

Hurricane Andrew: Three Lessons On Disaster Impacts and Housing Recovery

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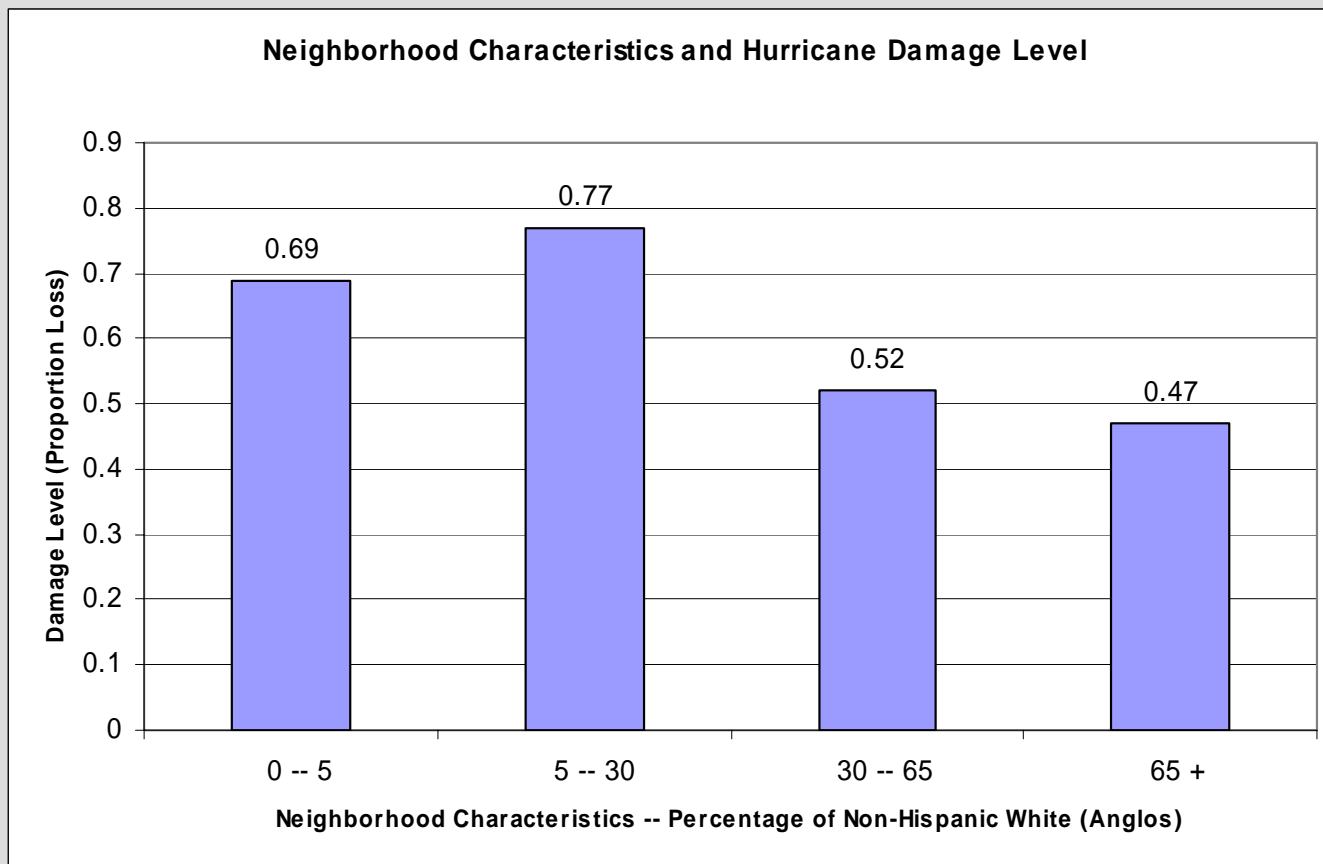


Lesson 1: Disasters are not equal opportunity events

“Look...Look at that... No one escaped the impact of Hurricane Andrew!”

