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Hurricane Katrina: Questions Regarding the Section 8 Housing Voucher Program

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Summary

Hundreds of thousands of families were displaced from their homes by Hurricane Katrina. Many of the displaced families lacked economic means before the storm; others may have become disadvantaged because of the storm. The role of the federal government in helping to meet both the short- and long-term housing needs of displaced families remains under debate within the Administration, in Congress, and in the news media, and questions persist regarding the appropriate role of the nation's largest housing assistance program for the poor—the Section 8 voucher program—in the wake of the storm. This report focuses on three questions: What impact did the hurricane have on existing voucher holders? To what degree did the program serve displaced families who had not previously received a voucher? And should the program play a larger role in serving displaced families in the future?

The voucher program played a minor role in serving the overall population of affected families. The Department of Housing and Urban Development (HUD) focused primarily on serving the estimated 44,000 displaced families who had already received HUD assistance or were homeless before the storm. Initially, Public Housing Authorities (PHAs) in other parts of the country were encouraged to give these families priority for existing vouchers. Later, HUD and the Federal Emergency Management Agency (FEMA) announced a new Katrina Disaster Housing Assistance Program (KDHAP). Under KDHAP, FEMA funded HUD to provide vouchers to displaced, HUD-assisted families. Most recently, a supplemental funding measure transferred funding for KDHAP from FEMA to HUD's Section 8 tenant-based rental assistance account. HUD renamed the program the Disaster Voucher Program (DVP).

The majority of displaced families, however, did not receive HUD assistance before the storm. To serve these families, some PHAs allowed otherwise-eligible families displaced by the hurricane to jump to the top of local waiting lists. Other PHAs considered adopting such a policy, but decided that the need was too great in their own communities. The demand for vouchers nationwide is greater than the supply; thus few existing vouchers are available to new families. Advocates from across the political spectrum called for the creation of new vouchers for displaced families. They claimed that vouchers are more cost-efficient, provide more family choice, and can avoid many of the problems associated with such policies as the temporary provision of trailers. Some Members of Congress introduced bills in the 109th Congress to authorize and fund new vouchers (S. 1637, S. 1765 and S. 1766), or to make changes to the current program (H.R. 3894), but none were enacted.

In lieu of vouchers, the Administration chose to provide families with short term stays in motel rooms, cash grants, and trailers through FEMA. This approach came under criticism, and Administration reviews post-Katrina have recommended major changes to the way housing assistance is provided, including transferring temporary housing responsibilities to HUD. In July 2007, HUD and FEMA entered into an Interagency Agreement to transfer responsibility for ongoing housing assistance for Katrina evacuees from FEMA to HUD. This report may be updated, as necessary.

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Introduction

Hurricane Katrina's devastation to the nation's housing stock was unprecedented. The 2005 hurricanes (Katrina, Rita, and Wilma) and their related flooding were estimated to have damaged 1.2 million units of housing; of those, over 300,000 were seriously damaged or destroyed.[1] The Congressional Research Service (CRS) estimated that 700,000 people may have lived in the areas most adversely affected by Hurricane Katrina, and were most likely to be displaced.[2] Data provided to CRS by FEMA in June 2006 showed that, at peak, approximately 1.25 million people were living outside their original zip code because of Hurricanes Katrina and Rita.[3]

These displaced families fell into a range of categories. Some were homeowners whose property sustained only minor damage and who quickly secured loans to begin repair. Some were homeowners whose property sustained massive damage and who were left waiting, even a year later, for information on their insurance settlements and options. Some were renters whose dwellings were quickly repaired, while others were renters whose dwellings will never be rebuilt. Some were homeless before the storm—about these people little is known. Even within these categories there is variation. Some of the families found permanent homes in new communities, others stayed with friends and family temporarily but were able to make their way back, and still others, a year after the storm, are still displaced and unsure whether they will ever return. Some of these families were economically stable, had sizeable savings, good insurance, and were able to maintain their employment; others were economically unstable before the disaster and lost what little they had. Many probably fell somewhere in between.

The full effect of Hurricane Katrina and the circumstances of the families affected may never be fully known. However, existing data provide some insights. For example, CRS estimates that the poverty rate in the Katrina-damaged areas was 21% in 2000—well above the national poverty rate of 12%—and the rate of homeownership in Katrina-damaged areas was 55%, compared with 66% nationally in 2000.[4] In light of the characteristics of the damaged communities—poorer than average and more likely to rent—it is not surprising that many questions arose about the role of the nation's primary housing assistance program for the poor, the Section 8 Housing Choice Voucher program. These questions generally fall into three categories. First, what was the effect of the hurricane on existing voucher holders in the damaged regions? Second, to what extent is the program being used to serve displaced families, regardless of whether they previously received vouchers or other HUD assistance? Third, to what extent, if at all, should the program be modified and expanded to serve additional displaced families? This report also reviews the forms of assistance FEMA has provided to displaced families in lieu of Section 8 vouchers.

[1] U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *Current Housing Unit Damage Estimates: Hurricanes Katrina, Rita, and Wilma*, February 12, 2006.

[2] See CRS Report RL33141, *Hurricane Katrina: Social-Demographic Characteristics of Impacted Areas*, by (name r edacted) et al.

