

STATEMENT OF

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BEFORE THE

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U.S. HOUSE OF REPRESENTATIVES

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Good morning Chairman Thompson, Ranking Member King, and Members of the Committee. I am Carlos J. Castillo, the Assistant Administrator of the Disaster Assistance Directorate in the Department of Homeland Security's Federal Emergency Management Agency. I have proudly served in this role since July 2007. I am pleased to be here today to represent the Department and FEMA, and to discuss our continued efforts to provide assistance to those residents and communities still faced with difficult challenges as a result of the 2005 hurricane season.

While nearly two and a half years have passed since the devastation of Hurricanes Katrina and Rita, FEMA continues to aggressively honor the Administration's commitment to help rebuild the Gulf Coast. We have faced innumerable challenges along the way, challenges that have tested capabilities and, in many cases, have served as an impetus to reshape and improve how we deliver assistance.

FEMA remains committed to confront each and every challenge that remains. I want to make clear that FEMA and our Federal, State, local government partners and private sector and voluntary agency partners, as well as Congress, have provided an unprecedented level of support and assistance to the people and communities of the Gulf Coast. Our sheltering and housing programs have reached and assisted millions of disaster victims, and provided or facilitated the means for hundreds of thousands of displaced evacuees to successfully find and move into long-term housing.

Over \$7.7 billion has been provided to more than 1.4 million households through FEMA's Individual and Households Program (IHP). This includes nearly \$5.6 billion in Housing Assistance, and over \$2.1 billion in Other Needs Assistance. Nearly \$2.5 billion of rental assistance has been distributed to over 730,000 households. FEMA has provided over \$437 million in home repair payments, helping make more than 185,000 homes habitable across the Gulf Region following Katrina and Rita. In addition, FEMA has provided more than \$345 million to over 34,000 households to assist them towards the purchase of replacement housing.

In response to Hurricanes Katrina and Rita, FEMA conducted the largest temporary housing operation in the history of the country, providing temporary housing units, at peak, to more than 143,000 families across the Gulf Coast. While most of these families have transitioned to self-sufficiency, we continue to support the remaining 43,864 households in temporary housing units as they find and transition into longer-term and more stable housing solutions.

In my testimony today, I will be discussing a number of our programs aimed at assisting Gulf Coast communities and disaster victims. Specifically, these programs include our Gulf Coast Housing Strategy and Action Plans, the Disaster Housing Assistance Program, the Alternative Housing Pilot Program, our Joint Housing Solutions Group, formaldehyde testing and our mitigation assistance efforts which are being used to help Gulf Coast applicants rebuild and recover.

Forward Progress – Gulf Coast Housing Strategy Action Plans

FEMA is committed to providing suitable long term housing solutions to families impacted by Hurricanes Katrina and Rita who still reside in temporary housing units. While helping disaster

victims find housing is among FEMA's top priorities in any disaster, FEMA has recognized that temporary disaster housing units should only be used as a last resort. FEMA only provides temporary housing units to eligible disaster applicants when no other housing resources, such as apartments, are available within reasonable proximity of the affected household's home, and when the victim specifically requests such assistance. Temporary housing units allow households to remain in or near their home communities, where they can reconnect with friends and family, return to their jobs and their children can return to their schools. Most often, these units are placed on the site of the household's damaged or destroyed dwelling, allowing the victims to protect their property and supervise the rebuilding of their homes. This form of temporary housing has proven enormously successful in many smaller-scale disasters, where the duration of occupation typically does not extend beyond 18 months. However, while many forms of traditional manufactured housing may prove invaluable to disaster victims anticipating a short occupation period, they were never designed for long-term occupation.

Led by FEMA's Gulf Coast Recovery Office (GCRO), FEMA continues to work with remaining temporary housing occupants to ensure they have access to any and every available housing resource that can help speed their recovery. We are pleased that nearly 70% of the households that received temporary housing units following hurricanes Katrina and Rita have now moved out of those units and back into some form of permanent housing. The work of transitioning the remaining residents presents many challenges as we try to balance available resources with support needs of the families that reach beyond basic housing, but are often just as critical to the individuals' ability to return to self sufficiency. FEMA has been and continues to work aggressively with federal partners as well as the States, local governments, and voluntary organizations to transition the remaining residents in FEMA temporary housing to more permanent, long term housing, and to facilitate the support of other needs whenever possible. The FEMA GCRO developed a formal housing strategy in early 2007 to ensure a comprehensive approach to transitioning occupants to more suitable long term housing and closing travel trailer group sites.