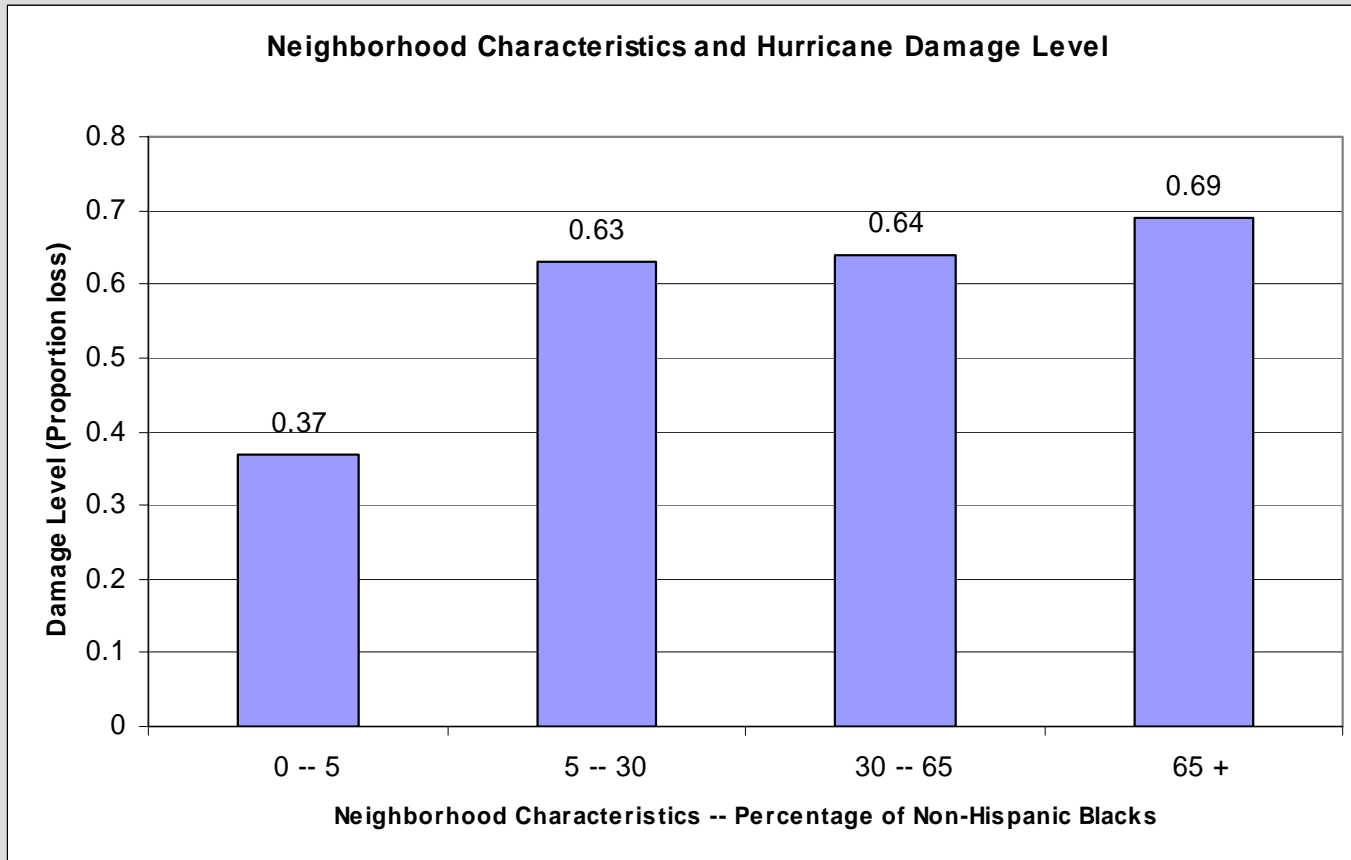
- *Comment by public official viewing damage in Homestead Florida following Hurricane Andrew.*
- In the face of major natural disasters few will escape unaffected, but the impacts are rarely random
 - factors that impact so much of our everyday lives such as wealth, income, social status, race/ethnicity, age, and gender all too often find full play in determining the distribution of disaster impacts.

Damage to Single Family Housing Following Hurricane Andrew



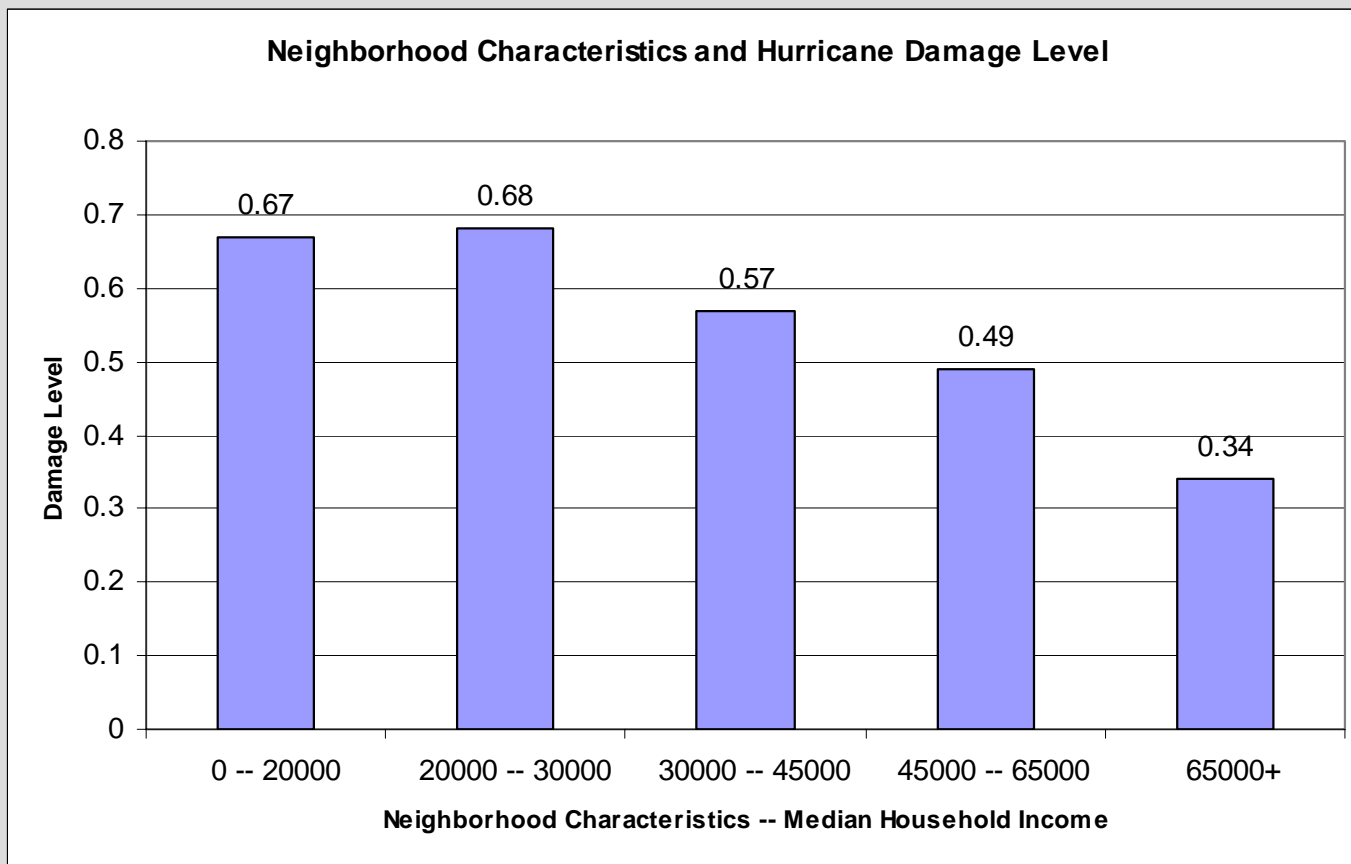
Proportion loss for 60,000+ single family homes in South Dade