[3] Based on e-mail communication with Heather Smith, Congressional Affairs Specialist, Office of Legislative Affairs, FEMA, June 20, 2006.

[4] See CRS Report RL33141, *Hurricane Katrina: Social-Demographic Characteristics of Impacted Areas*, by (name r edacted) et al.

Introduction to the Voucher Program[5]

To answer these three questions, it is important first to understand what the Section 8 voucher program is and how it works. Section 8 vouchers are rent subsidies that poor families can use to reduce their housing costs in the private market to an "affordable" level.[6] Families with vouchers pay 30% of their incomes toward rent, and the federal government pays the difference between the families' contributions and the actual rent, up to a limit.[7] That limit is called the payment standard, and its value ranges between 90% and 110% of the local Fair Market Rent (FMR).[8] Very low-income families are eligible for vouchers, and extremely low-income families are given priority for vouchers.[9] The subsidies are portable, meaning that families can move anywhere in the country with their vouchers. The demand for vouchers is greater than the supply. In some communities, waiting lists are many years long; in others, the waiting lists are closed.

The Department of Housing and Urban Development (HUD) oversees the Section 8 voucher program at the federal level, but the program is administered at the local level by quasi-governmental Public Housing Authorities (PHAs). More than 2,000 PHAs participate in the program, and each receives an allocation of the more than 2 million vouchers currently authorized and funded by Congress. PHAs run their programs on a fixed budget, determined by a formula developed annually by Congress.[10] They also receive administrative fees that in recent years have been based on what they received in the prior year.

Effects on the Voucher Program

Hurricane Katrina affected both PHAs and assisted families. Some PHAs in the path of the storm temporarily ceased operations, including the Housing Authority of New Orleans (HANO) and the Housing Authority of the City of Slidell. Others took in displaced voucher holders, most notably the Housing Authority of the City of Houston. An unknown number of families in the hurricane-damaged areas were receiving federal help with their housing costs, either through a Section 8 housing voucher or by living in federally subsidized rental housing, such as public housing, before the storm hit. While these families retain their assistance, the process of using this assistance in other areas can be cumbersome. HUD developed several policies and procedures for storm-affected agencies and families to follow.[11]

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[5] For more information about the Section 8 voucher program, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs*, by (name redacted).

[6] Housing is generally considered affordable if it costs no more than 30% of a family's income.

[7] The formula is more complicated than presented here. For more information, see CRS Report RL32284, *An Overview of the Section 8 Housing Programs*, by (name redacted).

[8] The FMR is set annually by HUD for every community in the nation. It is calculated as the 40th percentile rent for a two-bedroom apartment and is adjusted for bedroom size. It is meant to represent the cost of modestly priced housing. The national average FMR for a two-bedroom apartment in 2005 was $786 per month, although that average masks wide variation. For a list of national FMRs, see http://www.huduser.org/datasets/fmr.html.

[9] Very low income is defined as income at or below 50% of area median income; extremely low income is defined as income at or below 30% of the local area median income [42 U.S.C. 1437a(b)(2)]. Under the law, 75% of all vouchers must be give to extremely low-income families [42 U.S.C. 1437(b)(1)].

[10] For more information, see CRS Report RL33929, *Recent Changes to the Section 8 Voucher Renewal Funding Formula*, by (name redacted).

[11] For more information on HUD's responses to Katrina beyond the voucher program, see CRS Report RS22358, *The*
(continued...)

Initial Guidance

On August 31, 2005, HUD posted on its website a list of immediate and pending actions it would take in response to the hurricane. Immediate actions included the identification of vacant public housing units available for displaced families and the issuance of regulatory waivers.[12] Longer-term actions included the establishment of a redevelopment corporation[13] and a proposed new residential-homes tax credit for developers.[14]

On September 3, 2005, HUD announced that it had established a toll-free number for displaced public housing and voucher residents to call for assistance.[15] Guidance issued that same day informed PHAs on how to serve displaced families. Under existing authority, PHAs could use vacant public housing units for either displaced public housing residents or displaced voucher holders, and they could provide available vouchers to displaced public housing residents. However, in order to prioritize displaced HUD families for assistance, PHAs must first amend their PHA plans if a preference for disaster-affected families is not already included.[16] A PHA's board must approve any changes, and can determine whether they are significant enough to warrant a public hearing.

The same guidance reminded PHAs that they must accept families with vouchers who wish to move, or port,[17] into their jurisdiction. The PHAs can then choose whether to take a family into their own programs and fund the vouchers themselves, a process called absorbing—or administer the voucher on behalf of the pre-disaster PHA, a process called billing. There are pros and cons to both options. Billing requires more complicated paperwork, payments can be delayed, and the receiving housing authority is entitled to only 80% of the originating PHA's administrative fees. Billing can also present problems for originating agencies when families move to more expensive areas, since the PHAs are required to pay the increased subsidy. Absorbing is simpler administratively; however, it requires the receiving PHA to allow porting families to jump ahead of other families on the waiting list for available vouchers. HUD's September 3, 2005 guidance encouraged PHAs to show utmost flexibility, stating:

(...continued)

Role of HUD Housing Programs in Response to Hurricane Katrina, by (name redacted) et al.

