HOUSING RECOVERY ON THE GULF COAST

SUMMARY REPORT

U.S. Department of Housing and Urban Development | Office of Policy Development and Research

SUMMARY

HOUSING RECOVERY ON THE GULF COAST

Congress frequently provides supplemental appropriations through the U.S. Department of Housing and Urban Development's (HUD's) Community Development Block Grant (CDBG) program to help communities recover from natural and manmade disasters. These Disaster Recovery Grants have been used to help New York City recover from the attack on the World Trade Center on September 11, 2001; to help towns in the upper Midwest recover from severe flooding in 1993, 1997, and 2008; and to help the Gulf Coast in the wake of Hurricanes Katrina and Rita in 2005. Recent research by Abt Associates Inc., under contract with HUD, examines how $19.7 billion in Disaster Recovery Grants were used in Louisiana, Mississippi, and Texas to help with recovery from those devastating hurricanes of 2005.

The research had two key components: "windshield observations" of significantly damaged homes and neighborhoods and a survey of the owners of properties that were badly damaged. HUD has published two reports from this research:

1. *Housing Recovery in the Gulf Coast, Phase I: Results of Windshield Observations in Louisiana, Mississippi, and Texas.*
2. *Housing Recovery on the Gulf Coast, Phase II: Results of Property Owner Survey in Louisiana, Mississippi, and Texas.*

This summary presents key findings from both reports and describes key policy issues surrounding the federal role in disaster recovery.

Direct Observation of Housing and Neighborhood Conditions in 2010

Based on windshield observations conducted in early 2010, 74.6 percent of hurricane-affected properties on significantly affected blocks contained a residential structure with no substantial repair need—approximately three-fourths of all affected properties in the most damaged areas were in good condition. An additional 10.8 percent of sites did not contain a permanent residential structure; these homes were either destroyed by the hurricanes or had been demolished since then. The remaining 14.6 percent of hurricane-affected properties on significantly affected blocks contained a residential structure that still needed substantial repair. Some areas had much higher proportions of properties with no residential structure or with substantial repair needs. In Louisiana, the Lower Ninth Ward Planning District of New Orleans and adjoining St. Bernard Parish had the highest percentages of properties without a residential structure. In Mississippi, Hancock County, Biloxi, and Waveland/Bay St. Louis were the areas most likely to have empty lots. Overall, Mississippi had the highest percentage of properties without residential structures, but it had a relatively small share of structures with substantial repair needs. In contrast, Texas had a low percentage of properties with no residential structure, but about one-fourth of the existing structures had substantial repair needs.

Based on the windshield observations combined with CDBG administrative records, the Phase I report found that CDBG played a key role in the rebuilding process. In Mississippi, properties that received CDBG assistance are almost 2.5 times as likely to have been rebuilt as properties that did not receive CDBG assistance. In Louisiana, some owners chose to sell their property to the Louisiana Land Trust (LLT) rather than rebuild. If these properties are excluded from the analysis, properties in Louisiana with CDBG assistance are almost twice as likely to have been rebuilt as properties that did not receive CDBG assistance. Both of these estimates of the effect of CDBG assistance are from statistical models that include other characteristics that influence rebuilding.

Relocating or Rebuilding

The second phase of the study included a survey of individuals who owned properties in 2005 that were damaged by Hurricanes Katrina and Rita. The purpose of this survey was to talk directly to affected households to find out about their experience trying to rebuild their homes and their lives. The survey found that CDBG funds reached the intended households. CDBG recipients had higher levels of assessed damage, had a higher prevalence of flood damage, were more likely to be part of minority racial and ethnic groups (African American and Hispanic), and were more likely to have lower valued homes. They also had fewer resources from other (non-CDBG) sources.

The first step in rebuilding is to return home and commit to staying, so the first step in this study is to understand who returned home and who chose to relocate. Among pre-storm property owners, 18 percent no longer owned the property at the time of survey (early 2011). An additional 7 percent still owned the property but were living elsewhere. According to the 2007 American Housing Survey, among all owner occupant households nationwide, 7.64 percent moved during the previous *1* year. In comparison, 25 percent of households in the study had moved over the *5* years since the storms, suggesting a fairly low level of turnover and a strong desire to return and rebuild. However, it is also important to note that those who did move appear to be satisfied with their decision; 66 percent reported that they are not interested in moving back to their old neighborhood. Movers are also significantly more likely than those who stayed to report being very satisfied with their current (as of 2011) neighborhood (70 percent and 48 percent, respectively).