Damage to Single Family Housing Following Hurricane Andrew



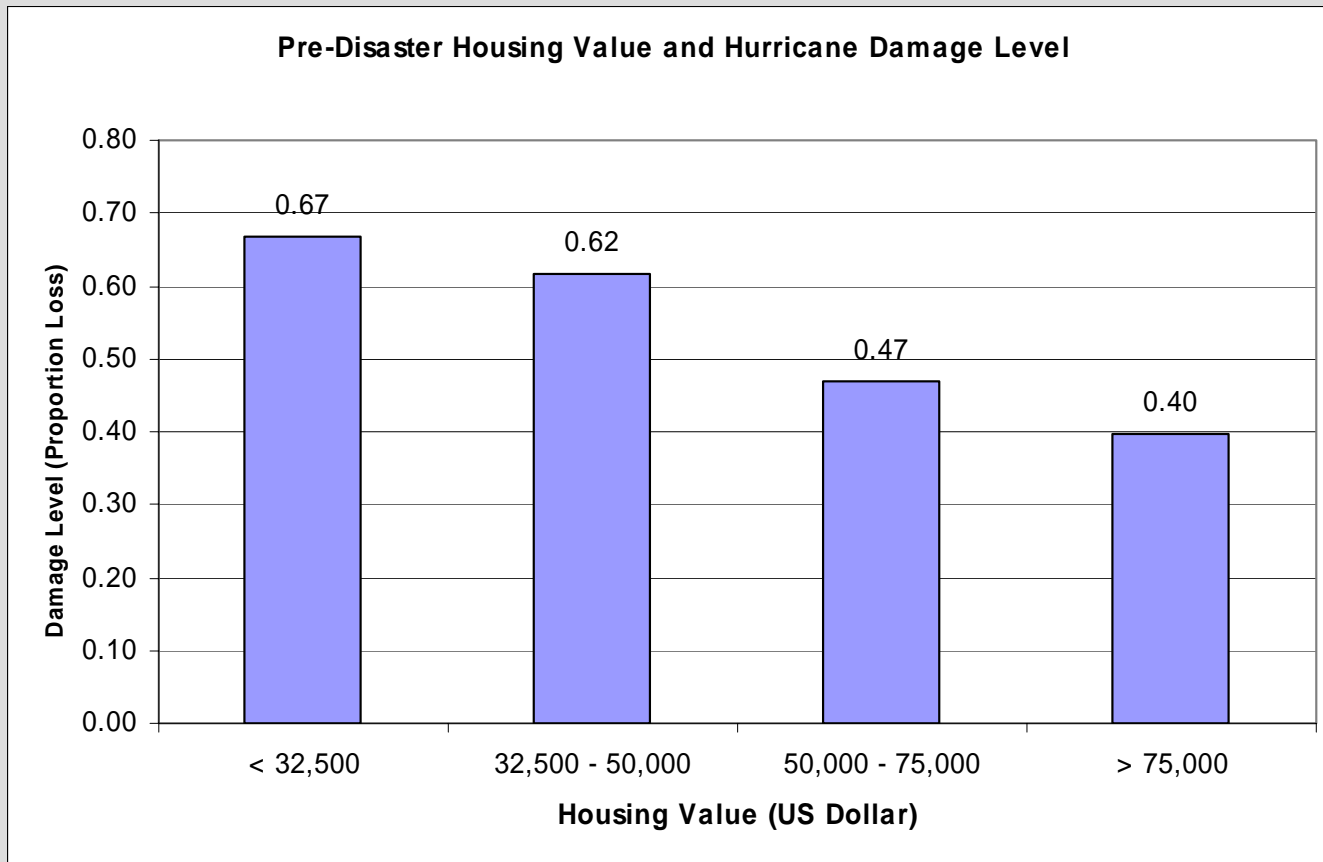
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Proportion loss for 60,000+ single family homes in South Dade

Lesson 1: Disasters are not equal opportunity events

- Disaster impacts are not equally or randomly distributed, they generally impact the most vulnerable disproportionately
 - As a consequence, we should be planning accordingly
 - Evacuation, Preparation, and Response
 - But also for **Long-term Recovery**
- The focus for the remainder of this talk is on ***Housing Recovery***
 - Fundamentally critical for household recovery

Lesson 2: The market will not ensure broad based housing recovery.

