



Texas Low Income Housing  
Information Service

# Testimony of John Henneberger

co-director - Texas Low Income Housing Information Service

before the House Financial Services Committee Subcommittee on Housing and Community Opportunity

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# Introduction

Chairwoman Waters and Members of the Subcommittee, thank you for the opportunity to testify today about the affordable housing needs of the City of Houston two years after Hurricanes Katrina and Rita.

I am John Henneberger, co-director of the Texas Low Income Housing Information Service (TxLIHIS). My organization undertakes education, research and advocacy concerning the low-income housing and community development needs of Texans. Our mission is to support low-income Texans' efforts to achieve the American dream of a safe, decent, affordable home in a quality neighborhood. We collaborate with housing stakeholders across the state to achieve our mission, including non-profit housing providers, homeless service providers, fair housing organizations, state and local housing coalitions, public housing agencies, private developers and property owners, housing researchers, local and state government agencies, faith-based organizations, residents of public and assisted housing and their organizations, and concerned citizens. TxLIHIS does not represent any sector of the housing industry. Rather, TxLIHIS works only on behalf of and with low-income people who need safe, decent, and affordable housing, especially those with the most serious housing problems. To maintain our independent voice on behalf of low-income Texans TxLIHIS, as a policy, receives no government grants or contracts and is entirely funded with private donations.

Let me begin by expressing our sincere appreciation to you and the members of your staff who have done a terrific job of raising awareness of the housing needs of Hurricane Katrina survivors and of supporting federal resources to help them recover from the storm's lasting devastation. The thoughtful process with which you have addressed this issue and organized this field hearing is a cause for optimism among survivors and advocates who are overwhelmed by the post-Katrina housing needs in Houston.

Beyond this hearing today I would urge the committee to help shine a light on the problems and challenges that have been encountered with providing housing assistance to 70,000 Texas families impacted by Rita. Many of these families have extremely low-incomes and are persons of color who live in an area of our state which has long struggled with civil rights abuses. The plight of these families is a crisis of great import that has unfortunately not received the attention it merits. This committee's investigation into the problems with the Hurricane Rita housing programs could help ensure families receive the help they desperately need.

The tragedy in New Orleans, where public housing is being demolished instead of rebuilt and historically minority neighborhoods like the Lower Ninth Ward remain in ruins, is tragic. But there is a tragedy of a different kind in Texas, home to the largest population of hurricane Katrina survivors outside of Louisiana. Today, half of the Hurricane Katrina survivors receiving federal disaster rent assistance are living in Texas, and an estimated 100,000 survivors are living in Houston alone. Many of them are on the brink of homelessness, living in housing they cannot afford and segregated into high-poverty, deteriorating neighborhoods.

To mark the two-year anniversary of Hurricane Katrina, President George W. Bush visited a charter school in New Orleans' Lower Ninth Ward to declare, "better days are ahead." Yet thousands of the predominantly poor and black residents who fled Katrina's floodwaters were not present to hear the president's words. The streets of abandoned

homes are a reminder that they have been unable to return home. Surveys suggest that up to half of the predominantly low-income evacuees who came to Houston in 2005 are still living in the city today.

Congress has focused its attention on providing resources to the areas where the physical destruction of Hurricane Katrina is most apparent. Rightly so, Louisiana and Mississippi have received resources to assist survivors in recovery. But Texas, and especially Houston, with its large remaining evacuee population and its terrible low-income housing deficit, has received pennies compared to what it needs to ensure survivors have decent housing options. Houston has been allocated just \$60 million in Community Development Block Grant (CDBG) funds for long-term hurricane recovery. This is grossly insufficient.

In an attempt to develop a broad-based consensus on what Texas and Houston needs to help hurricane evacuees obtain long-term housing, TxLIHIS convened a Texas Hurricane Housing Forum in August 2006 at which 850 people representing all stakeholders, including evacuees, Congressmen Al Green and Gene Green, Houston Mayor Bill White, and advocates came together to talk through our differences and develop specific policy recommendations to address this crisis. (The recommendations of that forum, most of which have not been acted upon, are attached at the end of my testimony). Shortly I will detail these recommendations, which have become even more crucial in the year since we held the housing forum. During this time, the vast majority of low-income Katrina survivors lost their temporary FEMA rental assistance and their living conditions have become increasingly unstable.

We must also keep in mind that Hurricane Rita contributed may thousands additional low-income families to Houston who face very similar problems to those of the Hurricane Katrina evacuees. Because of grossly inadequate levels of federal housing assistance Hurricane Rita survivors in Texas will place an enormous additional burden on the grossly inadequate affordable housing resources of Southeast Texas. The failure of Congress to provide adequately or even proportionately relative to assistance provided Hurricane Rita survivors in Louisiana, will force many formerly financially independent families to seek government subsidized housing. The plight of these families has largely been invisible yet represents a civil rights and housing disaster of historic proportions.

On behalf of the half a million Katrina survivors who came to Texas in 2005 and the 70,000 native Texas Hurricane Rita survivors who have lost their homes, whose ability to obtain stable, decent housing depends on the vigilance of our representatives in Congress, I thank you. I thank you as well on behalf of hundreds of thousands more low-income families who were living in substandard, unaffordable or overcrowded conditions in Houston long before the hurricanes of 2005. The attention that this field hearing will bring to these crucial issues and the policy changes that will hopefully follow will help us begin to fill the vast unmet housing needs of low-income people in Houston.

# The current state of affordable housing in Houston

*Much of the data and analysis in this portion of my testimony is drawn from a draft of an upcoming report on affordable housing in major Texas cities titled "Connecting the Dots: Planning for Affordable Housing in Texas Cities" authored by Dr. Elizabeth J. Mueller, professor at the University of Texas at Austin School of Community and Regional Planning. Dr Mueller is also a board member of the Texas Low Income Housing Information Service. I have modified Dr. Mueller's statewide analysis in some instances to reflect my interpretation of the Houston market.*

Four trends highlight the critical housing challenges facing Houston:

- The large share of Houston residents who rent rather than own;
- The large share of renters who pay too much of their income for rent and utilities;
- The shortage of rental housing affordable to the low-income families who need the housing; and
- The sizable gap between homeownership rates in Houston and its suburbs.

