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Good morning, Mr. Chairman and Members of the Committee. I am Richard Skinner, Inspector General for the Department of Homeland Security (DHS). Thank you for the opportunity to discuss the status of the Federal Emergency Management Agency's (FEMA) efforts to improve its disaster housing operations.

As you are well aware, hurricane season is upon us. While FEMA has made strides in a number of areas since hurricanes Katrina and Rita struck the gulf coast in 2005, there is still room for improvement, including in the critical area of disaster housing.

When Hurricane Katrina made landfall, it devastated far more residential property than any recent hurricane, displacing over a million people and destroying over 300,000 homes — nearly ten times the number of homes destroyed by hurricanes Camille and Andrew combined. Hurricane Rita caused further devastation, making landfall on the Gulf Coast in September 2005. Hurricanes Katrina and Rita severely challenged FEMA's ability to find housing solutions for victims. Complicating the challenge, these hurricanes affected large numbers of renters, the poor, and the elderly — groups that have more difficulty dealing with the challenges of a catastrophic disaster.

Losing one's home in a disaster has far-reaching consequences. In the immediate aftermath of a disaster, individuals need secure shelter. When one's home is destroyed, most personal possessions are also destroyed and must be replaced. In order to begin rebuilding, individuals often need to return to work. Children need to return to school. But this may not be possible if a family has to relocate far from the affected area. The sooner individuals can get into permanent or semi-permanent housing, the sooner they can begin rebuilding their lives. In turn, communities can also begin to rebuild and recover.

FEMA is addressing weaknesses identified in a range of post-Katrina reports and is in various stages of implementing the requirements of the *Post-Katrina Emergency Management Reform Act of 2006* (P.L. 109-295, Title VI – National Emergency Management, of the Department of Homeland Security Appropriations Act of 2007) (*Post-Katrina Act*). FEMA continues to perform well responding to non-catastrophic or “garden variety” disasters; however, it still has much to do to become a cohesive, efficient, and effective organization to prepare for and respond to the next catastrophic event.

My testimony today draws upon past and ongoing work performed by my office and focuses on FEMA's efforts to improve its disaster housing operations. It also addresses FEMA's progress implementing recommendations made by my office, as well as external organizations including Congress and GAO. I will focus on six key areas: 1) the high cost of FEMA's current housing approach; 2) the critical element of housing stocks; 3) the importance of communications in the aftermath of a disaster; 4) the National Disaster Housing Strategy and the Joint Housing Solutions Group; 5) the importance of state and local officials' involvement and leadership; and 6) the need for innovation and “thinking outside the box” in addressing the intractable disaster housing problem.

The High Cost of Current Housing Options

Developing better alternative housing solutions, particularly options to be used in catastrophic disasters, is important for a number of reasons, but a key one is the cost of the current housing approach.

FEMA's traditional housing programs are not always the most cost-effective way to deal with the massive destruction of housing stocks. For example, following Hurricane Katrina, FEMA built expensive community sites and placed victims in travel trailers, sometimes spending over \$100,000 to house a family for 18 months. Further, FEMA paid rent to tens of thousands of hurricane victims under various housing programs for up to 44 months, 26 months longer than the 18 months generally allowed under the Stafford Act.

FEMA has estimated that the average lifespan of temporary housing units occupied by disaster assistance applicants post-Katrina/Rita is 3 years. Their estimate assumes that a temporary housing unit will be deployed in the field for up to two years and stored at a FEMA housing storage site for one year. When a unit is returned after use by an occupant, the unit is designated either for disposal or redeployment depending on its condition. FEMA estimates that the lifespan cost of a travel trailer, park model, and mobile home is \$26,379, \$37,379, and \$52,634, respectively. When units are disposed of, the average sales price is \$5,550, \$7,250, and \$19,000, respectively. These cost estimates are consistent with those determined by the U.S. Government Accountability Office (GAO) in a 2007 report¹ based on Hurricane Katrina and Rita occupants, which indicated that FEMA would spend an average of \$30,000 for each 280 square foot trailer at a private site. It is important to note, however, that at some sites, the average costs were significantly higher, estimated to be as high as \$229,000, approximately the equivalent of the cost of a five bedroom, 2,000 square foot home in Jackson, Mississippi.

FEMA estimates it is spending about \$100 million per year to store over 100,000 trailers and manufactured housing units that they eventually plan to dispose of. While in a "garden variety" disaster, the use of manufactured housing might be a reasonable approach, in the wake of a catastrophic event, FEMA needs better alternatives that quickly restore housing stocks and represent a cost-effective option for disaster victims and American taxpayers.

