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Funding for Recovery in the Hurricanes' Wake, Part II

HUD's research provided detailed information on the extent and location of hurricane damage in the Gulf Coast.

Although it has been over a year since three powerful hurricanes—Katrina, Rita, and Wilma—slammed into the Gulf Coast, their effects still linger. According to a HUD analysis, the storms damaged more than 1.2 million housing units in Louisiana, Texas, Mississippi, Florida, and Alabama, and in 25 percent of these homes, the damage sustained was major or severe. This article, the second of two installments about HUD's role in hurricane recovery in the Gulf, details the innovative process HUD used in the summer of 2006 to allocate $5.2 billion in supplemental recovery funds. (The December 2005 allocation of $11.5 billion was discussed in Part I of this article, which appeared in the October issue of Research*Works*.)

In June 2006, Congress approved an emergency appropriation of $5.2 billion in Community Development Block Grant (CDBG) assistance for hurricane recovery in the Gulf Coast. The 2006 supplemental legislation, signed into law by President Bush on June 15, 2006, directed CDBG funds "...for necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricane Katrina, Rita, or Wilma in states for which the President declared a major disaster."

The law prescribed that no one state could receive more than $4.2 billion. Accordingly, on July 11, 2006, HUD allocated the statutory maximum of $4.2 billion to the state of Louisiana. After the agency reserved $27 million for the program's administrative costs, $973 million was available to address the disaster recovery needs of the remaining four states. The legislation gave precedence to recovery of damaged affordable rental housing stock. HUD then designed a process to allocate funding in a way that would both correspond with state priorities and address other needs the agency had previously documented.

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Funding for Recovery in the Hurricanes' Wake, Part II *continued from page 1*

HUD's Methodology

Step one: Analyze needs. The agency's innovative approach to the supplemental CDBG appropriations was built on an analysis HUD conducted in late fall 2005. That analysis provided the states with detailed local-level data on the damage wrought, the recovery resources available, and the level of unmet need. The analysis used data from the Federal Emergency Management Agency (FEMA) and the Small Business Administration on the extent and concentration of housing damage, then it discounted insurance payments and FEMA repair grants. (See the First Quarter 2006 issue of *U.S. Housing Market Conditions* for more information about HUD's analysis.)

Step two: Invite state input. On July 12, Darlene F. Williams, Assistant Secretary for Policy Development and Research, and Pamela H. Patenaude, Assistant Secretary for Community Planning and Development, invited the governors of Alabama, Florida, Mississippi, and Texas to send representatives to meet with HUD to discuss disaster recovery needs and priorities in their respective states. The invitation to the governors emphasized that discussion would center on their affordable rental housing needs, fair housing needs (particularly the needs of individuals with disabilities), and the needs of evacuees.

Step three: Meet with the states. Four separate meetings took place in late July, during which HUD conferred with representatives from the four states to discuss their unmet recovery needs and priorities. At the meetings, each state presented somewhat different priorities. Texas identified two major priorities: recovery for homes and businesses damaged by Hurricane Rita in East Texas and meeting the needs of evacuees. Mississippi emphasized the need for additional affordable rental housing. Florida gave precedence to "home hardening" of older housing stock, to give older homes high-wind resistance comparable to that required for new construction. These older structures, which are quite expensive to insure without retrofitting, house mostly older and low-income Floridians. Recognizing the needs of these homeowners, the state of Florida had already allocated $250 million from state funds for home hardening. Alabama, which reported the lowest level of unmet need, targeted infrastructure recovery.

HUD staff then organized the data, compiled by HUD and the states, based on several key categories of need:

- Affordable rental housing repair;
- Other housing repair;
- "Hardening" homes that suffered major and severe damage against future storms;
- The evacuees' unmet needs;
- Economic recovery; and
- Infrastructure.

In making the allocations, HUD emphasized the need for affordable rental housing, the unmet needs of evacuees, and business recovery. HUD then applied lower priority weights to the areas of other housing repair, home hardening, and infrastructure.

Allocations

On August 18, 2006, HUD announced the allocation of CDBG assistance to four Gulf Coast states, as follows:

Alabama	$21,225,574
Florida	100,066,518
Mississippi	423,036,059
Texas	428,671,849
Total	**$973,000,000**

HUD Secretary Alphonso Jackson called this assistance "...another investment in the long-term recovery of the Gulf Coast" by the Bush administration.