## Houston's population is disproportionately renters

Policy makers have placed tremendous emphasis on extending homeownership to households historically unable to access credit due to poor credit or discrimination. Homeownership rates have been on the rise nationally since the mid 1990s (peaking in 1998 at 68.9 percent), and the expansion has finally reached minority and low-income households. Yet the news is not all good: While homeownership can bring important benefits to owners, it also brings risks. Some achieve homeownership through risky adjustable rate mortgage loans and subprime mortgage products which place their hold on their homes at risk. For low-income households who cannot buy under terms that ensure ongoing financial stability, renting remains the more prudent option. In addition, most households pass through stages in their housing life cycle where renting makes more sense.

Little attention has been focused on conditions and challenges facing renters in Houston. Yet renters comprise 382,642 households — a 52 percent share of the Houston population. In the US as a whole renters are only 33 percent of the population. Short of significant new government action, we believe there is little chance that the Houston share of population that rents will decline dramatically in the future. Furthermore, much of the Houston renter population is faced with very burdensome rent payments due to their low incomes.

## Rents out of reach to more than one-third of Houston renters

According to the 2005 American Community Survey conducted by the US Department of the Census, renters in Houston are overwhelmingly low income. Renter households with annual incomes of \$35,000 or less form 63 percent of all Houston renters.

What can a household at this income level afford to pay in rent? The federal government defines "affordable" to mean that a household pays no more than 30 percent of its gross monthly income for housing costs. (For renters such costs include rent and utilities, for owners, mortgage, taxes and insurance). For a household with income of \$35,000 per year, affordable rent and utility costs cannot exceed \$875 per month.

In fact, most Houston renter households have annual incomes below \$20,000. This represents approximately 30 percent of regional median income. For a household earning \$20,000 per year, their maximum affordable rent and utility cost

would be \$500. The HUD Fair Market Rent (FMR) for a two bedroom apartment in 2007 in the Houston metro area is \$711. A household with an annual income of \$20,000 spending 30 percent of its gross income on housing and utilities would have only approximately \$1,165 per month remaining to cover food, clothing, health care, child care and other essentials and to pay income and other taxes.

Clearly many Houston households face housing costs beyond 30 percent of their income. Those earning \$35,000 per year or less and paying more than 35 percent of gross monthly income for rent and utilities represent 38 percent of all renters. This translates to over 140,000 households in Houston.

The gap between what local renters can afford and the rental inventory available locally can also be illustrated through comparison of the number of renter households at various income levels with rental units available at prices affordable to them. This provides a very crude measure of surplus or shortage. Shortages are always most pronounced for the poorest households: extremely low-income households consistently outnumber apartments in their price range.

Based on data from the American Community Survey of 2005 we estimate that the city of Houston had a shortage of at least 49,323 rental units affordable to poor households. It is important to recall that these shortages are likely larger than this. For example, often households with higher incomes occupy units that rent for less than the maximum can afford. Generally, around half of rental units affordable to lower income households are occupied by households with higher incomes. This means the Houston low rent unit shortages may be as much as twice as large, approaching 100,000 rental units.

When the larger Houston metropolitan area is considered and when we account for the higher income households living in lower rent units the deficit of low cost rental units grows dramatically. According to estimates prepared by the national Low Income Housing Coalition based on the 2005 American Community Survey there is a deficit of 108,424 units affordable to households earning 30 percent or less of the area median family income.

#### **Shortage of housing for extremely low-income households (<30% AMFI) in the greater Houston area**

<b>Congressional District</b>	<b>Representative</b>	<b>ELI deficit in affordable and available units</b>	<b>Severely burdened ELI households</b>
2	Congressman Ted Poe	-5,224	6,439
7	Congressman John Culberson	-15,545	10,827
8	Congressman Kevin Brady	-5,264	4,610
9	Congressman Al Green	-9,709	10,107
10	Congressman Michael T. McCaul	-24,994	21,356
14	Congressman Ron Paul	-7,382	8,220
18	Congresswoman Sheila Jackson Lee	-20,270	16,969
22	Congressman Nick Lampson	-3,979	6,659
29	Congressman Gene Green	-16,057	11,556
TOTAL		-108,424	96,743

This problem is reflected in the number of renter households that experience what Congress has determined to be “worst-case housing problems”. These are households that pay in excess of 50 percent of their income for rent, leaving them little for other living costs. Within the congressional districts representing the Houston area, the number of poor households (those earning 30 percent or less than the area median family income) paying more than half of their income for rent totals a staggering 96,743.

The bottom line is that renters are a clear majority share of Houston residents and many are facing unaffordable rents due to a shortage of affordable units and there are large number of the poorest renters shouldering unbearable rent burdens.

Another view of the Houston affordability problem can be seen through a direct comparison of rent and income. The National Low Income Housing Coalition has produced a methodology for assessing affordability in their annual "Out of Reach" report. In the Houston-Baytown-Sugar Land, TX HMFA, the Fair Market Rent (FMR) for a two-bedroom apartment is \$768 . In order to afford this level of rent and utilities, without paying more than 30% of income on housing, a household must earn \$2,560 monthly or \$30,720 annually. Assuming a 40-hour work week, 52 weeks per year, this level of income translates into a Housing Wage of \$14.77.

In Houston-Baytown-Sugar Land, TX HMFA, a minimum wage worker earns an hourly wage of \$5.15. In order to afford the FMR for a two-bedroom apartment, a minimum wage earner must work 115 hours per week, 52 weeks per year. Or, a household must include 2.9 minimum wage earner(s) working 40 hours per week year-round in order to make the two bedroom FMR affordable.

