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March 15, 2007

NEWS+ANALYSIS

Suite Solution

Housing consultants hook up with FEMA to aid Katrina homeless

http://www.govexec.com/story_page.cfm?filepath=/features/0307-15/0307-15na2.htm&oref=search

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Kyle Rogg admits that Corporate Lodging Consultants is not your typical government contractor. The Wichita, Kan., firm, where Rogg is senior vice president for business development, manages lodging programs for businesses that have to send their employees out of town. After hurricane Katrina, CLC received a call from the American Red Cross, which had long used the firm to help book hotel rooms for its employees.

"I don't think they used the word 'desperate,' but they said, 'We have an unprecedented need to house people,' and previous sheltering options were not going to work," says Rogg. The firm set up a system that helped the Red Cross and the Federal Emergency Management Agency - which initially reimbursed the Red Cross for evacuee housing and took over the program directly two months later - house upwards of 700,000 Gulf Coast evacuees in hotel rooms across the country.

It was an unusual solution. But then, the aftermath of Katrina has demanded a lot of atypical solutions as it has imposed unprecedented housing needs on the Gulf Coast region and many of its former residents.

In February, Mississippi Attorney General Jim Hood said he would seek legislation to force State Farm Insurance Co., the state's largest home insurer, to continue writing policies that would allow storm victims to rebuild. The firm had said it would stop writing new policies after a protracted legal battle with local homeowners over Katrina-related claims.

Hood's legislation would require any company that sells car insurance in Mississippi to also offer homeowners policies if it sells both auto and home insurance in other states. State Farm falls into that category. The legislation is modeled after a similar law in Florida.

The State Farm fiasco is just one of several circumstances that have coalesced to create unique housing problems in the wake of a storm that left three-quarters of a million people homeless and has required 4.5 times more aid from the Federal Emergency Management Agency than all six major hurricanes in the previous two years combined.

The Housing and Urban Development Department estimates that 305,000 homes suffered severe damage from Katrina and Rita, which hit the Gulf Coast soon after. In Louisiana, that amounted to 29 percent of all owner-occupied housing and 35 percent of rentals. The large-scale destruction of housing stock sent home prices soaring, raising HUD's fair market rent for the New Orleans metropolitan area from $676 a month for a two-bedroom apartment to $940 in fiscal 2006, according to a December report by the Congressional Research Service. That report also concluded that in Louisiana, the percentage of overdue mortgage payments rose from about 6 percent to more than 20 percent by the fourth quarter of 2005.

Since that time, many mortgage providers have suspended payment collections and foreclosure proceedings in the most affected areas, and Freddie Mac announced that it would buy $1 billion in mortgages in the worst areas. Rep. Barney Frank, D-Mass., said he would introduce legislation that would create a $500 million fund to spur low- and moderate-income housing development along the Gulf Coast.

One solution that has yet to emerge is something to mitigate the quandary of the uninsured: State officials created the Louisiana Recovery Authority to pay homeowners for many of their uninsured losses, but others say reimbursing the uninsured is a disincentive for buying adequate insurance.

To hear Rogg tell it, the solution of housing Gulf Coast evacuees in hotel rooms was a happy accident. CLC had worked with the Red Cross since 1998, selecting hotels and processing payments for its employees on travel. On Aug. 31, 2005, Red Cross officials called the company, saying that tens of thousands of evacuees were scattered across the country with only a couple days' worth of clothes. The Red Cross suspected that many were in hotels and was willing to pay for two weeks of lodging, Rogg says. But the organization needed a system to properly reimburse evacuees on such a large scale.

Two weeks became a month and then several months. At its peak, the CLC program included 94,000 hotel rooms with an average of three evacuees in each. "The program grew from kind of an emergency stopgap," Rogg says.

Auditors have pilloried FEMA for distributing perhaps more than $1 billion in fraudulent payments, including tens of millions of dollars in duplicate rental payments. Rogg says CLC merely paid for hotel rooms for whomever FEMA instructed it to, and says the amount of fraud in the company's system was quite low.

"It's more efficient to use existing inventory . . . than it is to maintain and develop that inventory just for hurricanes or disasters in the future," he says.

The idea to use hotels in this magnitude, he says, was pioneered during the Katrina aftermath. Localities often put up fire victims in hotels, for example, but not anything approaching the scale of the Gulf Coast evacuations. "You can imagine the difference between handing a paper voucher to some fire victims . . . and doing something 100 or 1,000 or 10,000 times larger," he says. "If you don't have the administrative capability to pay the right person the right amount at the right time, then there's a tremendous opportunity for fraud. . . . [Without an administrative system], that's almost an unmanageable challenge."