[12] Following any disaster, HUD has the authority to waive certain statutory and regulatory requirements in the voucher program for PHAs in disaster areas, as well as those serving families affected by the disaster. PHAs must request waivers, and not all program rules are eligible for waiver. See Federal Register Notice, Regulatory and Administrative Waivers Granted for Public and Indian Housing Programs to Assist with Recovery and Relief in Hurricane Katrina Disaster Areas, September 27, 2005, http://www.hud.gov/offices/pih/publications/katrinapihadminwaiv.pdf.

[13] On November 4, 2005, Executive Order 13389, *Creation of the Gulf Coast Recovery and Rebuilding Council*, and Executive Order 13390, *Establishment of a Coordinator of Federal Support for the Recovery and Rebuilding of the Gulf Coast Region*, were published in the *Federal Register*.

[14] Legislation creating a redevelopment tax credit has not been enacted as of this update.

[15] HUD news release No. 05-117, *HUD Establishes Toll-Free Number For Section 8 Voucher Holders and Public Housing Residents*, September 3, 2005.

[16] PHAs must complete two plans, a five-Year Plan, which each PHA submits to HUD once every fifth year, and an Annual Plan, which is submitted to HUD every year. These plans spell out the agencies' policies, programs, operations, and strategies for meeting local housing needs and goals. For more information, see 24 C.F.R. 903.3 et. seq.

[17] Vouchers are nationally portable, meaning that they can be used anywhere in the country where a voucher program is being administered. When families move from the jurisdiction of one PHA to another, the process is referred to as "porting," and vouchers that have moved from one jurisdiction to another are often referred to as "portability vouchers." The agency from which the family moves is typically referred to as the originating agency, and the agency to which the family moves is typically referred to as the receiving agency.

> Do not let portability billings get in the way of providing vouchers to displaced voucher holders from any of the PHAs affected by Hurricane Katrina. The Department will make sure that PHAs are paid for legitimate ports from affected PHAs.

KDHAP and the Disaster Voucher Program

On September 24, 2005, the Secretaries of HUD and the Department of Homeland Security (DHS) announced a new initiative for HUD-assisted families displaced by Hurricane Katrina. The Katrina Disaster Housing Assistance Program (KDHAP) was funded by DHS through its sub-agency, the Federal Emergency Management Agency (FEMA)—but was administered by HUD.[18] HUD issued guidance on the new program on October 4, 2005.[19] The program provided a new form of rental housing voucher, a KDHAP voucher, to displaced HUD-assisted families. KDHAP was meant to eliminate the need to prioritize displaced families over other families for available assistance and eliminate portability billings.

In December 2005, a supplemental appropriations bill attached to the Defense Department FY2006 Appropriations bill (P.L. 109-148) transferred $390 million from FEMA's Disaster Relief Fund to HUD's Section 8 tenant-based rental assistance account for Katrina rental assistance. HUD issued guidance on February 3, 2006 implementing a new Disaster Voucher Program (DVP) to replace the KDHAP program.[20] DVP differs from KDHAP in several ways. First, DVP is governed by Section 8 rules, unlike KDHAP, although the Secretary is permitted to waive income and eligibility requirements. The amount of subsidy provided is capped at a level set by local PHAs for the voucher program, called a payment standard, rather than the fair market rent, as under KDHAP. Security deposit and utility deposit assistance, which was guaranteed under KDHAP, is provided at the discretion of the PHA under DVP. Initially, not all families that were eligible for KDHAP assistance were eligible for DVP assistance, although Congress later amended DVP to cover all KDHAP-eligible families.[21] Finally, KDHAP was limited to Hurricane Katrina evacuees, whereas DVP is available to both Hurricane Katrina and Rita evacuees.

Structure

Families who were homeless or receiving rental assistance from HUD before their homes were made uninhabitable by Hurricane Katrina are eligible to receive DVP assistance.[22] DVP provides a monthly rent subsidy equal to the lesser of the PHA's payment standard or the actual rent, for the duration of the program.[23] Families are not required to make a minimum payment, although

[18] The agreement between FEMA and HUD is called a mission assignment. Mission assignments are contracts between FEMA and other federal agencies through which these agencies agree to provide some form of essential assistance and FEMA agrees to reimburse them for their costs. The term is defined at 44 C.F.R. 206.2(a)(18).

[19] *Katrina Disaster Housing Assistance Program Interim Operating Requirements*, October 4, 2005, available at http://www.hud.gov/offices/pih/publications/kdhapopreq.pdf.

[20] HUD Notice PIH 2006-12, February 3, 2006.

[21] Families living in Section 236, 236(b), and 221(d)(3) BMIR units without Section 8 contracts and those living in units with Rental Assistance Payment (RAP) or Rent Supplement assistance were eligible for KDHAP but were not initially eligible for DVP. P.L. 109-234 expanded eligibility for DVP to include these families.

[22] These families include Section 8 voucher holders (except families who were using their vouchers to purchase a home), public housing residents, families in Section 202 and Section 811 properties, and those with project-based Section 8 rental assistance. A separate KDHAP eligibility category existed for previously homeless individuals and residents in the Housing Opportunities for Persons with AIDS (HOPWA) program.