Those with fixed government incomes are impacted especially severely. Monthly Supplemental Security Income (SSI) payments for an individual are \$603 in Houston-Baytown-Sugar Land, TX HMFA. If SSI represents an individual's sole source of income, \$181 in monthly rent is affordable, while the HUD determined Fair Market Rent (FMR) for a one-bedroom is \$633 .

## **Houston's extremely low homeownership rates**

A second challenge facing Houston is the geography of homeownership. Where first time buyers can afford to live affects both the sustainability homeownership for them and the direction of growth for the overall region. For households buying their first home, being located close to work, schools and basic services they need can affect both their budget and access to opportunities that will determine their ability to move up over time. To the extent that new buyers are pushed outward within regions, they may be benefiting less from ownership due to higher transportation costs and lower access to jobs, and the basic goods and public services they need. In addition, if they are concentrating in areas where home prices are unstable or not appreciating, they will gain less over time from ownership. With these considerations in mind, we examined the rates and patterns of ownership across the Houston metropolitan area.

In the fast growing Houston metro area, these divides were driven by rapidly rising prices, pushing new buyers outward, and by rising property taxes, raising the costs of ownership for low-income owners within cities.

As a state, Texas ranked 41st among states in homeownership in 2005 (at 64.7%). Houston has a homeownership rate of only 44.9 percent, the lowest among major Texas cities and in 59th place among major US cities. This places Houston 22 percentage points below the national rate of 66.9 percent. Comparing Houston to aging central cities where incomes and homeownership rates are historically low does not offer any consolation. Houston is a full ten percentage points behind the national average homeownership rate of central cities in 2005.

Within metropolitan areas around the country, homeownership rates are generally lower in central cities than in the surrounding portions of the metropolitan area. The contrast between the city of Houston and the surrounding areas within the MSAs is striking. The gap between suburban residents who were homeowners in 2005 compared to city residents is 25 percent (47.8 percent homeownership rate in Houston vs 73.2 percent in the Houston suburbs). This gap exceeds national trends: in 2006, the gap between the average rate for central cities and for suburban areas was 22.2 percentage points.

But the absolute rates of ownership being achieved in the suburbs of Houston still lags the nation. So Houston has a wide divide based on relatively low rates of homeownership in both city and suburbs. Nationally, suburban homeownership was 76.4 percent in 2005.

The prospects for narrowing the gap between city and suburb are not good, based on current trends. In the fifteen years from 1990 to 2005 the homeownership rate between Houston and its suburbs widened from 21.2 to 25.4.

### **The rising cost of low-income homeownership**

Low income homeowners (those with incomes below \$35,000 per year) constitute an important share of the owners in Houston, comprising about 30 percent of all owners in the city. Of this group, about half are owners with incomes below \$20,000. This lowest income group is more likely to include households living on fixed incomes. A high share of low-income households have housing costs beyond 30 percent of their gross monthly income.

Many low-income owners are long term residents who paid off their mortgages years ago. For this group, high costs are the result of rising taxes. In fact, between 31 percent of low-income Houston owners paying more than 30 percent of gross income for housing costs had no mortgage.

Homeowners with low incomes facing problems paying taxes may also face problems maintaining their homes. Poor maintenance puts at risk the value of their homes and may even put them at risk of losing their insurance and ultimately their homes.

### **Foreclosures disproportionately hit minority, low-income census tracts**

Another threat facing low-income owners and neighborhoods is the loss of property due to mortgage foreclosure. Recent news articles on the scale of subprime lending and of the potential vulnerability of certain types of loans to foreclosure has heightened awareness of this issue. A recent study conducted by the Texas Department of Housing and Community Affairs (TDHCA) assessed the magnitude of the problem in the state's five largest cities and outlined the characteristics of neighborhoods where foreclosures were most highly concentrated.

In Harris County foreclosures were highly concentrated, with one-quarter of city census tracts containing 45 percent of foreclosures. Foreclosures were concentrated in neighborhoods that had higher minority populations (minority population exceeds 60 percent) and lower average incomes than the county as a whole. Finally, the disproportionate share of loans made at "high rates" (e.g. where the APR is at least 3 points above the treasury rate) in these neighborhoods should raise concerns about predatory lending practices targeted at residents of these communities.

### **Houston's extreme shortage of government subsidized housing**

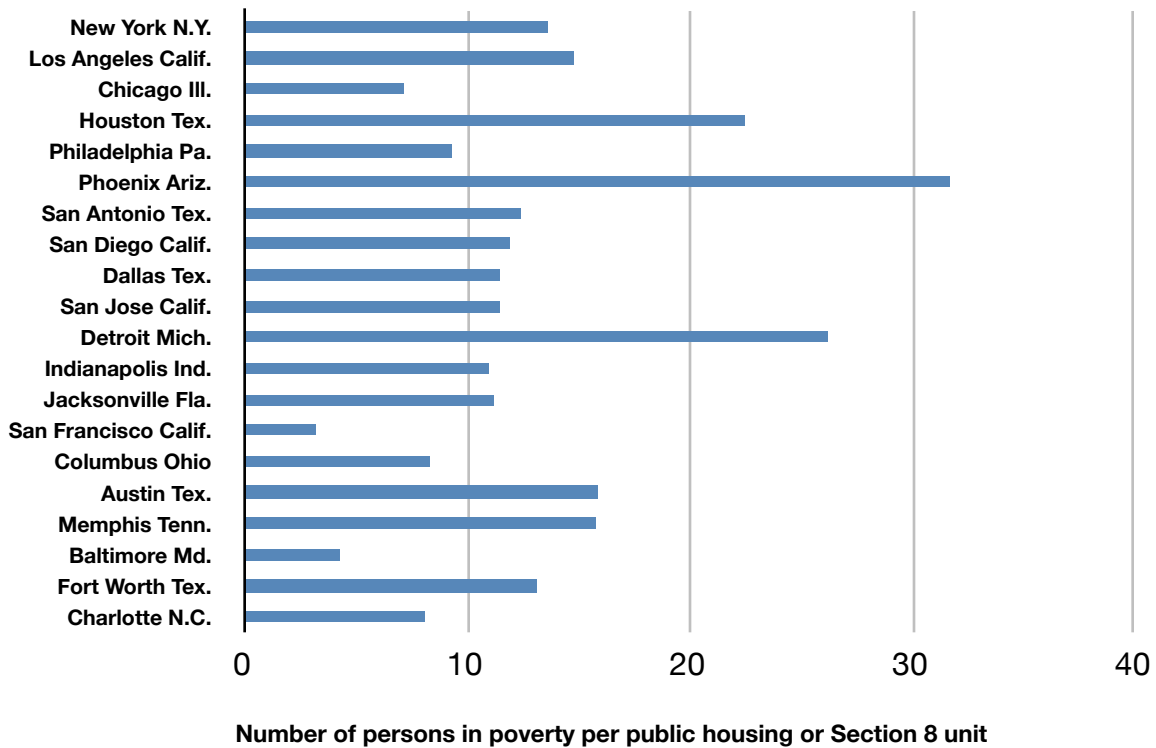
Traditionally public and and Section 8 Housing Choice Vouchers play a major role in providing affordable housing within major US cities. This is not the case in Houston however.