For the people who continue to own the same home that was damaged by the storms, the survey asked about their rebuilding efforts and about the current condition of the home. Among these continuing owners, 75 percent rate the current condition of their home as good or excellent, which the study uses as a proxy for "rebuilt" in subsequent analyses. The study includes multivariate analysis of factors that influenced the likelihood of rebuilding. Insurance is estimated to have a large and highly significant relationship with rebuilding; insured properties are 37 percent more likely to have been rebuilt than uninsured properties. Flood-damaged properties are 16 percent less likely to have been rebuilt than properties that did not sustain flood damage, possibly because flood damage tends to be more pervasive and costly to repair. Properties that are categorized as being leveled, demolished, or condemned are 39 percent less likely to have been rebuilt. When holding neighborhood home value constant, the value of a particular home is negatively correlated with the likelihood of rebuilding, suggesting that within a particular neighborhood the higher valued homes are less likely to be rebuilt than the lower valued homes. One possible explanation for this is that the owners of the higher valued homes in a neighborhood have the greatest ability to rebuild their lives elsewhere and are skeptical of the neighborhood's ability to rebound.

Timing of Recovery

The property owner survey reveals some interesting findings about the speed of recovery. Property owners affected by the storm largely resolved their situation in the 3 years following the storm. Among those who sold their property, 89 percent did so in 2008 or before. Among those continuing owners who have successfully completed rebuilding, 89 percent did so in 2008 or before. More than one-half of continuing owners who successfully completed rebuilding did so in 2005 or 2006.

Models for Homeowner Assistance

The second phase of this research also examines two different models for providing homeowner assistance. Texas implemented a traditional home repair and rehabilitation model, in which housing assistance was directly tied to the home for the exclusive purpose of rebuilding, and the state managed the process of hiring and managing contractors. This program served roughly 1,000 households. However, Mississippi and Louisiana, confronted by a more widespread disaster, had to operate at much larger scale, serving approximately 28,000 and 129,000 households, respectively. As a result, these states received a waiver enabling them to provide homeowner assistance in the form of a "compensation" grant to individual homeowners, which did not necessarily have to be used for rebuilding. The waiver was granted to distribute the administrative burden and allow for faster recovery. Homeowners could hire their own contractor and get started immediately. It is unclear whether this strategy was successful. The average length of time from the start of construction to the end of construction was only 8.1 months in Texas, compared with 10 months in Mississippi and 13.9 months in Louisiana. It seems that Texas—with a relatively small program and abundant contractor capacity—was able to carry out its program effectively once the program was developed. However, if measuring from the date of the storms to the end of construction, rebuilding in Texas took considerably longer than it did in Louisiana and Mississippi. Given the size of the programs in Louisiana and Mississippi, this suggests that the compensation model did enable rebuilding in Louisiana and Mississippi to start sooner than it would have with a standard rehabilitation model.

Conclusion

This research has important implications for how to prepare for disasters and how to recover from them. The research shows that the presence of insurance before the hurricanes was a strong predictor of rebuilding. This finding emphasizes the importance of homeowner's insurance and flood insurance, particularly for households in disaster-prone areas.

The research has several implications for disaster recovery. Affected households that moved reported higher neighborhood satisfaction than those that stayed, suggesting that a model that allows for relocation may serve the affected households better than a rebuild-only model.

The research also finds that the extent of damage and the presence of flood damage have a significant and substantial negative effect on the likelihood of a unit being rebuilt. Neighborhoods that suffer widespread, significant flood damage are less likely to be successfully rebuilt, suggesting that those neighborhoods either should not be rebuilt or would require substantially more resources per unit to be rebuilt.

Finally, the study finds strengths and weaknesses in both the rehabilitation model and the compensation model. The compensation model does appear to have been successful in responding to the scale of the problem in Mississippi and Louisiana. As of 2011, the rebuilding rates are comparable across the three states, despite the fact that Mississippi and Louisiana served approximately 28,000 and 129,000 households, respectively, compared to only 1,000 in Texas. The rehabilitation model, on the other hand, resulted in more complete application of funds to rebuilding; 16 percent of households in Mississippi and 6 percent of households in Louisiana did not use any of their grant funds for rebuilding. Although the rehabilitation model may be difficult to scale up there is some evidence that it is an appropriate strategy for situations in which the priority is to rebuild and adequate capacity exists among building contractors. The rehabilitation model also enables the government to supervise how rebuilding occurs. The organization managing the program can ensure compliance with building standards (such as elevation requirements) and incorporate other improvements (such as energy efficiency upgrades). A homeowner-driven rebuilding model runs the risk that assisted households may not pursue these important goals.

Ultimately, the most appropriate rebuilding strategy depends on the scope of the damage and the community's plan for recovery. The federal government plays an important role in response to, and recovery from, natural disasters. HUD hopes that this research helps to inform that role and to help disaster-affected communities recover faster and more fully.