[23] HUD initially used September 30, 2007, as the date by which assistance to DVP participants was to end. If a family's (continued...)

they are required to pay any rental costs above the payment standard. For many families, this will mean a reduction in their housing costs, since under most HUD rental assistance programs, families are required to contribute at least 30% of their incomes toward their housing costs. Families must pay the costs of utilities not included in the rent, although PHAs can provide a utility allowance to families. Like the Section 8 voucher program, DVP is administered by PHAs. PHAs that choose to participate are paid a flat fee of $1,500 for each DVP family that they house (up from $1,000 under KDHAP), plus an ongoing administrative fee equal to 10% of the voucher.

The DVP process differs for families depending on whether the family requested assistance after the DVP program was announced, the family received KDHAP assistance prior to the announcement of DVP, or the family received assistance under normal portability procedures before either KDHAP or DVP were announced.

New families enter the program after they apply to a PHA or call a national toll-free intake number established by HUD. The PHA or the intake worker at the call center first screens the family for eligibility by cross-referencing them with a database of eligible families maintained by HUD. If the family's original project-based assistance unit is available for occupancy, the family is given the option to move back. If the family chooses not to move back, they are instead given a DVP voucher, although they forfeit their right to return to their original housing and will have to reapply for assistance at the end of their DVP eligibility. If the family's original housing is not available, then the family is given a DVP voucher with the right to return to their original unit when it becomes available or at the end of their DVP eligibility. No additional families will be admitted to the program after September 1, 2007.

Once a family is awarded a DVP voucher, the family is either admitted by the PHA or referred to a participating PHA in the area of the country where the family wishes to relocate. PHAs heavily affected by the hurricanes can choose to serve their returning families under the DVP program rather than the regular voucher program and HUD has encouraged them to do so, noting that DVP is more flexible than the regular voucher program and that it permits PHAs to combine DVP funds with public housing funds.

Families with KDHAP vouchers were to be transitioned over to DVP by March 1, 2006. The transition required PHAs to file lease addendums both with landlords and tenants. Since DVP uses PHA payment standards—which can be set between 90% and 110% of fair market rent—to determine families' subsidies rather than 100% of FMR used under KDHAP, some families may have to pay less in rent under DVP and some may have to pay more, depending on whether their rent is higher or lower than the payment standard.

Those families who evacuated and began receiving assistance under regular portability procedures prior to the announcement of KDHAP could have chosen to transfer to KDHAP or stay within the rules of the current voucher program. Regardless of the family's choice, the receiving PHA was required to bill KDHAP for the cost of the assistance (up to 100% of FMR), rather than the originating PHA. If the family chose to stay in the regular voucher program, and

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18 months were up before that day, they were to receive DVP assistance under regular voucher program rules until September 30, 2007. That deadline has since been extended to June 30, 2008. However, HUD's waiver authority (the ability to administer DVP differently from the voucher program) will expire in December 2007. At that time, PHAs will be required to certify tenants income and calculate their rent using regular voucher procedures. (See HUD Notice PIH-2007-17.)

the cost of the family's actual assistance was higher than 100% of FMR, then the receiving PHA was to bill the originating PHA for the difference in cost. Under DVP, families can still choose between DVP and the regular voucher program rules; however, the PHA bills HUD for the entire cost of the voucher.

The 7,600 voucher families in the DVP program will return to the regular voucher program on December 31, 2007. For HUD-assisted families without Section 8 vouchers (for example, families who had lived in public housing before the storm), if their previous housing is not rebuilt, then the family is to receive a voucher. If their previous housing is rebuilt but they want to continue to receive voucher assistance, then they must apply for a voucher in the community in which they want to live. HUD's DVP guidance states that storm-damaged PHAs whose clients are being served under DVP should prepare financially for the families' return at the end of the DVP program, as those agencies will have to resume providing assistance to all families assisted before the storm who choose to return.

Families Homeless Prior to Hurricane Katrina

Under both KDHAP and DVP, families and individuals who were homeless prior to Hurricane Katrina are treated somewhat differently than HUD-assisted families. After creating KDHAP, HUD announced that those who were previously homeless would be served separately, along with residents of the Housing Opportunities for Persons with AIDS (HOPWA) program, in a program called KDHAP Special Needs (KDHAP-SN). HUD issued additional guidance in a December 1, 2005 notice,[24] and later made operating requirements available on its website.[25] Homeless families then became eligible for DVP when the new program took effect on February 1, 2006.

Homeless families are eligible for the DVP if they were living in a Presidentially declared disaster area in the week immediately prior to Hurricane Katrina or Rita, and either sleeping in a place not meant for human habitation or residing in an emergency shelter, transitional housing or housing provided through the Supportive Housing Program (SHP), Shelter Plus Care (S+C) program, or HOPWA program.[26] To receive DVP housing assistance, homeless families must first verify their eligibility. If families lived in SHP, S+C, or HOPWA housing, the housing provider must confirm their residency. If families were living on the street or staying in emergency shelters, a homeless service provider must provide written records or statements to confirm that families were homeless in the weeks prior to Hurricanes Katrina and Rita.

Once families are found to be eligible for DVP, they may attempt to find housing within the jurisdiction of any participating PHA. HUD recommends that PHAs contract with local homeless service providers to assist families in finding and maintaining housing. In addition, an initiative called Katrina Aid Today, made up of ten social service and voluntary organizations, is to provide case management assistance to those displaced by Hurricane Katrina. If Katrina Aid Today's services are available where previously homeless families live, HUD requires that PHAs use their services, rather than those of other providers.