To support the Gulf Coast Housing Strategy, each FEMA Transitional Recovery Office (TRO) developed a Housing Action Plan to detail specific goals, metrics, and tools for accomplishing this mission. Over the past several months, the FEMA GCRO and the TROs have refined the strategy and action plans based on new policy tools, ideas, and more targeted goals and metrics. The FEMA GCRO prepares detailed weekly progress reports to monitor and report progress in each state.

FEMA developed job-specific training for our housing caseworkers to assist them in communicating with applicants. All FEMA field caseworkers in the Gulf Coast region have received this new training. FEMA also is implementing a Quality Assurance/Quality Control (QA/QC) process to ensure that our field staff are working and communicating effectively.

In November 2007, FEMA announced plans to close group, industrial, and commercial housing sites in Louisiana and Mississippi. While our intention is to close these sites as families are transitioned into permanent housing, it is not, nor has it been, our intention to evict any individual or family currently living in a housing unit provided by FEMA or leave them homeless. The closure dates of all group and commercial sites have been communicated to all

local governmental agencies, the States, and media for awareness and preparation. FEMA also keeps occupants informed by distributing a newsletter advising them of the dates that will affect them and informing them of activities regarding the mobile home and travel trailer sites. All sites that FEMA has closed thus far were due to parish or county mandates, landlord requests, or lease expiration dates. The group site closures are consistent with the goals and objectives that we established in our Gulf Coast Housing Strategy and Action Plans. The FEMA GCRO is working to close the travel trailer group sites by June 1, 2008, the official start of the 2008 hurricane season. The site closures are scheduled after considering the heavily-impacted and damaged areas, the availability of rental resources, and the ability to convert FEMA sites into donated mobile home sites. The sites in heavily-impacted areas are scheduled to close last, in late spring 2008. Sites that are in areas with minimal or no rental resources are also not scheduled to close until the final months of this closure process.

FEMA applicants living in our group sites are provided housing case managers who work with each occupant directly. Sixty days prior to the date of a site closure, notices are provided to each occupant, and case managers begin to work extensively with the applicants to assist and ensure that each family locates and secures suitable alternate housing. As more housing resources continue to become available along the Gulf Coast, we are working to relocate households out of group sites and into safer, more suitable long term housing, such as apartments. FEMA field staff is working each day to find additional rental units and other housing resources into which families may relocate. Based on our current projections, there should be adequate rental stock available to accommodate households moving out of group sites as part of our closure efforts.

Applicants are provided with the following options and are subject to some conditions:

- Rental units such as a house, apartment, or condo anywhere in the United States, provided the landlord signs up for direct payments through the contract with Corporate Lodging Consultants (CLC), FEMA's agent in securing rental properties.
- FEMA caseworkers will provide the applicant with specific rental units for consideration.
- The rent must be within 150% of Fair Market Rent (FMR) to be fully reimbursed by FEMA. If the rental amount is over the 150% of FMR, the applicant is responsible for difference.
- Rental housing with direct subsidy payments to the applicant.
- These payments are only made if the applicant has remaining funds under their maximum grant allocation (\$26,200 for Hurricane Katrina) for the Individuals and Households Program (IHP).
- Individuals who transition to rental units, and receive rental assistance either from CLC or FEMA directly, will subsequently be transitioned to the Disaster Housing Assistance Program (DHAP), which I will address in more detail later in my testimony.
- Reimbursements to cover relocations greater than 50 miles from the applicant's current residence if the applicant's assistance is below the maximum Individual and Households Program grant amount.
- If the applicant is unable to find adequate housing, the applicant can be relocated to a mobile home located in a commercial site, if available.

