

## In a 'New TVA,' Housing May Be the Biggest Project Needed

by Paul Gallagher

A million Americans among those displaced from their homes by Hurricane Katrina, currently have no homes to return to in Mississippi, Louisiana, and Alabama—the nation's highest-poverty states, in which both the value of the homes destroyed, and the household income and wealth of those who lost them, were very far below what the overheated U.S. housing bubble has been demanding for new homes. The Gulf Coast region could become relatively depopulated, its poorer evacuees driven to relocate elsewhere and stranded for years in "temporary housing," unless there is a large, and rapid, Federal-state investment in the "resettlement" of those Americans in their home states. The investment must be made—and it could be the largest single demand of a "Marshall Plan" or "New TVA" for the Gulf states.

In an indication of this, the "Project Pelican" bipartisan Katrina recovery and reconstruction legislation introduced Sept. 23 by Louisiana Senators Mary Landrieu (D) and David Vitter (R), includes requested authorization for \$50 billion in Community Development Block Grants (CDBG)—its largest single element. It also would give mortgage relief to tens of thousands of families who now have "mortgages without homes," and will need additional mortgages for new homes. The White House, for Fiscal 2006, had been trying to eliminate the entire CDBG program of the Housing and Urban Development Department (HUD), which aids in rehabilitating neighborhood infrastructure, reconstructing public buildings, multi-family dwellings, etc. The "Pelican" sponsors ask for an entirely new revenue source for reconstruction—a 40-50% state share of royalties (Federal taxes) from oil and gas recovery in the Gulf, using state land and infrastructure.

On Sept. 20 the Enterprise Foundation, a national housing advocacy and assistance organization headquartered in Maryland, estimated that \$33 billion in Federal grants—HUD disaster recovery grants—will be required to enable displaced

households, with state and local governments, to replace the housing destroyed and damaged by Katrina. This *does not include* costs of the temporary housing arrangements now being made by many private and public agencies, and which



United States Geological Survey

*A Biloxi, Mississippi district after it was levelled by Katrina in September. As much as one-quarter of all housing units in the Louisiana/Mississippi/Alabama region may have been destroyed or damaged by Katrina. The greatest Federal infrastructure effort could be the one required to ensure that 500,000 displaced persons can return and live.*

were not made in a timely manner by the Bush Administration. An official of the National Association of Housing and Redevelopment Officials (NAHRO) essentially agreed with this estimation. And the spending will be required during 2006; building new homes and apartments is not a multi-year process, and if stretched out, the displaced households simply will not return.

The problem is politically intense for two reasons. First, because the White House has been trying to eliminate both the long-standing CDBG program and the venerable Section 8 housing assistance for low-income families. At a Congressional hearing on Sept. 15, all witnesses agreed that instead, the Section 8 program also must be drastically expanded—NAHRO called for Congress to “immediately authorize and fund at least 50,000 emergency Section 8 vouchers,” and lift the 20% limit of the cost of housing they can fund.

Secondly, the Bush Administration completely failed to act, in advance or rapidly after the storm hit, to create temporary housing in and near the affected states—in particular, using military bases and military assets. Even by Sept. 20, with 300,000–400,000 Alabama, Mississippi, and Louisiana families displaced, there were only 26,000 temporary housing “units” in those states—7,500 of them on cruise ships, and only 220 on the neglected military bases. Hundreds of thousands of people are jammed into hotels and motels, or the homes of friends, family, or Good Samaritans, and scattered all over the country. Now it is too late, and FEMA efforts to order mobile homes and small “manufactured homes” are running at only a few thousand per month. The displaced persons will need emergency vouchers to stay where they are, and everything depends on the pace of rebuilding of new, *affordable* neighborhoods in the disaster counties.

In 30–40 of those counties, estimates range from 300,000–450,000 homes destroyed completely, and an equal number damaged. The Enterprise Foundation, in a thorough analysis, found that half of those homes were occupied by households or individuals with incomes of below \$35,000, and one-third by people with incomes of \$20,000 or less. The homes had a median market value of \$79,000 in Mississippi, and \$95,000 in Louisiana and Alabama, only 35–40% of the national median home price.

If new homes can be built and bought for \$100,000 or so each, then even with private insurance and other resources of families taken into account, tens of billions of Federal disaster grants and mortgage relief will be needed to bring the displaced families back. If not, the warning is given by the “FEMA City” trailer park built near Punta Gorda, Florida, after a 2003 hurricane: Its residents, many of low income, have been unable to buy or rent the new, more expensive homes which have replaced their destroyed neighborhoods, so they have been stuck in “FEMA City,” and now have to move away.

An equally important factor, is that the rapid and large-scale construction of new homes, made affordable by Federal

action, is a very large potential source of new employment for members of the displaced families themselves, bringing them back to the areas from which they’ve been driven out.

The Senate has already voted \$3.5 billion in six-month housing vouchers for families while they are displaced; the House has legislation pending for 50,000 emergency housing vouchers. These address the temporary housing problem; the real rebuilding, must be a large part of a “new Marshall Plan” for the Gulf region.