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[24] HUD Notice PIH 2005-36, December 1, 2005, available at http://hudclips.org.

[25] HUD released KDHAP-SN Operating Requirements, dated December 22, 2005; they are no longer available, however.

[26] Disaster Voucher Program Supplemental Guidance: Rental Assistance for Special Needs Families Displaced by Hurricanes Katrina and Rita, available at http://www.hud.gov/offices/pih/publications/dvpsnguidance.pdf.

Status

Several concerns were raised about KDHAP. Some PHAs were reluctant to participate because they were required to shelter and transport families until they found housing and the PHAs argued that the costs to do so were higher than the fees they received. Low-income housing advocates criticized the program because it did not include utility payments, which can pose a heavy cost burden on very poor families. KDHAP was also criticized as too complex. While the benefit calculation was simpler than the calculation under the Section 8 voucher program, the interaction between the two forms of voucher was complicated. Many voiced concern about what will happen at the end of 18 months, and how smoothly families will be able to transition out of DVP and into other assistance or out of assistance altogether.

The $390 million supplemental for DVP—administered by HUD, largely under existing rules—helped address the concerns raised within KDHAP about participation, utility costs, and interaction with regular vouchers. However, DVP does not address the issue of transition at the end of the program.

The HUD Assistant Secretary for Public and Indian Housing testified before the House Financial Services Committee on December 14, 2005 that, as of that date, 12,500 households had been processed under KDHAP, although potentially 75,000 evacuees were eligible. He noted that it has been difficult to reach eligible families, which is why such a small percentage have actually been served.[27] The President's February supplemental request revised down the estimated number of DVP eligible families to 44,000. One year after the storm, HUD reported that more than 27,000 families have been assisted.[28] According to information provided to CRS by HUD, as of August 31, 2006, HUD had obligated $110 million of the supplemental funding for DVP assistance and $97 million of that amount had been spent. As of that same date, the Department had obligated $46 million for KDHAP under its mission assignment with FEMA and $44 million of that amount had been spent.

Use of Existing Vouchers for Displaced Families

Outside of KDHAP and DVP, Congress did not fund, and HUD did not provide, additional Section 8 vouchers for families displaced by Hurricane Katrina. Displaced families could apply for existing HUD assistance, including Section 8 vouchers, if they were otherwise eligible; however, in most communities, waiting lists for vouchers are very long—in some cases up to 10 years. In response to the disaster, some PHAs chose to give waiting list preference to families displaced by Hurricane Katrina. In order to offer such a preference, PHAs must generally modify their existing PHA Plan. Such changes require board approval and are generally subject to public scrutiny.

The decision to prioritize displaced families can be controversial. Given the limited supply of vouchers, prioritizing evacuees from other communities requires preempting other poor families

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[27] Congressional Quarterly, Congressional Transcripts, Congressional Hearings, House Financial Services Subcommittee on Housing and Community Opportunity Holds Hearing on Housing Needs After Hurricanes Katrina and Rita, December 14, 2005.

[28] U.S. Department of Housing and Urban Development, *HUD Katrina Accomplishments—One year Later*, available at http://www.hud.gov/news/katrina05response.cfm.

who have been on waiting lists for many years. Prioritizing displaced families may also have budget implications. In recent years, PHAs have received a fixed budget based on their inflated costs in 2004. Since costs are driven by the difference between the rent and income of the families served, increases or decreases in either can change the cost in ways beyond what is captured in the aforementioned inflation factor. Given that many displaced families were very poor before the storm and many were at least temporarily unemployed after the storm, they may have qualified for larger subsidies than a PHA's typical caseload. Since PHAs' budgets do not adapt to changes in their caseloads, it may be more expensive to serve displaced families. If PHAs' budgets are squeezed, they may either have to reduce the amount of assistance they are able to provide to families or reduce the total number of families served. Also, because vouchers are portable, displaced families may leave the jurisdiction of the PHA that issued the voucher and move back to devastated areas after they are rebuilt. If families leave with their vouchers, unless the vouchers are absorbed in the new community, they will effectively be lost to the communities that issued them.

No database of PHA preferences exists, so the number of PHAs that changed their preferences to prioritize Katrina evacuees is unknown. Since revisions to plans require a public process, a search by CRS of newspaper articles in early November found some reports of activity in local communities. Several PHAs chose to prioritize evacuees; others considered making changes but ultimately decided not to; and still others did not consider changes, given the need in their own communities.

Even if given top priority for existing vouchers, some families displaced by Hurricane Katrina were ineligible to receive assistance because their incomes were too high. Recognizing this concern, on September 26, 2005, members of the Louisiana House delegation introduced the Hurricane Katrina Emergency Housing Act of 2005 (H.R. 3894). The bill would have waived a number of the rules in the Section 8 voucher and project-based programs, including those regarding income eligibility and subsidy determination, for families displaced by Hurricane Katrina. The bill did not include additional appropriations for the Section 8 program, nor did it authorize any additional vouchers. H.R. 3894 passed the full House on October 6, 2005, but similar legislation was not introduced in the Senate, and it was not enacted before the close of the 109th Congress.