“We don’t need to worry about housing, it will take care of itself.”

• *Opinion expressed at a redevelopment planning committee.*

- Basic notion is that the market will handle and address housing recovery needs.
- That is the predominant mode for recovery in the United States. “Market Managed” recovery process.
- There is a good deal of truth to this statement in many respects...

Lesson 2: Continued

- On average, recovery appears evident...
 - Single family home values in Miami
 - 1992 (-8 to 2 mos.) average \$63,036
 - 1993 (+5-10 mos.) average \$33,962 (-\$29,074 or 46% loss)
 - 1994 (+17-22 mos.) average \$63,258 (+\$223)
 - 1995 (+29-34 mos.) average \$67,941 (+\$4,905)
 - 1996 (+41-46 mos.) average \$73,340 (+\$9,304)
- But, the average is not the whole picture.
 - 1994 (+17-22 mos.) 32% below 92 value
 - 1995 (+29-34 mos.) 21% below 92 value
 - 1996 (+41-46 mos.) 16% below 92 value

Lesson 2: Continued

The statement that “*housing will take care of itself...*” reflects a failure to understand:

1. Nature of housing markets in the United States
2. Distribution of resources necessary for recovery

Housing issues in the United States

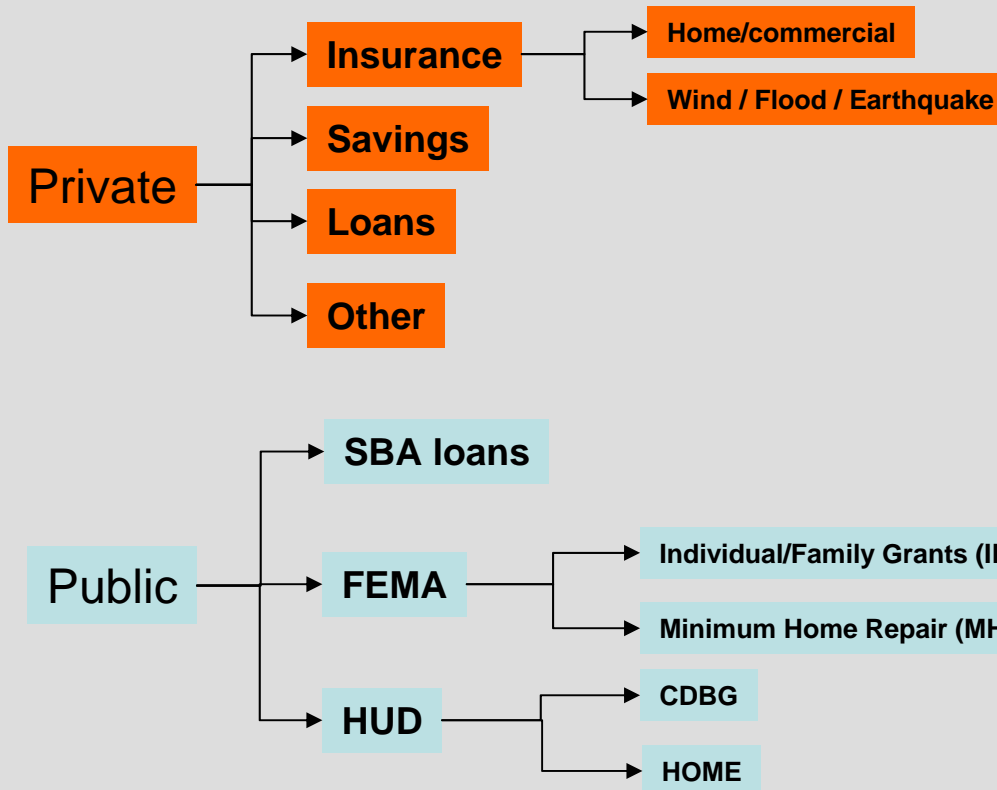
- Housing markets systematically fail when it comes to providing low-income quality housing which disproportionately impacts racial and ethnic minorities. (Lake 1980; Bratt et al. 1986; Horton 1992; Alba and Logan 1992; Gyourko and Linneman 1993).
- Racial and ethnic minorities: tend to have poorer quality of housing and that housing is often segregated into low-valued neighborhoods creating “communities of fate.” (Stinchcombe 1965; Logan and Molotch; 1987; South and Crowder 1997, 2004)
- The US still has major problems with discrimination against minorities in buying, selling and renting housing due to racial steering, redlining, hostile white attitudes and lender discrimination. (Guy et al. 1982; Sagalyn 1983; Horton 1992; Feagin and Silkes 1994; Oliver and Shapiro 1997; Holloway and Wyly 2001);

Housing issues in the United States

- Blacks experience higher mortgage rejection rates, pay higher interest rates, and, after buying a home, experience lower appreciation rates. (Oliver and Shapiro 1997; Flippen 2004)
- Minorities, particularly Blacks, also find major problems with procuring insurance, in general, and quality insurance in particular. (Squires and Velez 1987; Squires 1998; Squires et al. 2001)
- Still find high levels of racial segregation (Massey and Denton 1993; Iceland, Weinberg, and Steinmetz 2002)
- Blacks are substantially less likely than whites to escape poor neighborhoods and, when they do, are more likely to relocate poor areas. (South and Crowder 1997; 2004)

And, after a disaster...the resources?

