits and consumer cooperatives.

Additionally, this legislation protects the interests of public housing and assisted living residents of New Orleans. Specifically, S.2975 would authorize additional appropriations for redevelopment of housing in New Orleans and the Parish of St. Bernard that was damaged by Hurricane Katrina. Another provision that defends the interest of low-income households receiving project-based assistance would require the Secretary of HUD to report on the number of project-based rental assistance contracts located in disaster areas terminated subsequent to September 30,2005. Lastly, the expiry of project-based assistance payment contracts for multi-family housing located in Katrina affected areas would be prohibited (GovTrack.us. S. 2975--110th Congress (2008)).

More relief for public housing tenants would come in the form of H.R. 6276, the Public Housing Disaster Relief Act of 2008, which was passed by the House of Representatives. Sponsored by Rep. Don Cazayoux [D-LA], this bill would amend the U.S. Housing Act of 1937 to authorize HUD, instead of FEMA, to pay for repair of public housing damaged by a disaster (NLIHC 2008b; GovTrack.us. H.R. 6276--110th Congress (2008)).

Protection for renters and homeowners nearing foreclosure is the objective of H.R. 5894. Specifically, the Emergency Housing Assistance Act of 2008 would authorize \$300 million of funding for a special FEMA account – the Emergency Food and Shelter Program. Through this special account, the plight of renters and homeowners nearing foreclosure would be mitigated (NLIHC 2008c; GovTrack.us. H.R. 5894--110th Congress (2008)),

The HOPE VI reauthorization bill, H.R. 3524, is sponsored by Rep. Maxine Waters [D-CA]. HOPE VI, created by Congress in 1993, is a program to renew distressed public housing. Activities funded by HOPE VI include rehabilitating public housing units, demolishing units and relocating residents. Public housing authorities are eligible for grants through HOPE VI. Despite the program's promise, low-income housing units have been lost through HOPE VI. The reauthorization bill, however, would greatly strengthen the program by requiring one to one replacement of all lost units and right to return for current public housing tenants among other improvements. The companion bill, S.829, does not contain the improvements present in the house bill (NLIHC 2008d; GovTrack.us. H.R. 3524--110th Congress (2007); Yentel, 2008).



The Economics of Gulf Coast Recovery

Even for one of the wealthiest economies in the world, resources, such as tax dollars or borrowed funds, are scarce. Whether one considers augmenting or proposing a new program for health care, public assistance, education, national security, or disaster recovery, prudent public policy should account for the costs and benefits of any proposed action. The allocation of resources to one use ultimately means that other programs will operate with fewer means. Economists utilize the term opportunity cost to refer to this occurrence. Life is replete with tradeoffs; the decisions governing resource allocation concerning the wars in Iraq/Afghanistan and the Gulf Coast recovery are no different. The corollary of spending the marginal dollar to perpetuate war in Iraq is that Katrina recovery efforts receive fewer resources.

The National Priorities Project operate a website that details the opportunity cost of spending a billion dollars on war in Iraq and Afghanistan. One billion dollars could have paid for 120 million children to attend Head Start for one year; could have endowed 530 million children with health insurance for one year; could have bestowed four-year scholarships at public institutions to 43 million students; could allow for the hiring of 15 million additional public school teachers; or erected 8 million additional housing units (Stiglitz and Bilmes, 2008; National Priorities Project, 2008). The latter is germane to this report. Given that there are approximately 4.5 million more extremely low income households in this country than affordable housing units, the damage and destruction of approximately 300,000 housing units – 70% of which were affordable to low-income households – combined with the questionable decisions governing resource allocation in the past eight years should highlight the need for greater scrutiny of public expenditure (Crowley, 2006).

The aforementioned exhibits that the affordable housing crisis could be solved. The objective of this section is to highlight the latter by juxtaposing Iraq and Afghanistan war expenditures to Hurricane Katrina recovery spending. Several examples involving the fraudulent compensation to government contractors will also be utilized to exhibit that the mismanagement of public funds for purposes of war engender housing hardship for many displaced residents of the Gulf Coast.

The Inextricable Link between War Spending and Gulf Coast Spending

While resources have been allocated for Gulf Coast recovery, they are insufficient given the scope of the damage. Unfortunately, the only conduit through which significant resources have been allocated is the ostensibly annual war appropriations bill. Juxtaposing resource allocations via supplemental appropriations bills, it appears that war spending is highly prioritized compared to repairing the damage in the Gulf Coast. Consistent with a statement made in the introduction, this comparison of spending is not made to denigrate the military, but to exhibit opportunity costs.