Creation of New Vouchers

After Hurricane Katrina struck, housing policy advocates and analysts from across the political spectrum called for the creation of additional Section 8 vouchers to help house the hundreds of thousands of displaced families.[29] There is past precedent for the creation of temporary vouchers after an emergency, including after the 1994 Northridge earthquake.[30] Advocates for vouchers cite a number of advantages vouchers have over the use of trailers and cash grants, which are the two primary methods FEMA used to house displaced families following the storm. Vouchers are portable and allow families to move to the locations of their choice. If administered by local

[29] See Ronald Utt, *After Weeks of Confusion, the Right Course for Evacuee Housing Assistance*, Heritage Foundation, WebMemo #866, September 28, 2005; and Bruce Katz and Mark Muro, *To Shelter Katrina's Victims, Learn from the Northridge Quake Zone*, The Brookings Institution, September 12, 2005.

[30] For more information on past responses to disasters, see CRS Report RL33078, *The Role of HUD Housing Programs in Response to Past Disasters*, by (name redacted), (name redacted), and (name redacted).

housing authorities, they connect families with organizations that are knowledgeable about local markets and can help families locate housing. Since vouchers utilize the existing housing stock, they may cost less than trailers, which often need basic infrastructure to be developed before they can be installed.

Arguments against using vouchers include the complexity of the eligibility and benefit calculation, although both can be modified by Congress when authorizing and funding new vouchers. Also, sufficient rental units may not exist in the areas where families wish to live, and unlike trailers, vouchers cannot expand the stock to address that problem. Finally, once a voucher is authorized, it can be difficult to eliminate. This was the case after the Northridge earthquake. Many families with temporary vouchers were still using them when the assistance was set to expire, and, fearing the social and political implications of evicting families, Congress extended the assistance several times before it was eventually made permanent. Given recent concerns voiced by Congress about the cost of the Section 8 program and Administration initiatives to replace it with a new program, there may be political reluctance to expand it.

Legislation

Several pieces of legislation were introduced to create new, temporary vouchers for families displaced by Hurricane Katrina, although none was enacted before the close of the 109th Congress. On September 8, 2005, Senator Reid introduced the Katrina Emergency Relief Act of 2005 (S. 1637). Title III of the bill includes the “Helping to House Victims of Hurricane Katrina Act of 2005.” The bill would have provided $3.5 billion in emergency supplemental appropriations to HUD to fund temporary vouchers for families displaced by Hurricane Katrina. The vouchers would be authorized for six months, but would be extended for an additional six months unless the HUD Secretary determined that they were no longer needed. Funding would also be available to provide related assistance to families, such as security deposits and relocation assistance. Many of the rules regarding eligibility and tenant payments would be waived, and the upper limit on the amount of available assistance would be raised from the current standard of 110% of the local FMR to 150% of the local FMR. Also on September 8, Senator Sarbanes offered the same “Helping to House Victims of Hurricane Katrina Act of 2005” as a floor amendment to the Commerce-Justice-Science FY2006 appropriations bill (H.R. 2862). The amendment was adopted, but dropped in the final bill.

On September 22, 2005, the Senators from Louisiana introduced identical bipartisan relief and recovery bills. The Hurricane Katrina Disaster Relief and Economic Recovery Act (S. 1765 and S. 1766) called for new programs and additional funding in areas ranging from defense, to energy, to health care, to the environment. The housing section would have provided $3.5 billion for emergency Section 8 vouchers in much the same form as those proposed in the Reid bill. The bills were referred to the Senate Finance Committee, but no further action was taken.

FEMA Assistance[31]

After the storm, the President did not request Section 8 vouchers for displaced families outside of the limited KDHAP/DVP assistance. Instead, FEMA provided cash grants to families to use for housing costs. Referred to as transitional housing assistance, these payments are governed by the Individual and Household Assistance authority provided in the Stafford Act.[32] The first of these payments, at the amount of $2,358, was made in September 2005. The grant amount was meant to represent three months of housing costs, and was calculated using the national average fair market rent for a two-bedroom apartment. Families who received the assistance were required to show receipts to prove that it was used for eligible housing expenses; however, those rules were loosened for the first grant because FEMA acknowledged that families were given payments without sufficient direction as to how it was to be used. The grants count against FEMA's $26,200 limit on assistance provided to an individual household.

FEMA indicated that the housing assistance could be extended for up to 18 months, and that future amounts might be adjusted to reflect regional rent variations. Families' eligibility for this assistance was determined when they registered with FEMA, and was based on the amount of damage to their homes. As of August 14, 2006, 718,976 applicants had received rental assistance and as of August 23, 2006, 632,808 of those applicants, at their last recertification, were still eligible for ongoing rental assistance.[33]

In addition to transitional housing assistance payments, FEMA can provide several other forms of housing assistance. FEMA can provide trailer homes to families for up to 18 months after a disaster. As of August 29, 2006, FEMA had provided more than 116,000 trailers and mobile homes to hurricane victims, of which more than 115,000 were occupied.[34]

FEMA can also pay the cost of hotel rooms for hurricane evacuees. At its peak, FEMA was paying for 85,000 rooms,[35] for Katrina and Rita evacuees; by the end of February 2006, the agency was making payments for 10,000 rooms.[36] FEMA announced that hotel payments were only a temporary solution, and initially stated that it would cease such payments by December 1, 2005, with the exception of short-term extensions for the 12,000 hotel rooms occupied by evacuees in Louisiana and Mississippi.[37] That deadline was later extended to December 15, 2005,

[31] For more information about FEMA housing assistance provided after Hurricane Katrina, see CRS Report RL34087, *FEMA Disaster Housing and Hurricane Katrina: Overview, Analysis, and Congressional Issues*, by (name redac ted).

