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SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST–KATRINA, PART II

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

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SOLVING THE AFFORDABLE HOUSING CRISIS IN THE GULF COAST REGION POST–KATRINA, PART II

Friday, February 23, 2007

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:05 a.m., in the Good Deeds Center, 15101 Madison Street, Gulfport, Mississippi, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Present: Representatives Waters, Cleaver, Sires; Biggert, and Neugebauer.

Also present: Representative Taylor.

Chairwoman WATERS. This hearing of the Subcommittee on Housing will come to order. If we can get you to take your seats, we will move this hearing very quickly and give all of our witnesses an opportunity to share information with us.

Thank you, very much. I see that we have our colleague with us at the witness table this morning. Congressman Gene Taylor, we are pleased to be in your district. Thank you for having us, and I am going to turn the microphone over to you.

Mr. TAYLOR. Chairwoman Waters, thank you very much for coming. I know all of you have your own districts to be looking after and I am just very, very honored and grateful that you have taken the time to come to south Mississippi. I know you have had a brief tour here, and for some of you, it is your first trip here, for others, it is your second or third.

As you can see, a lot of progress has been made, but there is still a heck of a lot to do, particularly with regard to housing. We have an inverse situation of what you saw yesterday in New Orleans where about two-thirds of the folks in Mississippi own their own homes, as opposed to New Orleans where about two-thirds were renters. Most of the homes that could be saved have been saved, so the challenges now are replacing the public housing, replacing the apartment complexes that have been lost, and replacing the individual homes that were reduced down to a slab, which is going to take an enormous effort.

We are going to need your help with things like Section 8, and public housing using HUD. We still have a lot of schools that need to be replaced and we need to straighten out, as I mentioned last week, some of the FEMA rules where a school may be 49 percent

destroyed, and under the FEMA rules it would not be replaced. But you run into issues where, if you are going to save that old building, what about the asbestos in it, and what about the fact that it was built before the Americans with Disabilities Act so it may not be handicap accessible?

And lastly—we will talk about next week up in Washington, and I very much appreciate your help and support on—is that insurance has become a huge problem. Number one, they did not pay people who, I think, filed legitimate claims, and then they turned around and said, if you rebuild, we are going to quadruple your rates or we will not cover you at all for wind. And so, as you know, we have introduced legislation to allow people to buy all natural perils insurance as an extension of their flood insurance program. And we know that under the Pay-Go rules that we passed since the Democrats took over Congress, it has to pay for itself, it will not be funded by all the taxpayers; it will be funded by the ratepayers. It really does affect every American who lives in a coastal community, and the census folks tell us that is 53 percent of all Americans, who are now at risk of some sort of natural catastrophe, and so we want to make this available for the folks from California, from Washington State, from Massachusetts, and from Texas. We think it is important; it is certainly an impediment to the rebuilding of the coast.

You have probably noticed where there were 4,000 and 5,000 square foot houses, people are putting up a 1,000 square foot house, and that is a combination of not being paid on their insurance and then being told it is going to be a heck of a lot more expensive.

So I do not want to monopolize the time. You have put together a great panel and I cannot express again my gratitude. Words cannot adequately thank all of you for giving up the time that you could be spending with your families and your constituents, but you are here in Mississippi, and I am just very, very grateful for that.

Chairwoman WATERS. Well, thank you very much, and of course, we would like you to join the panel and continue to help us focus on these issues that you are helping to bring to our attention in Washington. So please join us and continue your statement in just a few minutes. Thank you very, very much.

I would like to introduce the members of the Subcommittee on Housing and Community Opportunity who are here today. I am Maxine Waters, chairing the subcommittee, and I am from California. And we have our ranking member from Illinois, Congresswoman Biggert, and also with us representing a district in Missouri, Congressman Cleaver. And from Texas, Mr. Neugebauer, and from New Jersey, Mr. Sires.

So the Chair will recognize herself for a 5-minute opening statement and then we will move right into statements from the other members who are here.

Again, I would like to thank Ranking Member Judy Biggert and each member of the Subcommittee on Housing and Community Opportunity who has joined me for today's hearing.

We gave a title to this hearing, "Solving the Affordable Housing Crisis in the Gulf Region Post-Katrina", and we raised a question

about the progress and we are trying to figure out the obstacles to success.

I am very pleased that we could hold today's hearing in Gulfport, Mississippi. This is one of the hardest hit areas in the Gulf region and people are still having a hard time recovering from Katrina. People are suffering because many individuals and families want to return to their homes. Unfortunately, there is very little, if any, affordable housing to which to return. The housing stock has virtually disappeared in some parts of this region. Where there is housing, it is in such short supply that the price is unaffordable for many working families, the elderly, and the disabled.