The first rebuilding supplemental appropriations bill – H.R. 2863 the Department of Defense, Emergency Supplemental Appropriations to Hurricanes in Gulf of Mexico and Pandemic Influenza Act, 2006 – was signed by President George Bush on December 30, 2005. The bill contained approximately \$29 billion for Hurricane Katrina Recovery. While an impressive amount, the funds allocated to the Gulf Coast are minute compared to the \$123 billion and \$50 billion in appropriations for the Department of Defense and continuing operations in Iraq/Afghanistan respectively (Crowley, 2006).

The second rebuilding supplemental appropriations bill – H.R. 4939 the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 – was signed by President George Bush on June 15, 2006. Approximately \$72 billion was allocated for the war, while nearly \$20 billion was reserved for Katrina recovery (Crowley, 2006).

Less than a year later, President Bush signed into law H.R. 2206 – The US Troop Readiness, Veterans Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007. While this bill contained important policy changes concerning Gulf Coast recovery, it did not contain CDBG funding for Katrina affected areas. The appropriations bill did, however, contain approximately \$101B for the Department of Defense (GovTrack.us. H.R. 2206--110th Congress (2007); NLIHC, 2007f; Project Vote Smart HR 2206).

As recovery along the Gulf Coast languished and poverty in New Orleans doubled, another appropriations bill was signed by President Bush. H.R. 2642 – The Military Construction and Veterans Affairs and Related Agencies Appropriations Act of 2008 – was enacted only recently. Once again, the priorities of Congress and the President are skewed towards defense spending. The appropriations process for the Gulf Coast was contentious. Senate Amendment 4803 included \$70 million for permanent supportive housing vouchers in Louisiana; \$6 million in case management funding for Louisiana; \$20 million in project-based vouchers for Mississippi and \$50 million of CDBG funds for Alabama. The proposed funds for Alabama does not approach satisfying their unmet needs. The House of Representatives, however, eliminated all of the aforementioned Gulf Coast funds except for the \$70 million allocated to Louisiana. The Department of Defense, however, received appropriations of approximately \$99.65 billion (GovTrack.us. H.R. 2642--110th Congress (2007); Project Vote Smart H.R. 2642).

KBR: Malfeasance of Great Magnitude

Since the beginning of the war in Iraq and Afghanistan, there have been stories of fraud committed by government contractors and insufficient oversight of funds provided for the purpose of war. KBR, better known until last year as a subsidiary of Halliburton named Kellogg, Brown and Root, is a Houston-based company providing food and housing services among other things to American personnel in Iraq. Vice President Dick Cheney was formerly the Chief Executive of Halliburton. Possessing the Pentagon's largest contract in Iraq, it is not unreasonable to charge that perverse incentives exist in the relationship between the



government and KBR. Heretofore, the Pentagon's contract with KBR has cost American taxpayers more than \$20 billion dollars (Risen, 2008). A few months ago KBR was bequeathed a \$150 billion, ten- year contract in Iraq (Risen, 2008). One particular story of questionable charges from KBR underscores the need for greater oversight of public expenditure.

Charles M. Smith, an Army official managing the KBR account during the incipient years of the Iraq war, was replaced upon refusing to approve over \$1 billion in questionable charges from the Houston-based company (Risen, 2008). More so, even the Defense Contract Audit Agency did not agree with the figures cited by KBR. Ultimately, Mr. Smith was replaced and a contractor – RCI Holding Corporation – was hired by the Army to review the KBR data. The questionable charges subsequently were approved. This instance of fraud perpetrated on the American taxpayer has been followed by an announcement that Serco, the parent company of RCI, will assist in the management of KBR's new contract with the Army (Risen, 2008).

The billion dollars plus in compensation to a private entity, which did not adequately fulfill its contractual obligation to the Army or the American taxpayer is an extreme example of opportunity cost. Public funds have been utilized to increase the value of private assets. The resources fraudulently awarded to KBR could have been utilized to a far nobler end.