Major Recovery Resources:



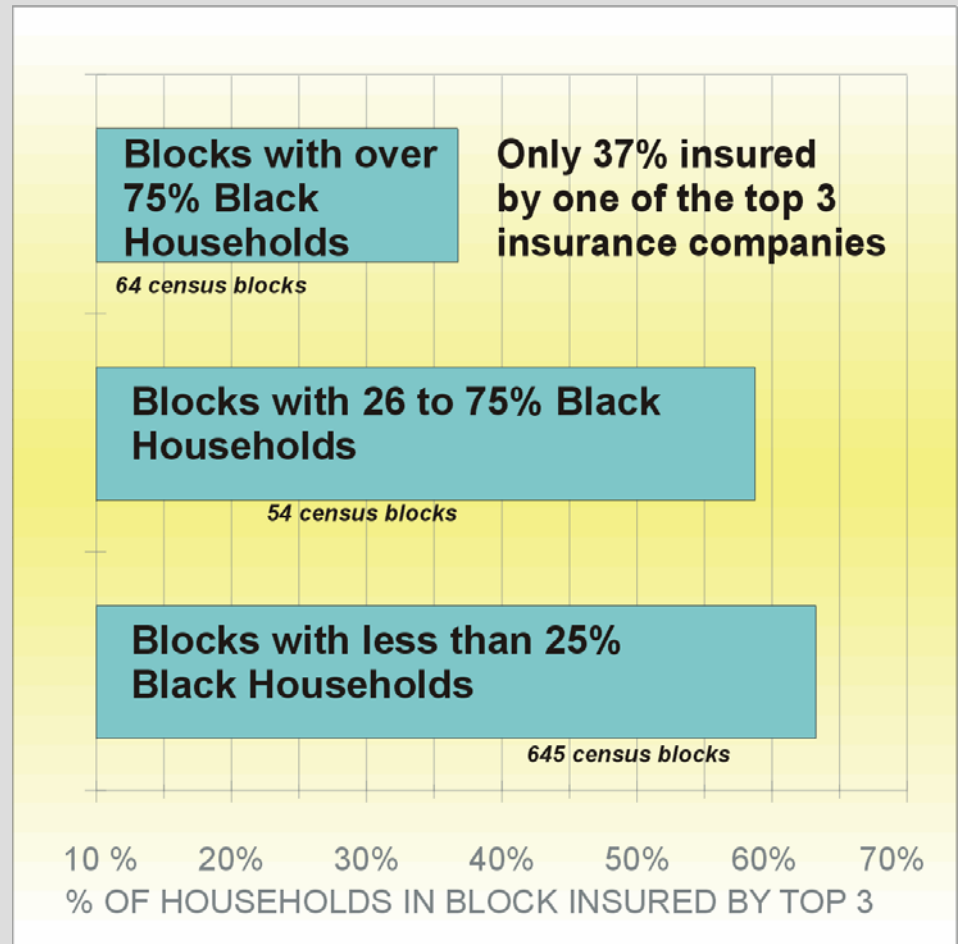
The actual Mix will depend upon the Hazard and other factors:

Northridge: 65.3% Insurance, 20.7% SBA, 7% FEMA, and 7% HUD.

Andrew: 89.9% private insurance, 3.3% SBA, 2.8% FEMA, 3.1% HUD, 1% modified other.

And, after a disaster...the distribution?

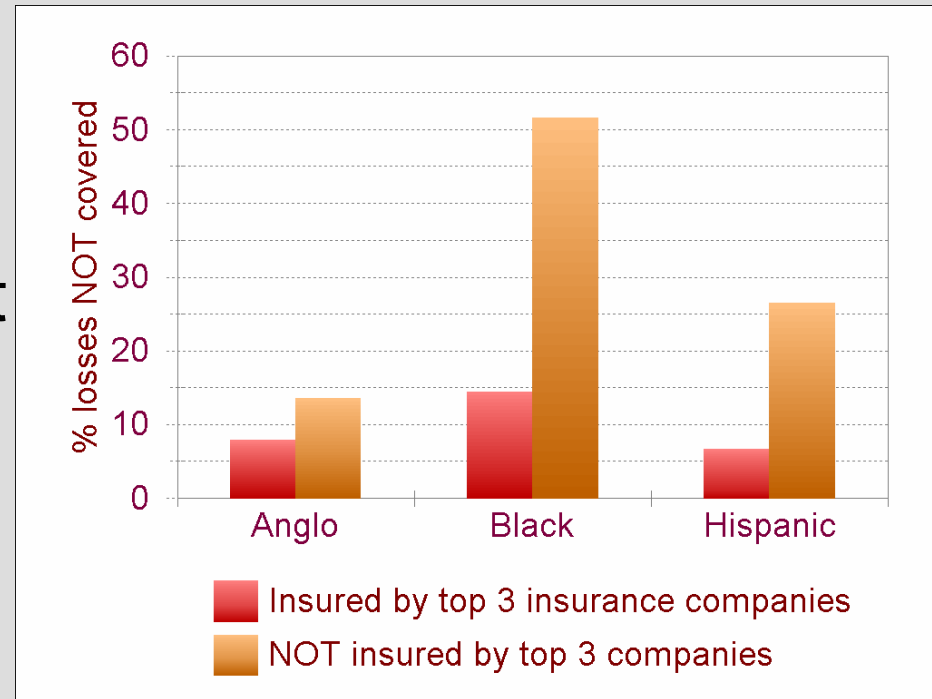
- Home insurance rates are higher than before, but substantially lower for Hazard Insurance.
 - minorities, low- and fixed income
- Households in predominantly Black areas had significantly lower probabilities of having insurance with a top three company.