In excess of 60 percent of the affordable housing stock in Houston is privately owned unsubsidized housing. Only about 10 percent is Section 8 subsidized and less than 3 percent is public housing. Approximately 23 percent is subsidized by the Low Income Housing Tax Credit program.

The city of Houston has the third smallest amount of Section 8 and public housing per city resident in poverty of the twenty largest US cities, behind only Phoenix and Detroit. Houston had one unit of public housing or one Section 8 voucher for every 22.5 of its citizens below the poverty level.



### Number of persons in poverty for each public housing and Section 8 unit in 20 largest US cities



## Summary

This survey of the current state of affordable housing presents a very disturbing picture for the nation's fourth largest city.

A huge population of low-income renters cannot afford where they are now living. There is a shortage of over 100,000 rental units affordable to extremely low-income families yet there is no significant effort to provide this housing. A huge share of the city's renters are bearing unsustainable rent burdens.

Meanwhile the city's homeownership rate trails the nation and the state while many of the existing low-income homeowners are severely burdened by the cost of taxes and upkeep on their homes. The homeownership gap between the city and suburbs is growing. Foreclosures have disproportionately hit low-income and minority communities.

Finally, government housing subsidies, which provide a safety net for the poor in most major US cities, are not available in Houston at nearly the rate of most of the rest of the country.

All of these make for a major affordable housing crisis in Houston. And then came Hurricanes Katrina and Rita and things suddenly got a lot worse.

# Challenges to meeting the needs of Katrina and Rita evacuees

One year after about half a million predominantly poor and destitute Hurricane Katrina survivors evacuated to Texas, approximately 251,000 remained in the state. According to the U.S. Census, Harris County gained about 123,000 residents, many of them Katrina evacuees. A survey conducted by the Houston city government in January 2006 revealed that roughly one-fourth of the city's hurricane evacuees were living in apartments funded by the Federal Emergency Management Agency (FEMA), located in high-crime, high-poverty neighborhoods on the city's southwest side.

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

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

## **An unstable housing situation.**

In 2006, 135,000 Hurricane Katrina survivors across the state, including 55,000 children, were dependent upon temporary housing assistance. Seventy percent rented single-family homes before Katrina struck. Now 84 percent are renters, mostly in apartment developments. Half of those surveyed indicated that they planned to remain in Texas by May 2007 and 18 percent didn't know where they would live. Most have extremely low-incomes and are living in Houston, without local community ties, family support, employment, or certainty about whether affordable housing will be available in New Orleans.

Houston received the greatest number of Katrina evacuees. According to Robert Johnson, assistant attorney at the City of Houston, an estimated 90,000 – 100,000 hurricane survivors, mainly from New Orleans and some from East Texas, were still living in the greater Houston area as of September 2007. Approximately 1,950 Houston-area families remain assisted through HUD's Disaster Voucher Program designed for families who were living in HUD assisted housing before the storms. Johnson estimates that by November 1, about 8,000 families will be assisted by HUD's new Disaster Housing Assistance Program (DHAP), which replaces FEMA's temporary housing program and is the most recent in a chain of several federal transitional housing programs for hurricane survivors. By Johnson's estimation, only one in three evacuees in Houston — or about 30,000 people — continue to receive subsidized housing.

## **Housing instability negatively impacts children's education.**

This housing instability impacts the education of evacuee children in Texas. More than 40,000 displaced school age children arrived in Texas in 2005. By February 2006, that figure had not changed much: a total of 37,595 children displaced by Hurricane Katrina were living in Texas and attending Texas public schools.

When hurricane evacuee children first entered Texas public schools in 2005, they were all classified as “homeless” by the Texas Education Agency. Emergency shelters were the first homes most of these children knew in Texas. Later they moved with their families to housing with temporary subsidies from either HUD or FEMA, where the duration of assistance was never certain.

“A lack of a good supply of affordable housing has led to many families who were victims of the hurricanes, including children, to being homeless,” said Barbara James, Project Director for the Texas Homeless Education Office. Income insecurity and a lack of affordable housing are directly correlated to high rates of mobility, and FEMA’s outdated records for evacuees are evidence that a large portion of evacuee families have moved, probably more than once. Numerous studies indicate that high rates of school mobility reduce the academic achievement of children. For the segment of low-income children who are homeless, those who transfer schools are 35 percent more likely to repeat a grade and 78 percent more likely to have poor attendance than homeless children who remain in stable school placements.

## **Texas has not received adequate federal funding for housing survivors.**

TxLIHIS estimates that federal hurricane relief has fallen at least \$700 million short of what is needed to house low-income Hurricane Katrina survivors who remain in Texas, and primarily in Houston.