The Critical Element of Housing Stocks

It is critical to understand the impact that post-disaster housing stock levels have on disaster housing operations. The repair and restoration of existing housing stocks is one of the most important challenges FEMA and its response and recovery partners face following a catastrophic housing disaster. All other housing decisions and programs hinge on this single variable.

After hurricanes Katrina and Rita, there was simply not enough affordable housing left to allow many victims to remain near their communities. The Brookings Institution reported that in the months following Hurricane Katrina, the population of New Orleans might have fallen by as

¹ *Hurricane Katrina: Ineffective FEMA Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud* (GAO-08-106), U.S. Government Accountability Office, November 2007.

much as half.² It's not that people wanted to relocate outside the area; there just wasn't enough housing to support the population. Three and a half years after the storm, the Brookings report estimates the New Orleans metropolitan area has recovered to about 88% of its pre-storm population, but rents have also risen, to approximately 46% above pre-Katrina rates.

“Alternatives need to be explored for situations in which suitable rental resources are not readily available.” I don't think anyone is surprised by this statement, but you may be surprised that it was written by the FEMA Inspector General in 1993 after Hurricane Andrew.³ I believe it is as true today as when it was written more than 15 years ago.

FEMA does not have sufficient tools, operational procedures, and legislative authorities to aggressively promote the cost-effective repair of housing stocks, which would increase the amount of housing available and likely limit increases in the cost of housing, particularly rental rates. For example, FEMA needs a flexible and efficient rental repair program for use in catastrophic disasters to get low income rental housing back on-line quickly. For catastrophic disasters, it may help for FEMA to have the flexibility to provide more repair money, above the \$30,300 currently available under the Individuals and Households Program, to low income home owners.

In the *Post-Katrina Act*, Congress required FEMA to develop the National Disaster Housing Strategy and describe any additional authorities necessary to carry out any portion of the strategy. However, when FEMA issued the Strategy, it did not identify additional authorities to strengthen its ability to repair existing housing stocks.

Communication is Key

Whether there is enough housing stock after a disaster to resettle residents in the affected area, or whether individuals and households may need to consider relocation, clear communication is key. Following the 2005 hurricanes, affected individuals, the media, members of Congress, and state and local officials severely criticized FEMA for its response to the housing crisis. Many of these criticisms occurred because of a misunderstanding of disaster housing roles, responsibilities, and limitations. To better manage expectations following a catastrophic event and speed the recovery process, FEMA should work with state and local officials to state clearly in its policies, procedures, and public messaging achievable goals and what constitutes success when housing stocks cannot be repaired. In extreme cases, officials should clearly communicate that some victims may need to relocate their households, possibly far from their original communities.

Stakeholders generally understand that quickly assisting affected individuals to secure housing near their pre-disaster communities is the primary goal and defines success in virtually all disasters. When housing stocks are not lost on a massive scale, FEMA and its partners have the

² *The New Orleans Index Anniversary Edition: Three Years after Katrina*, The Brookings Institution Metropolitan Policy Program & Greater New Orleans Community Data Center, August 2009.

³ *FEMA's Disaster Management Program: A Performance Audit After Hurricane Andrew* (H-01-93), FEMA Office of Inspector General, January 14, 1993.

tools to help victims locate permanent housing in their pre-disaster communities. However, the usefulness of this definition of success breaks down in a catastrophic disaster.

Homeowners can make home repairs with insurance proceeds or through small grants provided by FEMA's Individuals and Households Program. When the storm destroys some rental properties, housing officials can help individuals find new units from surviving stocks. FEMA can also provide temporary manufactured housing units until victims can repair or replace their homes.

However, when housing stocks are destroyed and have little prospect for quick repair, FEMA, state, and local officials should clearly communicate to stakeholders that there is not enough housing stock for everyone and that some will need to relocate to other communities. This will help individuals and families begin to rebuild their lives. The sooner FEMA, its federal partners, state and local government leaders, and other stakeholders make this determination, the quicker households can be assisted in finding permanent and cost-effective housing solutions. Officials at every level should communicate to affected individuals their roles and responsibilities in finding permanent housing. This communication is key and should occur, as the saying goes, early and often.

FEMA's Acting Administrator summarized the challenge of housing victims of a catastrophic disaster, in March 2009, this way, "The fundamental issue is not whether FEMA and our partners *can* find and provide provisional housing to disaster survivors, we can. The fundamental challenge is whether we can provide those disaster survivors safe and secure housing *where* they and their communities want it, and do so in a timely and cost-effective manner. This latter challenge is, and will remain, our *greatest* challenge."⁴

The National Disaster Housing Strategy and the Joint Housing Solutions Group

On January 16 of this year, FEMA released the National Disaster Housing Strategy required by the *Post-Katrina Act*. The Strategy summarizes the sheltering and housing capabilities, principles, and policies that will guide the disaster housing process.