See: Peacock, Morrow and Gladwin. 1997. *Hurricane Andrew: Ethnicity, Gender and the Sociology of Disaster*. London: Routledge

And, after a disaster...the distribution?

- Minority households and Black households in particular are much more likely to report insufficient insurance settlements.
 - In part a “quality” issue
- Low income and minority households have much lower SBA Loan rate:
 - Failure to apply
 - Failure to qualify



See: Peacock, Morrow and Gladwin. 1997. *Hurricane Andrew: Ethnicity, Gender and the Sociology of Disaster*. London: Routledge

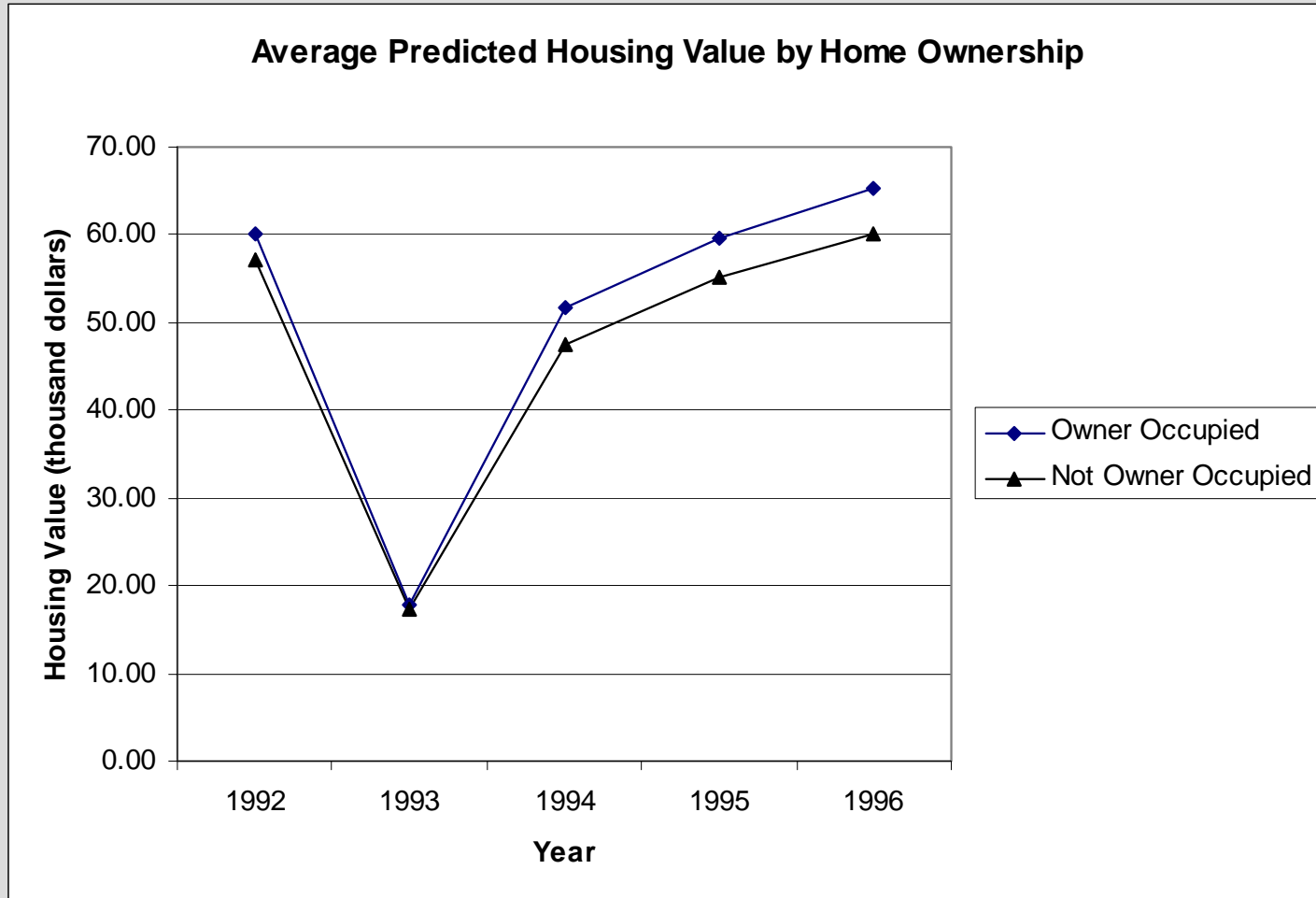
And, after a disaster...the distribution?