Congress left decisions on how to divide the multi-billion dollar appropriations among the affected Gulf states to the US Department of Housing and Urban Development (HUD). It took the Bush Administration longer to provide significant housing relief funding to Texas than to Louisiana and Mississippi. Initial HUD decisions to provide Texas only \$74 million in assistance to deal with both Hurricane Katrina evacuees and Hurricane Rita reconstruction infuriated Texas elected officials.

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

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

But the fact remains that the lack of adequate federal funding for housing means many will get no help.

The Texas congressional delegation secured a total appropriation of only \$503,194,849 for all hurricane rebuilding programs to serve Katrina evacuees and Rita victims. The Texas Governor's Office set aside \$40,259,276 of \$74,000,000 in Round 1 for housing assistance and \$305,238,257 in Round 2 funding, with \$222,371,273 reserved for owner-occupied rehabilitation and reconstruction. This amounts to \$347,790,309 available for owner-occupied housing assistance for both rounds combined. If divided evenly this could provide \$4,637 for each of the 75,000 households that

were damaged or destroyed by Hurricane Rita. That is a far cry from the \$150,000 that Louisiana and Mississippi homeowners are eligible to receive.

Katrina evacuees were massively shortchanged in the allocation of funding. The state set aside a mere \$60 million for Houston and Harris County to use to aid Katrina evacuees. Other Texas cities which are home for thousands of evacuees received nothing.

### **Limited resources for housing relief have been spent on other activities.**

HUD recently approved a waiver submitted by the City of Houston and Harris County for permission to spend a third of their \$60 million in available CDBG funds – \$20 million dollars — on an assortment of non-urgent, public safety-related activities that do not provide housing to evacuees. This is the only funding appropriated by Congress to Texas that can be used to provide housing assistance Hurricane Katrina evacuees.

The 2006 Emergency Supplemental Appropriations Act for Hurricane Recovery is very clear about the intended purpose of the CDBG Disaster Relief funds. The Act explicitly prioritizes that funds should be used “for infrastructure development and rehabilitation and the rehabilitation and reconstruction of the affordable rental housing stock including public and other HUD-assisted housing.” Nevertheless, HUD approved Houston’s waiver request allowing the city to divert CDBG funds from directly benefiting evacuees to reimbursing local government for out of pocket expenses and for additional law enforcement activities directed at neighborhood complaints against alleged crime produced by the evacuees.

### **Housing programs do not serve evacuees with the greatest need.**

The other long-term, post-Katrina housing resource awarded to Texas by the federal government was \$3.5 million in special low-income housing tax credits. Apartments financed with these tax credits generally rent to families earning 60 percent of the area median income (AMI) — or about \$36,600 in Houston for a family of four. Yet the greatest demand for affordable rental housing in Houston is overwhelmingly among poorer families, according to a professional market study released by Texas’ housing agency in 2006 that evaluated housing financed by the tax credit program.

The report found that there is a need for 13,970 more apartments affordable to very low-income families (earning less than 50 percent of median family income) in the Houston metropolitan area, and a surplus of 2,685 apartments for families in the somewhat higher income group traditionally served by the tax credit program. The implications of this report are heightened by Houston’s poll of evacuees, which found that half have incomes that are less than \$15,000 a year.

In response to these findings, Texas housing advocates called on Congress to make a special allocation of housing tax credits to Texas, and to provide a rules waiver to allow the state to increase the level of tax credit subsidy per development so that the housing will be affordable to very low-income hurricane evacuees. Congress has yet to act on this request.

FEMA’s temporary housing assistance program housed the evacuee population, but it was just that: temporary. Very low-income evacuees, especially seniors and people with disabilities on fixed incomes, have never been offered the long-term, stable housing assistance they need. On September 1, 2007, hurricane survivors who were receiving FEMA assistance began the process of transitioning to a new temporary housing program known as the Disaster Housing Assistance Program (DHAP). The program, administered by HUD, is transitional. Families will be required to pay a portion of their housing costs starting March 2008. Rent which will begin at \$50 per month and increase by \$50 each month until the program concludes on March 1, 2009. By the program’s end, families will be responsible for paying the full market rent on their own.

This program fails to provide for the needs of elderly and disabled households and single women with young children who cannot be reasonably expected to transition to full Houston area market rents over the course on the next eighteen months. These families will require long term rent assistance. Yet, there are no provisions in place to provide any.

### **Temporary rental assistance programs are poorly defined and confusing.**

In the two years since Hurricanes Katrina struck, survivors have struggled to navigate a labyrinthine system of qualifying for and recertifying temporary housing assistance from FEMA and HUD. Numerous complaints filed against FEMA allege that housing assistance has been denied unjustly. For the families who did manage to keep their assistance, the transition to the new DHAP program has been anything but smooth. According to Robert Johnson, assistant city attorney, thousands of evacuee addresses on file with FEMA are incorrect. As a result, of the 9,100 families who qualified for the DHAP program, Johnson estimates that about 1,600 families will lose their assistance due to FEMA's failure to maintain accurate records.

### **Better, more innovative emergency housing solutions are needed.**

In the 2006 Emergency Supplemental, Congress appropriated \$400 million to FEMA for a pilot program that could identify and evaluate new alternatives for housing disaster survivors. FEMA awarded funding to the Heston Group for over \$16 million to build pre-fabricated, panelized housing in Texas. These homes, while hurricane resistant, may be a viable temporary housing option but are not a long-term, permanent solution. The housing units will not work as long-term housing in an urban setting such as Houston because of their materials and design. Resembling industrial storage containers and previously used for temporary military and oil field housing purposes, they are unlikely to be embraced by local communities and may stigmatize their occupants.

An ad hoc coalition of affordable housing stakeholders in Texas known as "Housing Texas," is partnering with TxLIHIS, the Texas Society of Architects and Covenant Community Capital in Houston to pioneer a post disaster housing demonstration project (<http://www.texashousing.org/growhome/background.html>). Together, we are collaborating to create three prototypes of well-designed, sustainable modular homes that will remain affordable to extremely low-income families in the long term and will integrate well into existing neighborhoods. These prototypes will be designed to be able to be built rapidly, on a large scale and efficiently in a post-disaster situation, but can also be used for urban in-fill housing. The "Texas Grow Homes" pilot project is far from being a major part of the hurricane housing solution unless it is backed by significant public funding.