[32] The Robert T. Stafford Disaster Relief and Emergency Assistance Act is codified at 42 U.S.C. §§ 5121-5206.

[33] Based on e-mail communication with Heather Smith, Congressional Affairs Specialist, Office of Legislative Affairs, FEMA, August 25, 2006.

[34] This figure includes trailers provided for victims of Hurricanes Katrina and Rita, and is taken from *Federal Emergency Management Agency, Report of August 29, 2006*, available at http://appropriations.house.gov/_files/ HurricaneKatrinaLink.htm.

[35] FEMA Fact Sheet: A 6-Month Update on Hurricane Relief, Recovery and Rebuilding, dated February 28, 2006, available at http://www.fema.gov/pdf/media/HQ-06-034FactSheet.pdf.

[36] *Federal Emergency Management Agency, Report of March 2, 2006*, available at http://appropriations.house.gov/ _files/HurricaneKatrinaLink.htm.

[37] FEMA Press Release, *FEMA Helping Families into Long-Term Housing: Effort to reach everyone evacuated continues in long-term housing plan*, Release Date: November 15, 2005, Release Number: HQ-05-373.

with 10 states eligible for extensions to January 7, 2006.[38] Following a judge's ruling against the agency, FEMA first agreed to continue making payments for families until at least February 7, 2006,[39] a date that was later extended to March 15, 2006.[40] FEMA reported that it had "an aggressive plan to help place these families in longer-term housing," which included a contract to provide case management assistance, continuation of transitional housing payments, and referrals to social service agencies.[41] By the end of August 2006, the agency was still authorizing payments for 29 rooms.[42]

Some cities established their own voucher programs, for which FEMA had been providing reimbursements. Newspapers reported that Houston has issued 35,000 vouchers to families to cover one year of rent.[43] FEMA reported that approximately 60,000 apartments were leased by state or local governments, or authorized partners, on behalf of evacuees in 32 of the states that received disaster declarations.[44] FEMA initially stated that it was phasing out the program and that it would cease reimbursing cities by March 1, 2006.[45] In late February, FEMA issued a notice to cities informing them that they were to transition all of their existing leases from one FEMA program (FEMA's Section 403 Interim Sheltering program) to another (FEMA's Section 408 Housing program) with the aid of a FEMA contractor.[46] In this transition, the cities are removed from the lease and the evacuees are added.[47]

DHAP

In July 2007, HUD and FEMA entered into an Interagency Agreement through which FEMA will transfer responsibility for ongoing housing assistance for families displaced by Katrina to HUD. According to the FEMA notice in the *Federal Register* announcing the agreement,

> Due to the severity of Hurricanes Katrina and Rita, the Department of Housing and Urban Development's (HUD) expertise in assisting families with long-term housing needs through

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[38] FEMA Press Release, "FEMA Extends Deadline for Evacuees: Two-Week Extension of Hotel Program for All States, 10 States Receive Extension Through January 7," Release Date: November 22, 2005, Release Number: HQ-05-378.

[39] FEMA News Release, "FEMA Hotel/Motel Extension for Evacuees," December 14, 2005.

[40] FEMA News Release, "FEMA Offers Limited Hotel/Motel Extensions in Louisiana and Mississippi," February 23, 2006.

[41] FEMA News Release, "FEMA Helping Families into Long-Term Housing: Effort to Reach Everyone Evacuated Continues in Long-term Housing Plan," Release Date: November 15, 2005, Release Number: HQ-05-373.

[42] *Federal Emergency Management Agency, Report of August 29, 2006*, available at http://appropriations.house.gov/_files/HurricaneKatrinaLink.htm.

[43] Eric Berger, "Sweetest Deal for Evacuees Found Here: In addition to a FEMA Stipend, City Is Giving Them a Year of Free Rent," *Houston Chronicle*, November 6, 2005.

[44] FEMA News Release, "Conversion Of Emergency Sheltering Apartments To FEMA's Individual Rental Assistance Program," February 27, 2006.

[45] FEMA News Release, "FEMA Helping Families into Long-Term Housing: Effort To Reach Everyone Evacuated Continues in Long-Term Housing Plan," November 15, 2005.

[46] See http://www.nmhc.org/Content/ServeFile.cfm?FileID=5283.

[47] FEMA News Release, "Conversion Of Emergency Sheltering Apartments To FEMA's Individual Rental Assistance Program," February 27, 2006.

> its existing infrastructure of Public Housing Agencies (PHAs), the President determined that housing assistance should be transitioned to HUD to address this continuing need.[48]

According to the Interagency Agreement, FEMA will provide resources for up to 18 months of rental assistance and case management services for approximately 45,000 families at a total estimated cost of $565 million.[49] Eligible families will include those

- currently receiving FEMA Section 408 assistance and still eligible to continue receiving such assistance;
- currently receiving other FEMA housing assistance (e.g. living in a FEMA-provided trailer) and still eligible to continue receiving such assistance;
- eligible to be receiving FEMA housing assistance but not currently receiving such assistance; and
- living in a Real Estate Owned (REO) property through an arrangement between FEMA and HUD and determined to be eligible for rental assistance upon relocation out of the REO property.