- Policies relate to rebuilding are focused on homeowners not renters/rental housing (blinded by the “American Dream”).
 - Large urban areas have high percentages of renters;
 - Rental housing, particularly moderate and low income rentals, can become scarce;
 - Rental housing, particularly multifamily rental, is slower to come back on line in part because of fewer financial resources;
 - Up-scaling of rental market.

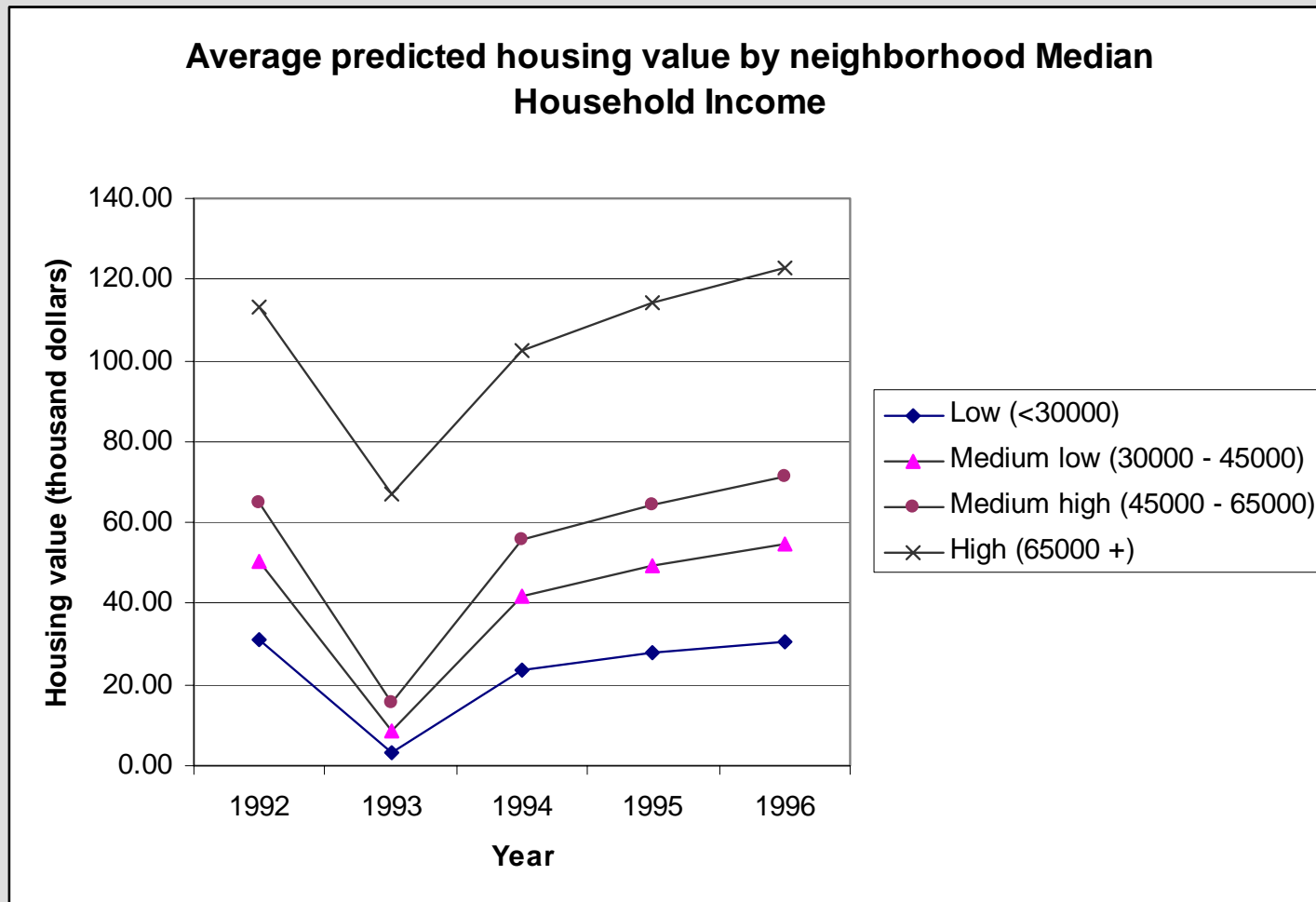
And, after a disaster...Net Effects.

- The net effect:
 - Low income and minority homeowners much greater difficulty in repairing and rebuilding.
 - Multi-family and rental properties are much slower to recover and when they do they are often beyond the reach of low income and minority households.
 - Low income and minority households have greater difficulty, whether homeowners or renters, in acquiring quality housing following disasters.
 - Normal market failures are exacerbated particularly in large urban environments (our nations major cities).