We know that Hurricane Katrina destroyed or severely damaged 8,600 rental units in Mississippi, 95 percent of which were located in Hancock, Harrison, and Jackson Counties. Many homeowners have decided to rebuild, but some cannot make the decision to rebuild because the sums they are receiving are not adequate to rebuild. There are still many homeowners who have lost everything and have yet to receive grants from the State of Mississippi for damaged or lost homes, although the reconstruction or repair of their homes was funded through the Federal Community Development Block Grant Program, funds that the Congress appropriated last year, $5.5 billion to Mississippi since January 2006. And of course, it is very important for everyone to know that we responded as quickly as we possibly could with that appropriation, and we certainly intend for it to go to the people and to be distributed in the best way possible.

One of the major efforts undertaken in Mississippi to make homeowners whole again is the Mississippi Homeowners Grant Assistance Program. Under the program, the State of Mississippi will pay a one-time grant up to $150,000 to eligible homeowners who suffered flood damage to their primary residence by Katrina. To date, 17,654 applications were taken by the State and 84 percent of the applicants who decided to repair or rebuild have been paid. As of February 2, 2007, 10,247 applicants have been paid a total of $681,456,000, which means that 72 percent of the applicants have received checks.

I have to tell you, we just came from Louisiana, and I have to applaud the State of Mississippi for its progress in assisting homeowners. I would like to determine whether there is more that we can do to help the State with each of these homeowners who are still in need of assistance, but Louisiana is far behind Mississippi in distributing the dollars in their Road Home Program, so what appears to have been done here is a lot greater than what was done over there.

Unfortunately, the response of the Federal Government to the housing needs in the Gulf region still can only be described as temporary. Interestingly, on September 1st, there was some representation that was made by HUD that got changed and it caused a lot of concern. But we think that the appropriations that we have made can go a long way toward assisting all of those homeowners and renters who need to be assisted. We just have to make sure that not only are the programs being implemented in ways that will get all of this money out, but we want to know where the soft

spots are. We want to know where the problems, where the obstacles are.

HUD approved an action plan to address the needs of the five public housing authorities in 2006. Under the plan, up to $100 million could be used by the public housing authorities that suffered damage to their facilities. There were 2,695 rental units pre-storm, 2,534 were damaged or destroyed, and 906 are currently unoccupied. According to HUD, the grant allocations have been based on the percentage of individual public housing authority dollar damages to the total damages for all five public housing authorities. So while the level of damage to the public housing stock does not equate to the situation in New Orleans, there is still a need to address the lost public housing stock in the public housing authorities in Mississippi.

We have many questions for today's witnesses and I hope that the testimony today will answer many questions related to the rebuilding process in the Gulf region. Members of this subcommittee and the people need to be sure that in moving forward, the Federal response to the affordable housing crisis in the Gulf region, to the extent it exists in Mississippi, is a measured one.

Let me just take a moment to compliment the State and the region for the tremendous job that has been done in removing the debris and cleaning up following Katrina. This is the second time that I have been in this area and the job that you have done is absolutely tremendous. But also let me just say that on my first trip here, I noticed that the work that had been done to get people into trailers was work that was to be commended, that more people had received immediate assistance here in Mississippi than certainly had taken place in Louisiana.

In addition to that, in the conversations we had today with our representative of one of the public housing authorities, I was just very pleased to see the very positive attitude about rebuilding and even expanding the number of units that would be available to people who desperately need affordable housing. And so while we are going to ask a lot of questions here today, it certainly appears that a lot of work has been done, that some considerable progress has been made, and that the spirit is good here and people are moving forward and we are here to see if we cannot even do better than we have done in helping you to move the agenda.

With that, I would like to call on the ranking member of this subcommittee, Congresswoman Biggert.

Mrs. BIGGERT. Thank you, Madam Chairwoman. I want to thank you for putting together this hearing to focus on the housing needs of the Gulf Coast region. I would also like to thank you and HUD for arranging our visit to many of the devastated areas around New Orleans, and now here in Mississippi, and the Governor's Office for giving us their time to really give us the background on what is going on here. I think this will help us so much to understand the task at hand and how we can best assist in the effort.

I would also like to recognize and welcome today's witnesses: my colleagues from the House; the local, State, and Federal officials; the volunteers; the businessmen and businesswomen; and, most importantly, the residents of this region. Thank you for being here today, for your testimony, and for showing us your neighborhoods

and homes and for sharing with us your difficulties in rebuilding and revealing your hopes for the future.

Certainly, by all accounts, Hurricane Katrina was the most destructive and costly natural disaster in the United States. It has destroyed housing and infrastructure on such an unprecedented scale. I think that the task of recovery and rebuilding in Mississippi and the whole region continues to be a monumental one. We are 18 months removed from the hurricane, yet the challenges still seem to be unending.