The first installment of this article appeared in the October 2006 issue of Research*Works* at **http://www.huduser.org/periodicals/ResearchWorks/oct_06/RW_vol3num9t1.html.** "The Impact of Hurricanes Katrina, Rita, and Wilma on the Gulf Coast Housing Stock," from the First Quarter 2006 issue of *U.S. Housing Market Conditions,* is available as a free download at **www.huduser.org/intercept.asp?loc=/periodicals/ushmc/spring06/USHMC_06Q1_ch1.pdf**.

See *Current Housing Unit Damage Estimates: Hurricanes Katrina, Rita, and Wilma* for greater detail; the report can be downloaded for free at **www.huduser.org/publications/pdf/GulfCoast_HsngDmgEst.pdf**. A full account of HUD's efforts to assist in the recovery effort during the year following the hurricanes is available at **www.hud.gov/news/katrina05response.cfm**.

Affordable Housing Grows in Central San Joaquin Valley

California's Central San Joaquin Valley faces a number of social, economic, and environmental challenges. This 250-mile corridor runs through seven counties and contains one of the world's most productive agricultural regions. At the same time, the area is host to some of the nation's most concentrated areas of poverty; it is sometimes called "Appalachia West." In addition, the valley's rapid population growth, which exceeds California's overall growth rate, intensifies the need for affordable housing.

In response to this critical situation, President Bush implemented Executive Order 13173 in 2002. This order created the Federal Interagency Task Force for the Economic Development of the Central San Joaquin Valley and designated it as the primary vehicle for leading change. The task force's 19 federal agency members partner with local and state governments, the private sector, universities, congressional representatives, and local organizations. Rollie Smith, director of HUD's Fresno Office, coordinates the task force, which works in concert with its state counterpart, the California Partnership for the San Joaquin Valley, which was established in 2005 by Governor Arnold Schwarzenegger.

San Joaquin Valley Affordable Communities Initiative

The San Joaquin Valley Affordable Communities Initiative is part of a larger effort to expand affordable housing in the region. In developing and implementing this initiative, HUD's Fresno Office worked with the task force, the HUD-sponsored **America's Affordable Communities Initiative**, and the California Partnership for the San Joaquin Valley.

To build consensus for a regional strategy, federal, state, and local stakeholders interviewed more than 200 groups of builders; developers; lenders; real estate agents; employers; building trade union members; homebuyers; environmentalists; housing counselors; jurisdiction housing planners; housing authority officials; and housing advocates from congregations, neighborhood associations, and legal service organizations. These interviews, as well as the input of seven focus groups, formed the basis for a regional vision and action plan.

The vision driving change for the Central San Joaquin Valley is that of a thriving, safe community that offers a variety of affordable housing opportunities for all

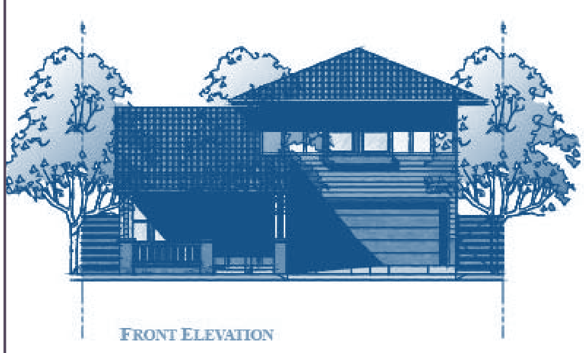

Illustration credit: Housing Authorities of the City and County of Fresno.

Yosemite Village will provide mixed-income housing for 168 families in Fresno, California.

of its residents and encourages homeownership. To realize this vision, the initiative takes a comprehensive, regional approach that links housing, land use, and transportation policies; plans to appropriately concentrate growth; tailors housing policies to bring jobs and the workforce together; and provides incentives for mixed-income housing opportunities. The initiative recommends specific reforms and policies within this framework to promote affordable housing, such as contiguous development, regulatory reform to eliminate obstacles to affordable housing, reduced impact fees for affordable housing, and revised zoning ordinances to allow mixed-use housing and higher densities. According to Smith, the task force has accomplished many of its original goals for affordable housing, including:

- Producing 2,000 units of renter- and owner-occupied affordable housing in the valley;
- Increasing funding from competitive grants by more than $30 million in the past two years by marketing HUD programs and providing technical assistance to valley jurisdictions; and
- Raising funds for a regional energy office to support affordable, energy-efficient housing.