Two more examples emphasize how betraying the fealty of the American public leads to the privation of low-income households. Public housing is owned and operated by Public Housing Agencies. Currently, they are operating on only 85.4% of the resources that HUD knows is sufficient. Furthermore, the cumulative amount of funds required for capital repairs of public housing is estimated to be more than \$20 billion (Couch, 2008). The lack of professionalism exhibited by KBR channels badly needed resources away from the adequacy of public housing and thus IDPs in the Gulf Coast.

The second example illustrates that the misappropriation of public funds for private gain could restore the affordable housing stock in New Orleans and Mississippi. Although not documented by the forthcoming account, more stringent accounting of funds appropriated for war would likely fulfill the unmet needs of Alabama's affordable housing crisis. Fischer and Sard (2006) state that figures from HUD indicate that after insurance costs are included, \$200 million would be required for Louisiana to restore privately-owned subsidized housing, while \$190 million would be needed to rebuild public housing in Louisiana. The estimates for Mississippi are larger; public housing in Mississippi could be restored for nearly \$250 million, while all HUD-subsidized housing requires at least \$450 million (Fischer and Sard, 2006).

Increased Outsourcing and Fewer Resources Devoted to Auditing

The rapid ascent of the costs related to war is underreported to a great extent. It is commonplace to hear about battlefield successes or inflamed hostilities in Iraq and Afghanistan. The American taxpayer, however, has rarely been communicated with candidly. An example of this concerns the cost of financing the war. Increasingly, the United States

government has relied on contractors to provide services ranging from cooking to protection of U.S. diplomats.

Costs, since 2004, have ascended 130% while the amount of military deployed to the war region has increased by only 15% (Stiglitz and Bilmes, 2008). It is estimated that the amount of contractors employed in the region is greater than 100,000. The discrepancy between that which is paid to a contractor and a member of the U.S. armed services is significant. An Army sergeant in 2007 was compensated between \$140 to \$190 per day for a total compensation package ranging from \$51,100 to \$69,350 a year (Stiglitz and Bilmes, 2008). Contrastingly, in the same year a private security guard working for a firm such as Blackwater or Dynacorp earned approximately \$1200 per day; annual compensation for a security guard working for these two firms equates to \$445,000 (Stiglitz and Bilmes, 2008). Thus, by not strengthening our armed forces, we have relied on costly, private sector employees that are not subject to the same military guidelines.

Private companies have profited greatly by the war in Iraq. The U.S. State Department has relied on the private sector to a great extent; in 2007 they spent more than \$4 billion on security guards alone (Stiglitz and Bilmes, 2008). Blackwater Security, in 2007, possessed a \$1.2 billion contract for Iraq (Stiglitz and Bilmes, 2008). Increased costs to the American taxpayer are reflected in excessive profits and ascending stock prices. Since the war commenced, Halliburton – The former employer of Vice President Dick Cheney – has experienced a 229% increase in its stock price. Halliburton though is not the sole profiteer of the invasion; other firms providing defense goods and services such as General Dynamics have witnessed a 134% increase in their stock price; Raytheon's stock price has increased 117%, while Lockheed Martin and Northrop Grumman's stock prices have swelled by 105% and 78% respectively (Stiglitz and Bilmes, 2008).

Salient reasons for the prodigious private gain have been a combination of a circumvented government contract award system and insufficient supervision of awarded contracts. Competitive bidding for government contracts exists to secure the most palatable deal for the taxpayer. The tendering of Iraq and Afghanistan contracts though has been anything but competitive. The Bush administration has relied on "sole source bidding" rather than a competitive process. More so, many contracts are cost-plus contracts; the more a contractor spends, the greater the profit. Therefore, these companies operate with perverse incentives.

While lucrative no-bid contracts have increased, the amount of oversight has plummeted. An example of this occurrence is the State Department. With over \$4 billion of contracts with contractors, the State Department employs only 17 people within its contract compliance department (Stiglitz and Bilmes, 2008). Another glaring example of potential impropriety is the Department of Defense (DOD). DOD spending on contracting increased by 105% between 1998 and 2004. The amount of people employed in an oversight capacity, however, declined by 25% (Stiglitz and Bilmes, 2008).



The aforementioned is a recipe for fraud. The Defense Contract Audit Agency has reported approximately \$10 billion in questionable charges, while \$8.8 billion from the Development Fund for Iraq disappeared under the control of the Coalition Provisional Authority (Stiglitz and Bilmes, 2008).