### **Texas plan for long-term housing recovery not acted on.**

Despite the fact that local organizations and leaders in Texas have come together to offer a comprehensive plan for dealing with the Hurricane Rita and Katrina survivors housing needs this plan has not been acted on by the president or Congress.

In August 2006, hurricane survivors, policy advocates, service providers, elected officials, and housing providers came together at a statewide hurricane housing forum and agreed upon specific solutions to the post-hurricane housing crisis in Texas. They called upon the federal government to provide Texas with: additional Section 8 Housing Choice Vouchers; \$97.5 million in Low Income Housing Tax Credits that can offer deeper subsidy to low-income families; and \$822 million in Community Development Block Grant (CDBG) funds. (The request and endorers are attached at the end of my testimony).

Since then, Congress has authorized \$428 million in CDBG funds — about half of the estimated funding needed. The other parts of the request have not been acted upon.

In March 2007, the House of Representatives did pass H.R. 1227, the Gulf Coast Hurricane Recovery Act of 2007. The bill includes provisions introduced by Congressman Al Green that address low-income housing shortages. But these provisions are not exclusive to Texas and we fear they will end up being disproportionately distributed to other states who, unlike Texas, have large amounts of housing resources already available. The legislation provides:

- 4,500 new project-based vouchers to create housing for persons displaced by Hurricanes Katrina and Rita.
- \$5 million for fair housing programs along the Gulf Coast, and a program requiring HUD to reimburse landlords who participated in the FEMA city lease program.
- \$36 million for new project-based Section 8 housing vouchers to support 1,500 permanent supportive housing units for Texas.

The Senate version of the bill, S. 1688, focuses primarily on recovery for Mississippi and Louisiana. It lacks provisions to help hurricane survivors in Texas or Houston.

### **“Compassion fatigue” is diminishing public support for hurricane survivors.**

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

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

The evacuee “problem” cannot be addressed in Houston until adequate provision is made for evacuees to be able to obtain long-term affordable housing in desegregated settings away from the preexisting crime and poverty that characterize the neighborhoods that evacuees were located in when they first came to Houston.

# Better preparing for the next disaster that impacts a low-income population

The most important lesson we have learned from long-term housing recovery in the wake of Hurricanes Katrina and Rita is that the housing needs of low-income disaster survivors are profoundly different from those of higher income families. Government-sponsored disaster assistance provided under the Stafford Act fails to give long-term housing stability to low-income families. In the case of the recent hurricanes and the several natural disasters that have beset Texas over the past two years, it seems that low-income families have come to constitute the majority of the victims.

Our country needs to develop a new and better way to help low-income families secure long-term affordable housing in the wake of disasters. The current process for using disaster housing resources is inefficient. Furthermore, the long-term housing needs of low-income families have not been a priority. Federal law contemplates the provision of only temporary housing relief. The Federal Emergency Management Agency (FEMA) is prohibited from paying for what is considered “permanent housing.” Similarly, charitable organizations such as the Red Cross direct the bulk of their resources toward providing temporary housing assistance to disaster survivors.

Temporary assistance, coupled with private homeowners’ insurance and direct public assistance is often all that is needed to help middle- and upper-income families reestablish their lives. But low-income families, who typically lack homeowners insurance and lived in unaffordable or substandard housing before a disaster, are not well-served by the existing disaster housing assistance system. This system fails to offer low-income families a clear path to permanent housing recovery.

Long term disaster recovery has historically been not a federal program but one administered by state and local governments. Besides the Rita effort, the state of Texas’ approach to disaster housing is to allocate HOME federal block grant funds to a unit of local government (city or county). These local entities then provide housing assistance to disaster survivors. This process has proven to be highly inefficient. The provision of housing assistance often takes months— or even years—as local governments develop programs and administer housing funds. Additionally, localities are charged with the task of administering other—usually higher-priority—public infrastructure relief and rebuilding efforts. Housing programs take a back seat to these efforts.

There are two challenges: secure adequate resources to assist with long term housing and develop a program to provide that assistance more rapidly and efficiently. We urge Congress to work with the states to establish a pilot program to reinvent the federal/state approach to long-term disaster housing recovery. The goal would be to establish a model long-term recovery program based on the lessons learned through Hurricanes Katrina and Rita. Once the model is developed the it should be tested and demonstrated on a small scale in the next natural disaster that affects a low-income

population. Successful demonstration of model relief efforts can be used to make the case for permanent modifications to federal programs.

Here are 10 specific improvements to existing programs based on the Katrina and Rita experience that we recommend be included in a model program:

1. In the immediate wake of a disaster be prepared to quickly conduct accurate damage assessments.
2. Identify and collect household economic and demographic data needed to determine the type of financial assistance that will be required. Develop a protocol with FEMA to collect useful data about survivors' needs.
3. Establish a housing delivery infrastructure, including program administrators and construction contractors who are prepared to go to work quickly. Develop pre-need contractual relations with private program managers and modular housing providers to allow them to deliver permanent housing very quickly in the wake of a disaster.
4. Work out in advance the type and terms of housing financial assistance that government will make available.
5. Design a program to minimize temporary housing costs. Use funds that would be spent for temporary housing to provide housing equity to disaster survivors. Secure authorization from Congress to carry out a pilot program that modifies the federal Stafford Act to use savings from temporary housing for permanent housing.
6. Be prepared to quickly inform disaster survivors about what options they have and how they can apply for assistance. Prepare public information materials including web, printed and video presentations that can be quickly modified to provide survivors immediate access to information about how to obtain housing help.
7. Establish relationships and protocols with faith-based organizations that will be providing housing assistance to prioritize the effective use of their volunteer resources and prevent duplication of effort. Integrate their efforts into government long-term recovery programs by conducting joint work write-ups and directing volunteer efforts into emergency rehabilitation that can be preserved as part of comprehensive home rehabilitation.
8. Conduct war game type disaster scenarios with state and local government agencies, FEMA, faith-based groups and housing contractors to prepare for real disasters.
9. Build support among members of Congress to work quickly with Governors in the wake of disasters to identify to secure funding for needs and break through federal logjams.
10. Establish, train and place under contract a rapid response team of federal, state and private organizations to prepare damage and needs assessments. Agree upon the data to be collected and the standards to be consistently applied in arriving at damage estimates.