The Strategy promotes engagement of all levels of government, along with nonprofits, the private sector, and individuals to collectively address the housing needs of disaster victims. The goal is to enable individuals, households, and communities to rebuild and restore their way of life as soon after a disaster as possible.

The Strategy released in January is a positive step forward, but it is only an interim step. It outlines a number of potential programs and federal agencies that can help victims find housing solutions. But the Strategy does not include a plan of action designed to achieve a specific goal. It also does not describe what would be a favorable outcome or goal in a particular disaster

⁴ Written Statement of Nancy Ward, Acting Administrator, Federal Emergency Management Agency, U.S. Department of Homeland Security, before the Ad Hoc Subcommittee on Disaster Recovery, Homeland Security and Governmental Affairs Committee, United States Senate, "A New Way Home: Findings from the Subcommittee on Disaster Recovery's Special Report and Working with the Obama Administration on a Way Forward," March 18, 2009.

scenario and what steps FEMA would take to achieve that goal. To be complete, FEMA must specify what constitutes success under increasingly severe disaster scenarios, especially catastrophic disasters.

Complementing the National Disaster Housing Strategy is the Joint Housing Solutions Group (JHSG) initiative, begun in September 2006, which is a multi-year effort to develop a systematic process to evaluate and rate various disaster housing options, identify alternatives to FEMA travel trailers and manufactured homes, and recommend improvements for conducting disaster housing operations. The JHSG, which includes housing specialists from the U.S. Department of Housing and Urban Development (HUD), the National Institute of Building Sciences (NIBS), and FEMA, evaluated proposals and initiated contracts with seven alternative housing manufacturers, each of whom has delivered one prototype unit to FEMA's Emergency Management Institute (EMI) in Emmitsburg, MD. These units will undergo pilot testing by having EMI students live in the units. Additionally, the JHSG continues to develop and field test a Housing Assessment Tool to facilitate decisions on the selection and use of temporary and alternative housing units. This tool is used by FEMA to collect information on housing products and determine whether available options are suitable for meeting disaster housing needs.

The JHSG has identified seven action items that FEMA should consider implementing to maintain its momentum in developing alternative housing solutions:

- Develop an Alternative Housing Options Strategy, pulling together stakeholders in a coherent and structured way;
- Continue identification and assessment of potential alternative housing units;
- Pilot the most promising alternative housing units;
- Develop performance specifications for new alternative housing units;
- Develop a procurement plan for pilot and full implementation of alternative units;
- Increase coordination between JHSG and the Alternative Housing Pilot Program (AHPP); and
- Conduct public information and outreach.

Emphasizing State and Local Government Leadership

Both the National Disaster Housing Strategy and FEMA's 2009 Disaster Housing Plan, which is based on key concepts in the Strategy and describes FEMA's approach to meeting disaster housing needs during the 2009 hurricane season, emphasize the role of state and local governments in assuming greater housing leadership through the state-led Joint Housing Task Force. Although state and local government officials are in the position to know the best housing solutions for their communities, officials may be reluctant to lead this effort.

In a 2008 audit prepared by my office, we reported that after Hurricane Katrina, a number of local communities were very reluctant, or even directly refused, to accept FEMA mobile home and travel trailer group sites in their communities. In some cases, state or local governments agreed to temporary housing sites, but then reversed their decision after housing installation had begun. Each time this happened, FEMA was further delayed in housing disaster victims and

incurred additional costs.⁵ FEMA has wasted millions of dollars in the past preparing group sites that were later rejected for one reason or another.

According to the National Disaster Housing Strategy , when it becomes necessary to build group housing sites, state and local governments are responsible for identifying vacant land that they own that may be suitable for a community site. When publicly owned land is unavailable or infeasible, the state and local governments are responsible for identifying potentially viable sites for FEMA to lease. FEMA must continue to emphasize to state and local government officials their increased responsibility to develop and implement housing solutions.

Thinking Outside the Box

FEMA needs more flexibility to explore innovative and cost-effective solutions to disaster housing challenges. In our report, *FEMA's Sheltering and Transitional Housing Activities After Hurricane Katrina*,⁶ issued in September 2008, we encouraged FEMA to explore alternatives to its traditional housing programs, including providing lump sum payments to disaster victims. This could be a more cost effective and expeditious way of returning them to a more normal way of life.