With these resources, and in partnership with their assigned housing caseworker, the majority of individuals and households are able to secure adequate housing options in or in close proximity to the areas they are from or wish to move. FEMA will continue to provide housing to all

eligible applicants with a continued need for housing, and case managers will continue to work with applicants until the applicant finds alternate housing.

Applicants who are ineligible for FEMA housing assistance and are located in sites that are closing are provided with 30 days of hotel assistance so that they can secure alternate housing. Their case managers continue to work with these individuals and families through referrals of rental resources and referrals to Voluntary Agency Liaisons for assistance. The liaisons work in-depth with the ineligible applicants and their contacts with non-profit organizations and state programs.

FEMA is also actively working to increase the rental resources that are provided to the applicants in the affected sites that are closing by utilizing the following resources:

- HUD's National Housing Locator System
- Internet sites
- Newspaper classified ads
- Realtor associations
- Real estate magazines
- Local governments and agencies, such as City Halls and Chambers of Commerce
- Word of mouth
- Landlord housing fairs

Affordable housing, particularly rental units, is limited in many areas along the Gulf Coast. However, FEMA has taken steps to increase the amount of available rental units and reduce the other barriers that may slow the process for an applicant. FEMA redefined the current Corporate Lodging Consultants (CLC) contract on August 24, 2007 to improve landlord participation and the expanding the universe of rental properties by adding lease provisions to include the following:

- Authorizing payment of rental assistance above the current Fair Market Rate;
- Payment to landlords for utilities if included in the rent payment;
- Payment to landlords for repairs to property damage made by disaster applicants;
- Payment of security deposits, and processing fees for background checks required by some landlords; and,
- Assistance with locating furniture and other necessities to meet basic living needs.

In addition, in October 2007, FEMA reinstated and expanded a reimbursement program that provides relocation assistance to disaster victims displaced by Hurricanes Katrina and Rita. This program reimburses relocation expenses up to \$4,000 for applicants returning to their pre-disaster states. For those families that are already living in their pre-disaster State in FEMA-provided temporary housing, FEMA will pay moving expenses to a FEMA-funded rental resource anywhere in the continental United States, if the new location is greater than 50 miles from the applicant's current location in the State. Relocation assistance is limited to travel costs, furniture transportation expenses, and moving services, and is subject to the overall maximum amount of assistance that applicants can receive under the IHP program.

Disaster Housing Assistance Program

One of our biggest challenges has been, and continues to be, helping families displaced by Hurricanes Katrina and Rita transition to secure long-term housing. While progress has been slow, it has also been steady, aided in no small measure by our ability to effectively marshal and focus the resources, efforts and expertise of the Federal and voluntary communities on the persistent needs of those for whom recovery remains a continuing challenge. The Department of Housing and Urban Development (HUD), with its recognized expertise in providing long-term housing programs, has been a particularly important partner.

On July 26, 2007, FEMA and HUD executed an Interagency Agreement (IAA) establishing the Disaster Housing Assistance Program (DHAP), a temporary housing rental assistance and case management program for eligible individuals and households displaced by Hurricanes Katrina and Rita. The program is currently being administered through HUD's existing infrastructure of Public Housing Agencies (PHAs). Local PHAs were awarded grants to provide rent subsidies to eligible individuals and households for a period not to exceed 15 months beginning December 1, 2007 and ending March 1, 2009. The designated PHAs will also provide case management services, which will include a needs assessment and individual development plan (IDP) for each family. The objective of the case management services is to promote self-sufficiency for the participating individuals and households. Ultimately, over 40,000 eligible residents displaced by the 2005 Gulf Coast hurricanes will continue to have their rent paid through this partnership with HUD.

Since this partnership began, HUD and FEMA have been working together to transfer information about tenants and their housing situation to ensure that the transition from one agency to another is as smooth as possible. In addition, HUD and PHAs have been aggressively reaching out to families eligible for assistance, sending letters, knocking on doors and calling households to verify information and ensure that no individual falls through the cracks. HUD has also deployed staff members to those cities where the largest numbers of displaced families are currently living.