# How enactment of the National Affordable Housing Trust Fund and Expanding American Homeownership Act would assist Houston

## **National Affordable Housing Trust Fund**

A review of the data presented earlier in my testimony will clearly show that the National Affordable Housing Trust Fund (NAHTF) (H.R. 2895), passed by the US House Of Representatives on October 10, 2007, is precisely the program that would best address the affordable housing crisis in Houston.

The NAHTF would provide targeted assistance to cities such as Houston to create rental housing for extremely low-income households. These are the very families which we show are most severely impacted by the Houston affordable housing crisis and relocation due to Hurricane Katrina. Our analysis shows a need for more than 100,000 new units affordable to households at this income level. There is currently no program producing any significant number of such units operating in Houston.

Existing housing resources and programs are not and cannot deal with the crisis. The current major source of housing funds, the Low Income Housing Tax Credit program creates units affordable at 60 percent of the area median family income. Recent market studies by the agency administering the tax credit program, the Texas Department of Housing and Community Affairs, shows that the Houston market is over saturated with units at this affordability level while the shortage is for units affordable to extremely low and very low income families.

In addition to the NAHTF Houston will need more Section 8 Housing Choice Vouchers. But, short of a massive infusion of additional Section 8 Housing Choice Vouchers, the passage of a well funded National Affordable Housing Trust Fund is the single most important action the Congress can take to address the Houston housing crisis.

## **Expanding American Homeownership Act**

The Expanding American Homeownership Act (H.R. 1852) passed the US House of Representatives on September 18, 2007. The legislation amends the National Housing Act in a number of ways which would be useful in increasing homeownership within Houston and its suburbs. Especially useful are provisions to extend the mortgage term from 35 to 40 years; and revise requirements for cash downpayment by the mortgagor in the eligibility criteria for mortgage

insurance, including mortgage insurance premiums for zero- and lower downpayment borrowers who obtain a mortgage secured by a one- to four-family dwelling.

The legislation's provisions regarding establishing a higher risk insured loan product would provide definite help to renters struggling to move into homeownership while allowing home buyers to avoid predatory subprime lending products. There is some evidence that it is these private subprime products which are contributing to the high rates of mortgage foreclosure in Houston's minority and lower-income census tracts which I described earlier in my testimony.

# Recommended action by Congress

- 1) Congress should provide provide the State of Texas and Texas cities where hurricane evacuees live with:
  - 36,000 Section 8 Housing Choice Vouchers;
  - \$97.5 million in Low Income Housing Tax Credits coupled with a rules waiver to allow the state to increase the level of tax credit subsidy per development under this \$97.5 million allocation. This will permit the state to fund a portion of apartments within new developments at higher equity levels in order to obtain reduced rent levels affordable at the 40 percent of median family income level; and
  - \$319 million in Community Development Block Grant (CDBG) funds (original needs estimate of \$822 million less the \$503 million HUD has already allocated to Texas) with a requirement that these funds be used only to create housing.
- 2) Establish a fair housing counseling program so evacuees can relocate for concentrated and segregated low-income neighborhoods, understand their housing options and make informed choices for permanent housing.
- 3) Pass the National Affordable Housing Trust Fund to expand the supply of rental housing available to extremely low-income households.
- 4) Pass the Expanding American Homeownership Act to increase homeownership opportunity for lower income households.

# Conclusion

The current state of affordable housing presents a very disturbing picture for Houston, the nation's fourth largest city.

A huge population of low-income renters cannot afford the rent where they are now living. There is a shortage of over 100,000 rental units affordable to extremely low-income families yet there are no resources and no significant effort to provide this housing. A huge share of the city's renters are bearing unsustainable rent burdens.

Meanwhile, the city's homeownership rates trail the nation and the state. Many of the existing low-income homeowners are severely burdened by the cost of taxes and upkeep on their homes. The homeownership gap between the city and suburbs is growing. Foreclosures have disproportionately hit low-income and minority communities.

Finally, government housing subsidies, which provide a safety net for the poor in most major US cities, are not available in Houston at nearly the rate of the rest of the country.

These factors combined to create a major affordable housing crisis in Houston. And then came Hurricanes Katrina and Rita and things suddenly got a lot worse.

Two years after Hurricane Katrina displaced about 150,000 low-income families to Texas and Hurricane Rita inflicted major damage or destroyed 75,000 Texas homes, the top priority should be ensuring the survivors are provided every opportunity to achieve long-term recovery. Yet due to a lack of adequate recovery funds from Congress and the Administration, most low-income hurricane survivors in Houston are suffering loss of temporary housing benefits and are increasingly unlikely to obtain any meaningful long term housing assistance.

In fact, data summarized in this testimony suggests low-income Hurricane Katrina and Rita survivors in Texas are likely to be worse off than they were before the hurricanes. Once the shelters closed, and temporary rental assistance ended for tens of thousands of families, they were left on their own to survive in a city which lacks any meaningful affordable housing for them. Now, most are unemployed, uninsured, and living in unaffordable housing segregated into high-poverty areas. Public opinion in Houston is turning against them and their plight has fallen from public consciousness.

Research indicates that without long-term recovery assistance, socially vulnerable and even middle-income disaster survivors will be at risk of destitution or lasting poverty. For evacuees, permanent housing opportunities are a crucial part of recovery. Despite challenges, there remains an opportunity to ensure hurricane survivors in Texas are able to achieve lasting recovery. It will require political support, additional financial resources, government competence in ensuring funds are used properly, and the sustained perseverance of hurricane survivors.