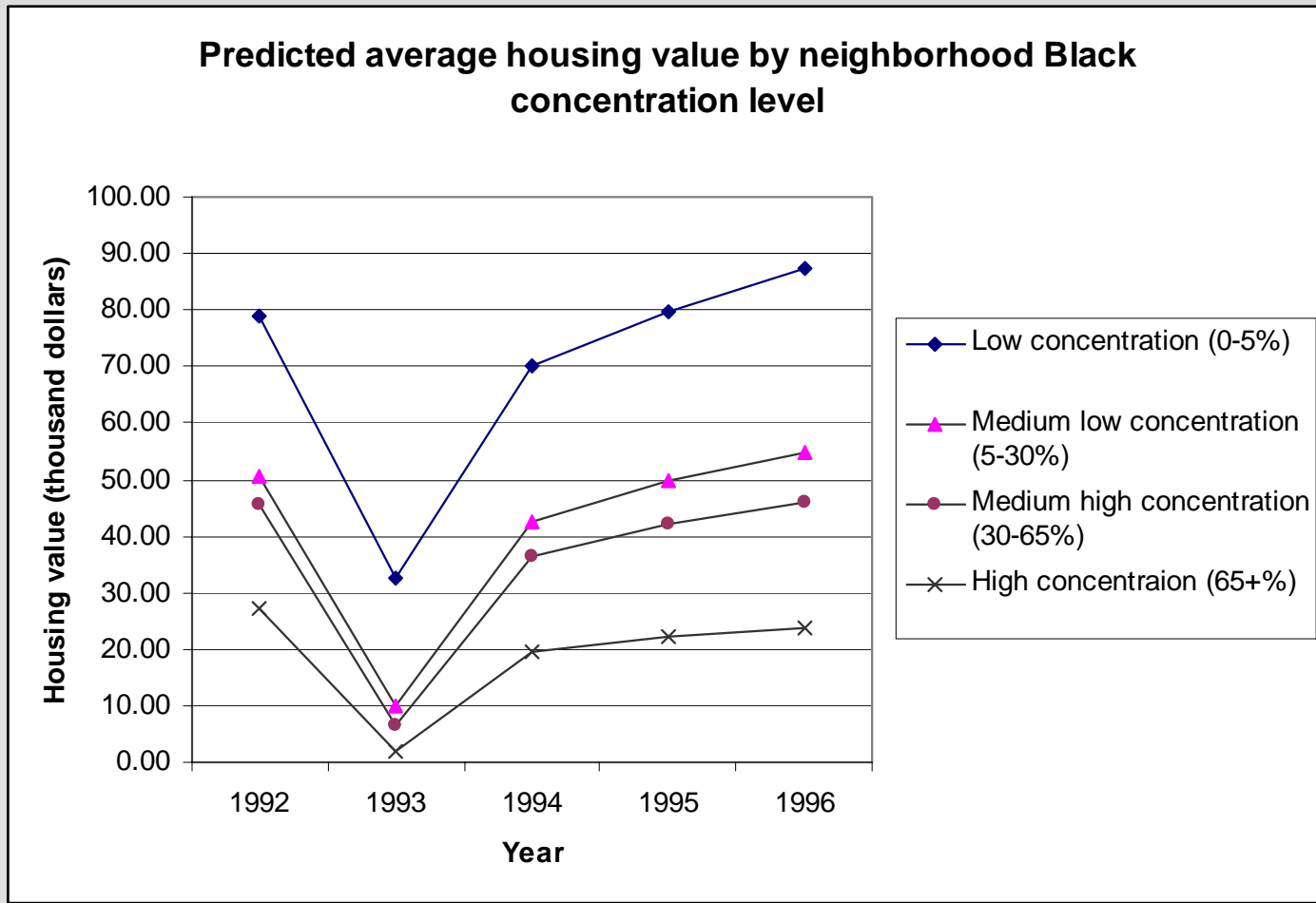
Recovery Trajectories – Single-family Housing by **Owner versus Rental**



Recovery Trajectories – Single-family Housing by Household Income



Recovery Trajectories – Single-family Housing by **Percent Non-Hispanic Black**



Lesson 2: Enhancing broad based recovery.

- Policies and planning to help homeowners, especially low income homeowners, stay in their homes
 - Mortgage moratoriums and assistance programs
 - Refinancing programs
- Policies and planning to facilitate low income homeowners repair and rebuild
 - Means tested loan and grant programs
 - Special policies to address volunteer labor, trades and other skilled labor, etc.
- Insure that affordable rental housing, particularly multi-family rental properties
 - Modify and utilize existing SBA and HUD programs
 - Community Development Block Grants, Community Development Corporations, HOME program
 - Enhanced State and Federal policy and planning initiatives.

Lesson 3: Mitigation, mitigation, mitigation...

Local government is that level of government least likely to perceived emergency management as a key priority and to pay sustained attention to it, but it is handed more and more responsibility for handling disaster... Averch and Dluhy

- Mitigation – actions undertaken to reduce the impacts of disasters – **was** the mantra for FEMA.
- Applied to all phases of disasters processes (preparedness, response, and recovery) and more importantly sought to integrate it into recovery and normal development processes.
 - Building stronger more resilient communities
 - Enhancing building codes, infrastructure, land use planning
 - Enhancing social and economic infrastructure as well
- We need to recover the mitigation emphasis for all hazards.