"Most importantly," said Smith, "we have a regional housing strategy [the San Joaquin Valley Affordable Communities Initiative]; a model affordable housing strategy [the city of Fresno's 10 x 10 Plan for 10,000 additional units of affordable housing by 2010]; and a proposed regional land and housing trust, [which represents] a big financial carrot for localities to

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Forecasts of Housing Demand in 18 Local Markets

HUD's Comprehensive Market Analysis Reports (CMARs) contain a wealth of valuable information for builders, mortgagees, local planners, and others who need to keep up with local housing conditions and trends. Based in the Office of Policy Development and Research, HUD's Economic and Market Analysis Division prepares these reports to assist the Department in its operations and to provide the public with objective information. HUD economists develop a factual framework for each report based on information from local and national sources. Kristin Padavick, an economist in HUD's Columbus Field Office who writes CMARs, explains that these reports are unique in how they capture the relationships among local economies, demographics, and housing conditions.

The reports present data and estimates for employment, population, households, housing inventory, and likely changes in the demand for new housing. Each CMAR describes the economic, demographic, and housing inventory characteristics of a selected housing market area from 1990 to 2000, from 2000 to the date of the analysis, and from the publication date to a forecast date (for example, April 1, 2009). Analysts preface these reports by explaining that this forecasting "...presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship, given the market conditions on the as-of date of the analysis."

CMARs have been published in 2006 for 18 housing market areas (HMAs) located throughout the United States. Highlights of the housing demand forecasts for these HMAs give the reader a taste of the useful market information they contain. Let's look at some recent examples...

- **Akron, Ohio.** In Akron, employment and population growth indicate demand for about 7,500 new housing units by April 2008, including 6,000 units for sale and 1,500 market-rate rental units.
- **Albany-Schenectady-Troy, New York.** One of New York's strongest economies, Albany-Schenectady-Troy will need 9,400 new housing units by January 2009, including 7,900 units for sale and 1,500 rental units. Sixty percent of the needed sale units should be priced below $275,000.
- **Appleton-Oshkosh, Wisconsin.** The estimated demand for owner-occupied homes in Appleton-

CMARs help localities maintain a balance between housing demand and supply.

Oshkosh is 7,150 units, a slight increase over the annual average rate of new sale units since 2000.

- **Bloomington, Indiana.** The principal factor in demand for new housing in Bloomington is household growth, which suggests that 3,800 new housing units will be necessary to satisfy demand.
- **Buffalo-Niagara Falls, New York.** Replacement housing needs and limited household growth are spurring demand in Buffalo-Niagara Falls; estimates indicate a need for about 4,800 additional housing units.
- **Hamilton-Middletown, Ohio.** The estimated demand for housing in Hamilton-Middletown totals 2,000 owner units annually for the next 3 years. Construction should keep pace with demand, maintaining a balanced sales market.
- **Harrisburg-Lebanon, Pennsylvania.** Demand and supply conditions balance one another out in the Harrisburg-Lebanon area. Household growth will drive the demand for approximately 8,900 new sale units and 900 new rental units before October 2008. Construction is currently underway for 330 rental units, and an additional 100 are in the planning stages.
- **Hartford, Connecticut**. The demand in Hartford reflects recent net gains in inmigration and employment. The 2,400 homes and 1,200 apartments under construction will help satisfy a projected need for 7,500 sale units of new market-rate housing and 3,300 market-rate rental units by November 2008.

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develop affordable housing. The key to developing more affordable housing is to have local jurisdictions concentrate growth and provide more mixed-income developments."

San Joaquin Valley Land and Housing Trust

The San Joaquin Valley Land and Housing Trust is central to the valley's regional housing strategy. According to Smith, legislation to establish the trust will be introduced this year in the California legislature. Seed funding from HUD and from the state of California ($5 million each) will be available to kick-start the trust, which is designed to be a flexible source of grants and loans to localities for affordable housing projects. For example, cities and counties might use trust fund monies for land acquisition, land trust projects, preconstruction funds, matching funds for state and federal programs, downpayment and other mortgage assistance, and incentives for mixed-income housing in incorporated areas.