This is the first time the Federal government has ever carried out such a program. As you may imagine, there are many challenges associated with such a transition. Understanding and clarifying the authorities of each agency, ensuring the right mix of skills and expertise to manage the caseload, and exchanging large amounts of complex data have been among the challenges that FEMA and HUD have faced and resolved, and both agencies are committed to continue to work together to make this new program work.

Alternative Housing Pilot Program

Recognizing that mobile homes and trailers are not ideal housing solutions, Congress provided \$400 million for FEMA to conduct an Alternative Housing Pilot Program (AHPP) to identify and evaluate alternatives to travel trailers and mobile homes. The projects include state-of-the-art engineering standards, designed to maximize energy efficiency with environmentally sound materials. Once tested and proven, these alternatives could potentially be used in response to future disasters. The AHPP sites will also include recreational areas for both children and adults, community spaces, and support services for disaster-affected households.

After a competitive process, pilot projects in Alabama, Mississippi, Louisiana and Texas were selected for grant awards. Consistent with other federal grants, following their selection,

applicant states were required to provide additional supporting information, including detailed project and budget information, prior to award of the grant funds. In April 2007, FEMA awarded \$275,427,730 to the State of Mississippi for the Park Model and Mississippi Cottage project. Mississippi is in the process of installing these units and has already begun moving families into the new housing alternatives. As of January 9, 2008, Mississippi has a total of 1,301 units installed and 1,195 of those units are occupied.

In August 2007, FEMA awarded \$15,667,293 to the State of Alabama for the City of Bayou La Batre project. In September, 2007, FEMA awarded \$74,542,370 to the State of Louisiana to fund the Louisiana Katrina Cottage and Carpet Cottage project. In December, 2007 FEMA awarded \$16,471,725 to the State of Texas for the Heston Homes project. FEMA expects a total of 4,160 units as a result of these projects. The expected total production of units is as follows: Texas: 60; Mississippi: 3,500; Louisiana: 500; Alabama: 100.

We look forward to learning from these pilot projects, and are hopeful they will provide valuable and viable housing options for use in future disasters.

Joint Housing Solutions Group

In September, 2006, FEMA established the Joint Housing Solutions Group, whose purpose is to develop a systematic process to evaluate and rate various disaster housing options, identify viable alternatives to travel trailers and manufactured homes, and recommend improvements for conducting disaster housing operations. After the issuance of FEMA's July 31, 2007 Interim Direction suspending the use of travel trailers and park models, FEMA tasked the Joint Housing Solutions Group to identify and evaluate potentially viable forms of alternative housing on an accelerated timeline. The Joint Housing Solutions Group identified several promising forms of alternative housing that FEMA may pilot test in field conditions in future disasters. In the meantime, the Joint Housing Solutions Group will continue to identify and assess the relative merits of additional prospective forms of alternative housing.

Formaldehyde Testing

FEMA's top priority is the safety of disaster victims, particularly those occupying temporary disaster housing. As you know, FEMA has been taking positive steps to address concerns regarding formaldehyde and the air quality in these temporary housing units.

Formaldehyde is a biological compound frequently encountered in the environment as a product of combustion or other common chemical reactions. It is also present in low levels in the human body as a by-product of biological processes. At higher levels in air, especially indoors, formaldehyde can be irritating to the respiratory system, and the International Agency for Research on Cancer has determined that formaldehyde may reasonably be anticipated to be a human carcinogen. Although scientists have studied the health effects of formaldehyde exposure for over 30 years, no Federal agency has yet determined a safe or unsafe level in residential indoor air. Even in "occupational" settings, estimates of "safe" levels are widely divergent.

FEMA field staff became aware of the first reported concerns of formaldehyde by a Gulf Coast travel trailer occupant in March 2006. FEMA continued to monitor the number of formaldehyde reports, and in May 2006 as they began to increase, indicating that the concerns might not be

isolated occurrences, FEMA began consulting with the Environmental Protection Agency (EPA), the Agency for Toxic Substances and Disease Registry (ATSDR) within the Department of Health and Human Services (HHS) and the mobile home industry to gather information about the presence and effects of formaldehyde.