Both FEMA's National Disaster Housing Strategy and a recent United States Senate report on disaster housing⁷ recognize the challenges and the importance of developing greater flexibility in providing housing solutions. Some promising ideas include:

- **Implementing a rental repair program.** Although FEMA's Individuals and Households Pilot Program shows promise, it is uncertain whether the program is sufficiently scalable and flexible to be effective following a catastrophic disaster.
- **Expanding the Individuals and Households Program for catastrophic events.** In catastrophic events that include the massive loss of housing stocks, the \$30,300 repair limit may not be sufficient to provide victims the flexibility to choose cost-effective solutions, especially when compared to the cost of building community sites, providing manufactured housing, or paying rental assistance over extended periods.
- **Finding low-cost and low-formaldehyde alternatives to travel trailers.** FEMA, through its Joint Housing Solutions Group, has recently developed temporary disaster housing alternatives that meet stringent emission standards. However, these alternatives are expensive, ranging from \$45,000 to \$75,000, before installation, monthly maintenance, deactivation costs and, when required, building community sites. Additionally, contractors may not be able to quickly produce the many thousands of units

⁵ *FEMA's Preparedness for the Next Catastrophic Disaster* (OIG-08-34), U.S. Department of Homeland Security Office of Inspector General, March 2008.

⁶ *FEMA's Sheltering and Transitional Housing Activities After Hurricane Katrina* (OIG-08-93), U.S. Department of Homeland Security Office of Inspector General, September 2008.

⁷ *Far From Home: Deficiencies in Federal Disaster Housing Assistance After Hurricanes Katrina and Rita and Recommendations for Improvement*, Ad Hoc Subcommittee on Disaster Recovery of the Committee on Homeland Security and Governmental Affairs, United States Senate, February 2009.

that FEMA could need following a catastrophic disaster. Based on current contracts, FEMA has the capacity to purchase approximately 38,000 travel trailers, mobile homes, and park models in a relatively short period of time. However, following Hurricanes Katrina and Rita, FEMA eventually purchased approximately 145,000 units.

- **Maintaining comprehensive cost data on all housing options.** FEMA should collect and maintain comprehensive historical cost data for all housing options. This information will assist FEMA and future disaster victims in deciding among the most cost-effective housing options.

As a result of the *Post-Katrina Act*, FEMA undertook the Alternative Housing Pilot Program (AHPP), which funded five projects, in four states, using \$400 million appropriated for this purpose. The goal of the AHPP is to identify and evaluate better alternatives for housing disaster victims. FEMA's final report on the AHPP, which will be produced in conjunction with HUD, is expected to be completed by December 31, 2011.

Conclusion

Catastrophic disasters are high-consequence, low-probability events, and preparing for these events is extremely complex and difficult. FEMA's greatest housing challenge is helping victims remain in their communities following catastrophic disasters. To meet this challenge, FEMA needs flexible, innovative, and cost-effective ways to help victims repair housing stocks. But when restoration of housing stocks is not possible, FEMA, state, and local officials need to communicate the need for individuals to consider relocation.

In our report on FEMA's response to Hurricane Ike, we stated:

FEMA's response to Hurricane Ike was well organized and effective, and FEMA and its federal and state partners implemented their incident objectives aggressively. By the end of October 2008, only 7 weeks after landfall, FEMA had registered more than 715,000 hurricane victims, completed 359,000 housing inspections, installed manufactured housing for 339 families, and disbursed \$326 million for housing and other needs. FEMA also assisted more than 100,000 disaster victims at its Disaster Recovery Centers.⁸

Also, FEMA's National Disaster Housing Strategy, released in January 2009, is a significant step toward improving FEMA's overall disaster housing response. The strategy catalogues the Nation's housing options and provides common principles to assist stakeholders in creating housing implementation plans. However, FEMA's housing program continues to face challenges.

As demonstrated following Hurricane Ike, FEMA is better prepared for the next housing disaster. However, FEMA should act quickly to develop the tools, operational procedures and, if needed, seek additional legislative authorities to respond effectively to the next catastrophic disaster.

⁸ *Management Advisory Report: FEMA's Response to Hurricane Ike* (OIG-09-78), U.S. Department of Homeland Security Office of Inspector General, June 2009.

Also, to better manage expectations and speed housing solutions, FEMA should set achievable housing goals and manage expectations following catastrophic disasters.

It is critically important that all disaster stakeholders at the federal, state, and local levels maintain momentum and continue to implement needed changes over time. Only by doing so will we, as a nation, be better prepared for the next catastrophic disaster, whether man-made or natural.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions that you or the Committee Members may have.