With a board of directors approved by participating Councils of Government, a nonprofit housing agency will administer and manage the trust. The agency will provide training and technical assistance to all participating jurisdictions and their partners in planning and development.

Developing Affordable Mixed-Income Housing

HUD recently helped develop two mixed-income sites that embody the affordable housing goals of the San Joaquin Valley Affordable Communities Initiative:

- **Little Longcheng.** In April 2005, HUD's Fresno Office and its partners (Self-Help Enterprises, the city of Fresno, Wells Fargo, and Citibank) broke ground on this 41-home affordable housing subdivision.[1] The project is financed in part with $1.2 million in HUD grants administered by the city of Fresno. The development targets Hmong farming families, a growing demographic in the valley, but is open to anyone meeting Self-Help Enterprises' guidelines. Little Longcheng will offer three- and four-bedroom homes for less than $147,500. Families who qualify must have an annual household income of $25,000 or less and contribute 35 to 40 hours per week in sweat equity during construction.

Illustration credit: Housing Authorities of the City and County of Fresno.

A variety of housing styles will be available in Fresno's Yosemite Village.

- **Yosemite Village.** With a $20 million HUD HOPE VI award, the city of Fresno is developing mixed-income housing for 168 families. Yosemite Village will provide 15 public rental housing units and 153 homes for sale, consisting of 65 affordable lease-purchase units and 88 market-rate units for first-time homebuyers. The plan also includes 33 rehabilitated public housing units and programs for computer and job-readiness training.

Financial Education

Federal and community partners—HUD, the Federal Deposit Insurance Corporation (FDIC), the Internal Revenue Service, local governments, banks, and nonprofits—are making homeownership more accessible and affordable. HUD continues to expand its financial education and homeownership counseling programs at local sites throughout the valley. The FDIC's financial education curriculum, Money Smart, covers topics critical to prospective first-time homebuyers: banking and homebuying basics, building assets, developing a good credit history, and homebuying. These classes are taught in multiple languages, including Spanish and Russian, to reach the valley's ethnically diverse population.

Valley residents are learning how to use the Earned Income Tax Credit (EITC) and the Child Tax Credit to

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1. Self-Help Enterprises is a private, nonprofit corporation formed in 1956 that works to improve the living conditions and community standards of low-income families in its eight-county rural service area in California's San Joaquin Valley.

Forecast of Housing in 18 Local Markets *continued from page 4*

- **Kalamazoo-Portage, Michigan**. The economy and population growth rate in the Kalamazoo-Portage area are projected to take an upward turn, creating demand for about 3,975 new housing units by January 2009.
- **Killeen-Temple, Texas**. New single-family detached homes will meet much of the anticipated demand for about 6,500 additional sale units in the Killeen-Temple area. Manufactured homes will likely make up about 10 percent of new home sales, and units with three bedrooms needed by military-connected families with dependents will meet rental housing demands.
- **Las Vegas, Nevada**. The area's high population growth rate is likely to create demand for approximately 88,000 new sale units, including both single-family homes and condominiums, and 18,000 new rental units. This estimate assumes that renters will continue their recent trend toward becoming homeowners.
- **New Orleans-Metairie-Kenner, Louisiana.** In New Orleans-Metairie-Kenner, the aftermath of Hurricane Katrina has citizen groups and local parish and city officials studying numerous economic and housing recovery plans and initiatives. A final recovery plan is still in development. Therefore, the analysis does not comment on any of the proposed recovery plans or initiatives, or provide demand estimates for future housing needs.
- **Provo-Orem, Utah**. In Provo-Orem, the probable demand is for 10,950 sale units, with an average of 3,650 units per year. Single-family detached homes priced at $200,000 or less will meet most of this need. However, rising prices for single-family detached homes and rising interest rates are expected to increase demand for townhomes and condominiums.
- **Quad Cities (Bettendorf-Davenport-Rock Island-Moline), Iowa-Illinois.** Market conditions and steady household growth in the Quad Cities will likely mean a demand for 3,000 owner-occupied housing units. In addition to the homes currently under construction, 625 new units need to be built during the first year of the forecast period and 1,000 units in each of the two subsequent years.
- **Reno, Nevada.** Building 12,100 sale units and 2,525 rental units will likely meet the need for new housing units in Reno brought about by significant inmigration since the 2000 census.