# Attachment: 2006 Texas request, aid to Katrina evacuees

July 1, 2006

President George W. Bush  
Members of Congress  
Secretary Alfonso Jackson, Dept. of Housing & Urban Development  
Washington, DC

Dear Mr. President, Members of Congress, and Mr. Secretary:

Hurricanes Katrina and Rita handed the state of Texas an unprecedented housing challenge. To date, there are no long-term affordable housing resources for Hurricane Katrina victims in Texas, and grossly inadequate resources for the 75,000 victims of Hurricane Rita.

Reclassifying Katrina evacuees in Texas as refugees and transferring them to an 18-month resettlement program, a strategy that has proven successful in other disasters of this magnitude, is a good approach for evacuees who have decided to stay. It is also important that evacuees have clear choices about returning to home. The decision to resettle or return should be up to the evacuees.

We support a five-step plan to provide housing to the more than 100,000 families living in Texas who are victims of Hurricanes Katrina and Rita.

1. Transfer long-term housing responsibility from FEMA to a government agency that understands housing: the U.S. Department of Housing and Urban Development.
  2. Settle the elderly and people with disabilities who will require on-going government housing subsidy into permanent housing with Section 8 Housing Choice Vouchers.
  3. Provide temporary Section 8 Housing Choice Vouchers to other families renewable at six-month intervals as a part of the resettlement plan.
  4. Develop affordable rental housing and build and repair owner-occupied housing.
- Rental housing production: Texas needs an allocation of Low Income Housing Tax Credits (LIHTC) coupled with a rules waiver that allows the state to increase the level of tax credit subsidy per development. This will provide at least one affordable apartment for every three evacuee households.

- Owner-occupied housing production and rehabilitation: Using a special Community Development Block Grant (CDBG) allocation of \$10,000 per evacuee household, fund owner-occupied housing repair and construction programs.

5. Establish a housing counseling program so evacuees can understand their housing options and make intelligent and informed choices.

To carry out this plan, we call upon the federal government to provide Texas with:

- 36,000 Section 8 Housing Choice Vouchers,
- \$97.5 million in Low Income Housing Tax Credits and
- \$822 million in Community Development Block Grant (CDBG) funds.

Sincerely,

**Organizational Endorsers:**

Texas Low Income Housing Information Service  
National Low Income Housing Coalition  
Texas ACORN  
Texas Appleseed  
Center for Public Policy Priorities  
United Ways of Texas  
The Texas IAF Network of Organizations  
House the Homeless, Inc.  
Houston Support Group  
Texas Interfaith-Interagency Disaster Response  
American Dream Self-Sufficiency Program  
Inclusive Communities Project  
Alamo Area Mutual Housing  
Antioch Project Reach, Inc.  
Universal Living Wage Campaign  
Texas Homeless Network  
North Central Texas WorkForce  
Family Eldercare  
United Cerebral Palsy of Texas  
Rev. John Bowie, Clergy Co-Chair of The Metropolitan Organization (TMO)  
Texas Legal Services Center  
Foundation Communities  
Society of St. Vincent de Paul, Diocesan Council of Austin  
Communities in Schools, Baytown, Texas  
Family Eldercare  
Central Dallas Ministries  
Texans Care for Children  
North Central Texas Workforce  
Caritas of Austin  
Expanding Horizons Foundation  
The Praxis Project  
National Association of Social Workers

**Individual Endorsers:**

Holly Bell, Austin, Texas  
Scot More, Coalition for the Homeless of Houston  
Cathy Brown, The Gulf Coast Center  
Cynthia Smith, Mental Health Mental Retardation of Beaumont  
Carronda Keeton, hurricane evacuee  
Emily Schroeder, Houston Volunteer Lawyers Program  
Leticia Garza, G.R.A.C.E. Community Services  
Annell Neale, Ausley, Algert, Robertson & Flores, LLP  
David DeCuir, hurricane evacuee  
Vicki Johnson, Texas Rio Grande Legal Aid  
Karen Cuttill, WorkSource Dallas County  
Barbara Manouso, Harris County Housing Resource Center  
Padricia Lawes  
Rosemary Wetherold, Austin, Texas  
Abe Louise Young, The New Orleans Disaster Oral History Project  
Abram Himmelstein, Neighborhood Story Project  
Monique Greer, Houston, Texas  
Courtney Carter, Austin, Texas  
Emily Steinberg, Austin, Texas  
Brandi Daniels, Brooklyn, New York  
Jim Bruce, Oakland, California  
Sari Alborno, Austin, Texas  
Bernard Lawes, hurricane evacuee  
Rebecca Solnit, San Francisco, California  
Jerrol Davis, LCSW, Austin, Texas  
Michelle Augustine, Faith Presbyterian Church, Austin, Texas

UNITED STATES HOUSE OF REPRESENTATIVES  
Committee on Financial Services

**“TRUTH IN TESTIMONY” DISCLOSURE FORM**

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

<b>1. Name:</b>  <div style="text-align: center; background-color: yellow; padding: 5px;">John Henneberger</div>	<b>2. Organization or organizations you are representing:</b>  <div style="text-align: center; background-color: yellow; padding: 5px;">Texas Low Income Housing Information Service</div>
<b>3. Business Address and telephone number:</b>  <div style="text-align: center; background-color: yellow; padding: 5px;">508 Powell St, Austin, TX 78703-5122, (512) 477-8910</div>	
<b>4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?</b>  <div style="display: flex; justify-content: space-around;"> <span><input type="checkbox"/> Yes</span> <span><input checked="" type="checkbox"/> No</span> </div>	<b>5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2004 related to the subject on which you have been invited to testify?</b>  <div style="display: flex; justify-content: space-around;"> <span><input type="checkbox"/> Yes</span> <span><input checked="" type="checkbox"/> No</span> </div>
<b>6. If you answered “yes” to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.</b>  <div style="height: 150px;"></div>	
<b>7. Signature:</b>  <div style="height: 40px;"></div>	

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