At this juncture of the Iraq/Afghanistan wars, it is fair to assert that not only are U.S. taxpayers worse off, but so too are the inhabitants of Iraq and Afghanistan. They live in a dangerous environment with a crumbling infrastructure. Private companies with government contracts, however, appear to be the only real winners of the invasion. This section was not intended to denigrate the courageous men and women that comprise our armed forces. Rather, the objective of this section is to illustrate the complicity of the Bush administration; the private sector takeover of the public sphere; and the consequence of spending without proper financial controls. It should be clear to the reader that the tremendous financial gain of a few has come at the expense of those experiencing housing hardship in the Gulf Coast.

Policy Recommendation

The failure to adequately recover the affordable housing stock in Katrina affected communities – three years after the disaster – is not only a humanitarian disaster, but also constrains economic growth.

The Bush Administration's main policy tool to rebuild affordable housing in disaster areas – GO Zone LIHTC – has proven insufficient despite the incentive of dollar for dollar reduction in taxes for investors. Acute policy analysis considers unintended consequences. GO Zone LIHTC policy portends to rebuild affordable housing. The implementation of the policy, however, will only result in a fraction of rental units being rebuilt. Overall, 82,145 rental units in Parishes proximate to New Orleans experienced major or severe damage. Policy Link details that only 18% of rental units lost from Hurricane Katrina, or 14,957 units, in Parishes surrounding New Orleans will be rebuilt using LIHTC (Clark and Rose, 2007). Thus, 67,188 rental units will not be rebuilt.

The policy recommendation for repopulating the affordable housing stock consists of a confluence of programs and legislation. This cornucopia of policy prescriptions focuses on augmenting the LIHTC program of GO Zone and increasing CDBG allotment in areas with LIHTC units; authorizing additional vouchers to make LIHTC units affordable to low-income households; passing H.R. 1227 The Gulf Coast Hurricane Housing Recovery Act of 2007; passing S.2975 The Gulf Coast Multifamily and Assisted Housing Recovery Act; passing H.R. 3524 The Hope VI reauthorization bill and increasing the scope of public sector involvement in the rebuilding effort.

An increase in the amount of tax credits under GO Zone legislation is required if rental units are to be affordable for the extremely poor. An example of this has occurred in Louisiana.

The Louisiana Housing Finance Agency (LHFA) administers GO Zone LIHTC program in Louisiana. The LHFA allocated the GO Zone tax credits in three competitive rounds between 2006 and 2007. The LHFA, in the first two rounds, did not place importance on affordability or allocating the credits to Parishes with heavy damage. The LHFA, however, did direct tax credits, coupled with CDBG funds to the most damaged areas in the final round. Therefore, the LHFA pursued the goal of affordability in its last allocation. The initial allocation was awarded to Parishes with minimal damage; only 555 units were funded. The second round funded the construction or rehabilitation of 7,441 units. The tax credits were disseminated across many damaged parishes, with most of the units affordable for families at 50% to 60% of the AMI. The last round pursued affordability and coupled LIHTC with CDBG funds. The final round funded 6961 units in the eight most damaged parishes (Clark and Rose, 2007).

The LHFA did not prioritize developing deeply affordable housing in the first two rounds. With a goal of erecting 6,000 units affordable to those making 40% or less of AMI, only 3869 units were funded. More expensive units – 50% to 60% of AMI – however, will be overproduced. The Louisiana Recovery Authority had a goal of creating 3,500 units for those making between 50% and 60% of AMI; 7671 units, however, have been funded (Clark and Rose, 2007).

One of three tax credits in the final round were allocated to rebuild public housing. The amount of tax credits is insufficient to guarantee one to one replacement of units in the developments of Lafitte, St. Bernard, BW Cooper, and CJ Peete; of the 2987 deeply affordable units occupied prior to Katrina, funding exists to replace only 954 units (Clark and Rose, 2007).

The \$170 million allocation of LIHTC is insufficient to rebuild affordable housing in damaged areas. Coupling the \$170 million with \$667 million CDBG “piggyback” funds has assisted to make LIHTC units more affordable. The resources, however, are insufficient given the scope of rebuilding. Therefore, an additional \$100 million of LIHTC funds would allow Louisiana to restore at least half of the estimated 80,000 damaged rental units. Further, given the dearth of extremely affordable LIHTC funded in the first two rounds, an additional 25,000 Section 8 project-based vouchers should be authorized to make LIHTC units affordable for those at 40% of AMI or less. The funds for additional vouchers should accounted for in HUD’s FY 09 budget (Clark and Rose, 2007).