We also began widespread distribution of information to travel trailer occupants across the Gulf Coast identifying potential sources of formaldehyde. Flyers with information about mitigation techniques, such as proper ventilation, were distributed to all travel trailer occupants in July 2006.

In September 2006, FEMA modified an interagency agreement with the EPA to begin testing for formaldehyde in travel trailers. The EPA testing involved collecting air samples from a sample of new, unused travel trailers during the months of September and October at a staging area in Baton Rouge, LA. Test results were then forwarded to ATSDR in November 2006 for evaluation. These results showed that ventilation could reduce the formaldehyde levels in trailers. In February 2007, the results of the testing performed by the EPA, with initial analysis by ATSDR, were released, and information and guidance based on the results of the study were provided to the residents of the travel trailers.

In July 2007, FEMA distributed a formaldehyde and housing fact sheet to the occupants of every FEMA trailer across the Gulf Coast (70,000 flyers), as well as throughout the rest of the country. The fact sheet provided basic information about formaldehyde, including possible medical effects, ventilation techniques, and contact information for assistance. FEMA also set up call centers for applicants living on group/commercial or private sites who have concerns, questions or request information about formaldehyde. In October 2007, ATSDR released its subsequent analysis of the results, including clarifications of its initial analyses.

Secretary Chertoff and Administrator Paulison have each made it clear that anyone who wants to move out of their temporary housing unit because of formaldehyde concerns will be offered alternative housing. Every person who has called FEMA's formaldehyde call centers with concerns has been offered an immediate move to a hotel or motel until alternative housing is located. 346 applicants have accepted the offer of a hotel/motel. As of early January 2008, all of the 4,609 applicants who requested alternate housing have been offered alternative housing options. Of those, 2,252 have moved to another housing option. 557 applicants have refused all housing alternatives. (Note: Data as of December 28, 2007.) FEMA continues to provide case management services to remaining applicants while they make final decisions about their relocation alternatives.

In addition to providing alternative housing to applicants, FEMA asked the DHS Office of Health Affairs (OHA) and the Chief Medical Officer to work with CDC to determine the best scientifically valid approach to address this issue. In August 2007, FEMA and CDC entered into an Inter-Agency Agreement to initiate and complete testing occupied units and to provide technical assistance and public health guidance to FEMA to evaluate the indoor environmental air quality in temporary housing units and the associated health effects to residents. Though the process has been time consuming, it was imperative that testing be conducted appropriately and intelligently so that it will yield scientifically valid and accurate results.

The testing, to have originally begun in early November, was temporarily delayed to provide FEMA an opportunity to coordinate with CDC and other Federal entities, on the development of procedures and guidance for providing meaningful, risk-informed results to trailer residents and the public. This protocol was necessary to have a basis to explain to the occupants what the test results mean. FEMA wanted to make sure that the results of that testing will help occupants make informed decisions about their health concerns and permanent housing needs. CDC began indoor air sampling in December 2007 to determine formaldehyde levels inside a representative sample of 500 occupied trailers in Mississippi and Louisiana. We expect to have the results in February 2008.

I am aware that the Chairman has introduced legislation, “The Safe and Healthy Emergency Housing Act of 2007,” which requires housing provided by FEMA to comply with HUD regulations. I am pleased to let you know that all manufactured housing (also known as “mobile homes”) purchased by FEMA before and after Hurricane Katrina met the regulatory standards enforced by HUD. While HUD does not regulate formaldehyde emission levels of construction materials for park models or travel trailers, FEMA has incorporated this HUD standard for construction materials for any new purchases of temporary housing units. FEMA has met and will continue to meet with federal agencies, industry leaders and health experts to incorporate measures into all units purchased by FEMA to ensure safe and secure housing. We are currently purchasing accessible park models which exceed HUD construction material standards and each unit includes a valid emissions certificate provided by an approved testing entity.