HUD invited PHAs in areas where families receiving FEMA housing assistance are located to participate in the new Disaster Housing Assistance Pilot Program (DHAP). Participating PHAs were to begin providing pre-transitional case management to eligible families on or after September 1, 2007. Through October 1, 2007, families were to continue to receive rental assistance payments directly from FEMA. Beginning November 1, 2007, PHAs were to begin receiving rental assistance payments for eligible families from HUD, and PHAs would then make payments to landlords for participating families. The rental payments would be equivalent to the FMR in the community. Beginning in January 2008, HUD was to work with FEMA to transition eligible families out of travel trailers and into rental housing in the private market.

The initial start of DHAP was delayed, with HUD and PHAs assuming responsibility on December 1, 2008, rather than November 1, 2008. According to HUD, 30,200 families were referred by FEMA to HUD to receive DHAP assistance initially, and an additional 8,400 families, who were previously assisted with FEMA trailers, have been referred to HUD and will be transitioned to the DHAP with a target date of March 2008.[50]

Beginning on March 1, 2008, families will be required to contribute $50 per month towards their rent, increasing by $50 per month for each subsequent month for the duration of the program, which is slated to end March 1, 2009. PHAs will coordinate case management services for residents to help them "get back on their feet" and HUD will work to help transition seniors and persons with disabilities into HUD programs at the end of DHAP. [51]

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[48] FEMA, *Disaster Housing Assistance Program*, 72 *Federal Register* 47060, August 22, 2007.

[49] FEMA and HUD Interagency Agreement, available at http://www.fema.gov/pdf/hazard/hurricane/2005katrina/fema_hud_iaa.pdf.

[50] Data provided to CRS by HUD in January 2008.

[51] HUD, *Disaster Housing Assistance Program*, 72 Federal Register 46236, August 17, 2007; and HUD, *Fact Sheet: HUD to Administer Continued Rental Housing Assistance for Residents Affected By Gulf Coast Hurricanes*, available at http://www.hud.gov/news/dhap.cfm.

Conclusion

Hurricane Katrina was an unprecedented housing disaster. It affected the lives of hundreds of thousands of people, many of them poor before the storm and many who may become poor because of the storm. The nation's largest housing program for the poor, the Section 8 voucher program, played a minor role in aiding displaced families, despite calls for its use from across the political spectrum. Instead, the Administration has relied on FEMA emergency provisions and, to a limited degree, the marshaling of existing HUD resources. In some parts of the country, local housing authorities prioritized hurricane evacuees for the limited supply of available vouchers. In September, the KDHAP/DVP program was created to serve the relatively small number of hurricane evacuees who previously received HUD assistance. To serve other displaced families, FEMA developed a number of interim policies, ranging from the provision of trailers to the awarding of cash grants. Some cities and states developed their own voucher programs, with the expectation of FEMA reimbursement.

The Administration's approach to housing families displaced by the 2005 Gulf Coast hurricanes has come under intense criticism. Generally, the response was criticized as disorganized and inefficient. The final report of a congressional review of the government's response to the disaster, *A Failure of Initiative*, found that "the government plans for ... shelter were far from adequate."[52] Low-income housing advocates voiced concerns that some families could not find ways to use their transitional housing funds, both because rental markets have become very tight in the areas immediately surrounding the most heavily damaged areas, and because families were unfamiliar with the rental markets in the areas to which they had relocated. Advocates also contended that FEMA did not make it clear to families that the transitional housing payments were to be used only for housing. Stories surfaced of families who used the funds for purposes other than rent, and are now facing eviction and possible sanctions from FEMA. Some argued that the mix of trailers, cash payments, and mission assignments is not cost effective when compared to vouchers.[53]

In light of these criticisms and others, the Administration undertook a review of its Katrina response. The final report, *The Federal Response to Hurricane Katrina: Lessons Learned*,[54] recommends that HUD be designated as the lead federal agency for the provision of temporary housing in future disasters. It noted that HUD has extensive experience in providing housing resources for those in need, and that it must use its extensive network of regional offices and state and local housing agencies to prepare for potential relocation emergencies. It further notes that the provision of trailers should not be the default means of temporary housing offered to evacuees leaving shelters. The congressional panel's review, in *A Failure of Initiative*, found that "FEMA failed to take full advantage of HUD's expertise and perspective on large-scale housing challenges, such as the agency's experience with the voucher program." Nearly two years after the storm, the Administration decided to transfer administrative responsibility for ongoing housing assistance from FEMA to HUD. Whether these findings and recommendations will mean that vouchers will play a larger role in future disasters is yet to be determined.

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[52] *A Failure of Initiative: Final Report of the Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina*, February 12, 2005. Available at http://www.gpoaccess.gov/congress/index.html.

[53] Bruce Katz, Amy Liu, Matt Fellowes and Mia Mabanta, *Housing Families Displaced by Katrina: A Review of the Federal Response to Date*, The Brookings Institution, November 11, 2005.

[54] The White House, The Federal Response to Hurricane Katrina: Lessons Learned, February 2006, at http://www.whitehouse.gov/reports/katrina-lessons-learned.pdf.

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