Home-buying Vouchers for Storm Victims
Steve Anlian

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YEREVAN, Armenia -- As New Orleans and other Gulf Coast places weather devastation by hurricane, home owners with enough insurance face real, gut-wrenching choices: Leave, stay, build, buy, rehab, or rent? Those with little or no flood insurance -- reportedly as many as 60 percent -- will turn to government for help.

As officials figure out how to respond to under- or uninsured home owners who are eligible for aid, experience abroad, in developing countries, argues strongly for multi-state housing-purchase vouchers. These are a logical follow-on to the Senate's recent stop-gap measure providing six-month rental vouchers to Katrina victims.

On Dec. 7, 1988, in Armenia, an earthquake measuring 6.9 on the Richter scale demolished 100,000 housing units and displaced 500,000 people. With help from the United States, other countries, and multilateral aid agencies, Armenia worked through the tortuous economic decisions that now face leaders in Washington and the storm-tossed American states.

Which districts should be condemned? Which redeveloped, and how? For which local expenses should people be reimbursed? Should displaced families be granted an unconditional right of return, regardless of timing and cost? Should tenants get rights comparable to home owners?

Working through such questions will take time, which many of the current hurricane victims don't have. But for those uninsured home owners willing to accept a housing-purchase voucher now, as final compensation, the transition could be far simpler. For them, help could be on the way in weeks, instead of months or years.

A housing-purchase voucher program reflecting lessons from Armenia and other natural-disaster-stricken countries would not have to be complicated. Participation would be voluntary. Proceeds from selling an existing home to a displaced family would go directly from the funding agency to the contract seller, through banks.

Funds left over when an eligible housing unit was bought for less than the voucher price could be pocketed by the program participant for renovation, living expenses, or moving costs. At the other extreme, extra funds from loans or buyers' other assets could be mobilized to buy a house that costs more than the voucher's value. Low-income participants might receive a sliding subsidy to house-hunt, since the city of their choice might be a plane ride away.

To get a feel for how vouchers might work, imagine that your $100,000 house in New Orleans is half paid for and totally wrecked. Depending on your insurance coverage, you might qualify for a "top-up" voucher, which pays for the difference between what your new house costs and what your insurance company provides for your old house. Or you might get a 100-percent subsidy, if your insurance doesn't cover flood damage. You could use the voucher in any one of the designated receiving zones, or even in New Orleans, if there is adequate supply. If you have funds of your own to add, you can even apply your voucher outside the approved network.

On the receiving end, the metropolitan areas deemed eligible to take vouchers might be those that have already welcomed evacuees or where the housing market is stable and housing affordable. Local associations of real-estate agents could help match housing to beneficiaries.

The voucher's size would be pegged to local market conditions. That way, evacuees could choose a city from the list where housing prices are a bit above those in New Orleans or Biloxi. This approach worked after the Armenian earthquake, when the U.S. Agency for International Development tried it. The U.S. Department of Housing and Urban Development's Section 8 program for low-income renters also follow this principle.

Cities that signed up for the program would reap benefits, too. More homes would be occupied and, therefore, the housing stock and associated service costs would be more efficient. On balance, there would be more
demand for housing, so real-estate values would rise. If they rose too much, vouchers could be adjusted accordingly.

If housing-voucher programs have a weakness in today's real-estate boom, it's that affordable housing often means a soft economy, and dislocated home owners need jobs. Adding more job hunters to a city can intensify employment problems, so in selecting receiving zones, planners would have to match skills with labor markets, even as social scientists ponder political and human adjustments.

Yet an influx of new residents to the right place at the right time could stimulate lagging local economies, as cash from government-supported programs and other subsidies started to recirculate. Home-improvement activities would be another stimulus, though no substitute for a long-term economic-development strategy for each city.

While we all hope that the Gulf Coast's hurricane-ravaged hometowns will rise again, a national housing-purchase voucher program holds enormous potential for displaced home owners -- even during the interim period of recovery. Families who leave the area now may decide to return when their communities have stabilized. The recent real-estate spike in Baton Rouge bodes well for vouchers, and the Department of Housing and Urban Development's deep experience with vouchers could be tapped to quickly devise and carry out a demand-side shelter strategy.

Vouchers alone aren't enough. But neither is new construction. And vouchers are both cheaper and faster-working. Let's ask some of the tens of thousands of hurricane-displaced Southerners if they would like to give vouchers a try.

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