Mitigation

FEMA has also worked with States and local communities to help them rebuild smarter, safer and stronger. As the region rebuilds, it must do so in a way that makes it less vulnerable to damage from future hazard events. FEMA’s Hazard Mitigation Grant Program (HMGP) provides funds to State and local governments to help them implement long-term hazard mitigation measures following a major disaster declaration. The mitigation measures are designed to reduce the loss of life and property in future disaster events, and reduce the costs to citizens, communities, States and the Federal Government in responding to and recovering from future events. Individual states are responsible for managing their HMGP funds, and it is up to each state to determine what their mitigation priorities will be. However, HMGP funds may be used to flood-proof or elevate existing properties, acquire and relocate homes from hazard-prone areas, and implement minor flood control measures, among other eligible activities.

The HMGP is one of the best institutional measures available to help ensure that when the next disaster hits the Gulf Coast, states and local communities have taken action to reduce their vulnerabilities. The Administration and the Department are committed to ensuring this happens. In October 2007, the Office of Management and Budget (OMB) granted a waiver, requested by FEMA, from requirements of OMB Circular A-87, which pertain to pre-award costs of HMGP grants. This waiver permits FEMA to establish a limited exception for retroactive approvals of post-disaster HMGP grants for properties damaged by Hurricanes Katrina and Rita in Mississippi and Louisiana, where mitigation work has already begun or been completed. Such retroactive approvals normally would be prohibited by federal requirements. The limited exception will allow the costs of such actions to count towards the states’ required non-federal match under the

HMGP or, in some cases, will allow property owners to be partially reimbursed for mitigation actions taken while repairing or rebuilding. Eligible activities include structural elevation, mitigation reconstruction, retrofitting the structure for hazard protection, and demolition of a damaged residential or commercial structure where prospective open space acquisition or mitigation reconstruction is proposed; however, each state will determine to what extent they will implement the authorities provided by FEMA under the limited exception.

In Louisiana, \$1.47 billion is available under the HMGP for Hurricanes Katrina and Rita. As of January 2, 2008, FEMA has obligated over \$77.2 million in federal funds for HMGP projects and state management costs in Louisiana, and FEMA is currently reviewing an additional \$18.9 million in applications submitted by the State. Louisiana has until March 1, 2008 to submit applications for the remaining HMGP funds. In late December 2007, Louisiana requested an extension of this deadline and FEMA is currently reviewing this request.

In Mississippi, \$433 million is available under the HMGP for Hurricane Katrina. As of January 2, 2008, FEMA has received applications totaling \$49 million, and has obligated \$41.1 million in HMGP funds to Mississippi. FEMA is currently reviewing applications for \$7.4 million. Mississippi has until March 2, 2008 to submit applications for the remaining \$384 million. Mississippi has submitted a preliminary request to extend this deadline and is compiling additional information to support this request. FEMA will review this request when the supporting information is provided.

FEMA's Transitional Recovery offices are also working with Alabama and Texas to implement mitigation projects. \$71 million is available in Alabama for HMGP, of which \$18.1 million has been obligated and \$37 million in additional applications are currently in review. Alabama has until February 24, 2008 to submit additional applications and FEMA is currently reviewing a request from the State of Alabama to extend this deadline. \$103 million is available in Texas for HMGP as a result of Hurricane Rita. Texas has submitted applications for the full amount of funding available and, as of January 2, 2008, \$67.1 million has been obligated.

Through October 2007, the National Flood Insurance Program (NFIP) has paid out over \$16.6 billion in NFIP claims in the Gulf Coast, including \$13.4 billion on over 187,000 claims in Louisiana alone. Over 99 percent of all claims filed have been closed.

Through both the HMGP and the NFIP, the Gulf Coast is getting assistance to enable states, communities and property owners to rebuild safer and stronger and to take steps to reduce their vulnerability to future hazards.

Summary

In summary, our recovery efforts continue. FEMA and our State partners have been confronted by a number of unanticipated challenges and obstacles, yet FEMA remains committed to utilizing the new resources and authorities provided by Congress to assist communities and victims of this disaster to effect a full recovery. That said, we still have much work to do. Nevertheless, we expect and look forward to continued close collaboration and cooperation with Congress, as well as with our Federal, State and local government and private sector and

voluntary agency partners. Thank you for the opportunity to testify. I would be pleased to answer any questions you may have.