Furthermore, many Parishes are opposed to the placement of LIHTC units or affordable housing within their area; badly damaged Parishes such as Jefferson, Orleans and St. Tammany have threatened or enacted moratoriums to keep affordable housing out of their Parishes. The latter is a fair housing violation. Exclusionary zoning practices should not be tolerated. Thus, it is imperative that any legislation or community housing plans including such myopic provisions be opposed (Clark and Rose, 2007).

Additionally, an increase in CDBG funds is needed to make LIHTC units affordable to those making less than 40% of the AMI. Current legislation has altered the percentage of CDBG funds devoted to moderate and low-income households. Given the rapid ascension of land



values and insurance costs, CDBG funds should be layered with LIHTC to expedite construction. Any additional CDBG funds should be earmarked to benefit families making less than 40% of the AMI.

H.R 1227 is a comprehensive housing recovery bill for the Gulf Coast. While it passed the House, it has yet to be voted on in the Senate. The Gulf Coast Hurricane Housing Recovery Act of 2007 should be made into public law because it stipulates that there be no net loss of public housing units and offers right to return status to public housing tenants prior to Katrina. Additionally, it would appropriate over \$1 billion in FEMA funds for Louisiana's Road Home program. Given the dearth of funding for deeply affordable housing in the first few rounds of LHFA tax credit allocation, these resources could infuse badly needed capital into production of housing. Furthermore, it requires that the Secretary of HUD administer a survey of public housing tenants displaced due to Katrina to assess intentions of returning. Thus, this legislation operates at the local level.

The Gulf Coast Multifamily and Assisted Housing Recovery Act, S.2975, would specifically authorize additional appropriations for production of housing in badly damaged Parishes of New Orleans such as St. Bernard.

The HOPE VI reauthorization bill, H.R.3524, would achieve synergy with the aforementioned prescriptions. HOPE VI funds are targeted towards communities that demonstrate a need for affordable housing or to PHA's that cannot construct affordable housing without HOPE VI funds. The reauthorization bill requires one to one replacement of all lost units and right of return for public housing tenants (Fischer and Sard, 2006).

Go Zone legislation serves to engage the private sector. The statistics and accounts referred to throughout this paper, however, exhibit that the private sector will produce inadequate amounts of low-income housing due to a combination of insurance costs, land values, and incentives. The dearth of production could be classified as a market failure. Missing markets – a form of market failure - are exhibited by a lack of production despite the opportunity of profitability. While the private sector is generally efficient – they usually allow buyers and sellers to complete transactions in the marketplace – low-income housing is an area where the private sector is glaringly deficient. Therefore, public intervention is required to redress the affordable housing crisis in the Gulf Coast. An example from New Orleans exhibits how public sector involvement could have easily assuaged the plight of IDPs. Fischer and Sard (2006) estimate that nearly six months after Katrina, nearly 20,000 vacant apartments in New Orleans could have been made available without extensive repair. Public sector involvement could assist the owners of the rental properties. Furthermore, increased funding for the HOME program – one of the objectives of HOME is to rehabilitate distressed property – would have helped palliate the FEMA trailer problem.

Hurricane Katrina displaced over one million people. FEMA has exacerbated the problem by evicting thousands of households from cramped, formaldehyde-tainted trailers. Without an alternative housing plan, many families are at risk of being without shelter. As this

document illustrates, affordable housing – and housing in general – is being constructed slowly. Even when the process is set to commence, many Parishes in New Orleans have obstructed the right of return for many low-income families. By marginalizing the housing needs of low-income households, the current rebuilding policy places them on the periphery of society.

The systematic process of situating low-income households remotely from places of employment, educational institutions; medical care; child care centers and public transportation limits their opportunity to ascend the income distribution. More so, many Katrina IDPs are in their prime earning years. Since labor income comprises the majority of income for most households, dislocation from the job market constrains their lifetime labor earnings and makes it difficult to find suitable employment. Thus, the amount of IDPs that are unemployed or not participating in the labor force curtails economic growth. Without the human capital and industriousness of IDPs, the economy cannot produce as many of goods and services. Increasing the overall wealth of society is in the interest of everybody regardless of income level. Therefore, it is imperative that affordable housing in areas of opportunity be erected to ameliorate the plight of IDPs and aid in the recovery of the economy.



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