CMARs can help predict demand for new housing nationwide.

- **San Diego, California.** In the San Diego area, demand for housing is strong. Anticipated household growth and current market conditions will create a need for 56,400 new housing units between now and July 2008.
- **Shreveport-Bossier City, Louisiana**. Market conditions and household growth around Shreveport-Bossier City will probably result in demand for about 4,800 new housing units during the forecast period. The housing demand is adjusted for the current level of sale units under construction and for the anticipated number of Katrina evacuees expected to remain in the market. Sales demand should support building 1,260 units during the first year of the forecast period. At this rate of construction, supply and demand should remain in balance.
- **Vallejo-Fairfield, California.** Vallejo-Fairfield has a diverse economic base, affordable housing prices, and proximity to the San Francisco and Sacramento labor markets, which explains its steady population influx and employment growth. The demand for new owner-occupied and rental housing should continue to grow accordingly.

In addition to these new CMARs, the HUD USER website provides links to previously published reports covering 70 housing markets across the nation. All of these reports are available as free downloads from **www.huduser.org/publications/econdev/mkt_analysis.html**.

Affordable Housing Grows in Central San Joaquin Valley *continued from page 5*

build assets for homeownership. By helping families with tax preparation, the valley's 48 Volunteer Income Tax Assistance (VITA) sites are helping low-income families learn about and file for these credits. Claims can be made retroactively for up to three previous tax-filing seasons; the current average EITC refund for a family of four is approximately $1,800. These tax refunds can help families save for a downpayment and closing costs. Last year, VITA sites helped secure more than $6.5 million in total refunds for Central San Joaquin Valley residents. More than $6 million of this amount came from the EITC.

For more information on the Interagency Task Force and its partners, visit the following websites:

- Interagency Task Force for the Economic Development of the Central San Joaquin Valley (**www.sanjoaquinvalley.us/**);
- Interagency Task Force for the Economic Development of the Central San Joaquin Valley, *2004 Progress Report and Action Plan* (**www.huduser.org/publications/econdev/SanJoaquinTaskForce.html**);

Illustration credit: Housing Authorities of the City and County of Fresno.

Eighty-eight market-rate units will be available to first-time homebuyers when Yosemite Village is complete.

- HUD's America's Affordable Communities Initiative (**www.hud.gov/initiatives/affordablecom.cfm**);
- California Partnership for the San Joaquin Valley (**www.bth.ca.gov/capartnership/sanjoaquinvalley.asp**); and
- FDIC's Money Smart Curriculum (**www.fdic.gov/consumers/consumer/moneysmart/index.html**).

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In the Next Issue of... research works

- Energy expenditures by public housing authorities, utililties receiving allowances, and private building owners receiving housing assistance are costing HUD's budget about $4 billion in operating grants each year. HUD's Energy Action Plan promotes energy efficiency in HUD-assisted, financed, or subsidized housing. Reducing energy costs by five percent annually could result in a savings of almost $2 billion over the next 10 years. We'll examine features of the plan that are helping to reduce energy costs, as well as look at two projects that incorporate its features—a "green" tax-credit complex in Wytheville, Virginia and a straw bale complex of four houses built for migrant farm workers in Leedsville, Virginia.
- HUD and the Census Bureau released the results of the 2005 national American Housing Survey (AHS) in microdata form in June 2006. This is the most current AHS information about U.S. housing available today. We'll review selected outcomes from the 2005 survey that describes the housing of American families and share the many ways of accessing this rich source of data.
- A recent monograph, *Scholarship in Action,* sponsored by the Office of University Partnerships, explores the use of community and university research partnerships to address local issues. We'll review typical experiences of academic researchers in community-based projects, and look at some of the benefits of applied research and difficulties encountered in such projects. Examples of community-based research, designed to assess housing suitability and to test household environmental safety, will illustrate how these community-university partnerships achieve positive results for all concerned. *Scholarship in Action* is available in electronic format only, and is available online at **www.oup.org/files/pubs/scholarship.pdf**.

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