But I have to say, and I would agree with the chairwoman, that in visiting here in Mississippi, we have seen such a remarkable recovery in comparison to New Orleans. And I think that really is due to the community, and I think one of the differences is that this seems to be from the locals up and has really provided—I think the people have really provided the progress, the plans, and obviously, effective coordination. And I really believe that rebuilding starts from the ground up; it starts at the local level. I think that is what is happening here, so I really do commend everyone.

One thing that is certain, though, is that disasters will continue to happen. We need only to look at a recent tornado in the New Orleans area and recent storms in Florida as reminders. We, in Congress, need to learn from our mistakes in the Gulf Coast. We have to ask the difficult questions about how the Federal money has been spent in these localities. Should it have been spent in a more efficient and cost-effective manner? What accountability should there be, what Federal organization should be in charge of the national government response, what should be done about uninsured losses, and what should be done about insurance? These are difficult questions but we have to figure out how to get it right and we need to do it soon. It has been 18 months and people's lives are deeply affected by this.

Clearly the availability of affordable housing is critical to the partial recovery after such a storm. And if there is no housing, there is no business; if there are no businesses, there are no jobs; and without jobs and businesses, the residents who have not yet come back to provide the economic base that will spur the economy for this region. But I think just traveling through today, we saw so many businesses that have opened, and looked very viable, very clean, and very happy. And again, I do commend you for the progress that has been made.

But I hope today's hearing will shed light on specific issues that we still need to consider in order to better plan for future disasters and how to improve the capabilities of all levels of government in response to disasters effectively and whatever we can do further to help the people of Mississippi.

So I thank the chairwoman for holding this meeting and look forward to the witnesses.

Chairwoman WATERS. Thank you, very much.

Now I will call on Representative Sires from New Jersey.

Mr. SIRES. Good morning. First of all, I want to thank the chairwoman for putting this together.

This is my first time ever in this region. I had seen the devastation on television and I wanted to put a face to what I saw. And I have to tell you, it is incredibly moving. I give the people of this

region a lot of credit. You are building back this region, you have worked so hard, but I am troubled by the differences between one region and the other and how you are putting everything together.

My district in New Jersey is across the river from the World Trade Center and one of the things that I always observed after 9/11 is the emergency response and the coordination when there is a catastrophe. And I think in this area, there has been a great effort after the disaster to put the lives of people back together again.

So I am just here to get the facts to understand, to get to know the people of the region, and in a small way see how much I can help you bring your lives back again.

I also want to compliment your Congressman. I know he cares a great deal about the district and the region and I certainly am here to help as much as I can. Affordable housing and housing has always been an issue that is very, very important to me and I hope we can work together.

So thank you very much, Madam Chairwoman.

Chairwoman WATERS. Thank you, very much.

The gentleman from Texas, Mr. Neugebauer.

Mr. NEUGEBAUER. Well, thank you very much, Madam Chairwoman, and thank all of you for being here today to show your interest.

I want to compliment your Congressman, Mr. Taylor. He has been a great voice, because not only does he represent the people who are in the room, but he, in fact, experienced the full effects of one of the most devastating national disasters in the history of our country. And he has been a great voice, and really kept our committee updated on a lot of the important issues in this process as we go along.

I think one of the things that hopefully will come from these hearings that we have had, both in Louisiana and Mississippi, is that we are trying to make sure we finish this process, but also making sure that in the future we do better. Because if we do not do better next time, and hopefully—I mean obviously none of us want a next time, but what we know is that the probability is that there will be future disasters in our country in the future and that we do this better. And one of the things that we talked about yesterday was the fact that FEMA, you know, how do we in the future—FEMA is a disaster response, it is kind of a first responder. And so how do we pass that ball off to the agencies that can start working more quickly with our communities to start rebuilding those communities, because when you have the kind of devastation that we have seen over the last 2 days, you recognize that if you do not quickly put those communities back together, people have to make choices to relocate other places because, as was mentioned, either housing or jobs or economic opportunity. And so it is very important that we have these hearings both to finish this process, but more importantly to me is that we also make sure that in the future we have a better pass-off of whose responsibilities are what.

I commend this community. We had a little bit of a tour this morning and began to see a lot of the things that are coming back. There is still a long way to go, but—and we hopefully can hear some things today that possibly will help speed up that recovery.

So it is a pleasure to be here on this beautiful day in Mississippi. The only problem is that we do not have an ocean view from where we are here, but thank you, Madam Chairwoman, for holding this hearing.

Chairwoman WATERS. Thank you, very much.

Mr. Cleaver from Missouri.

Mr. CLEAVER. Madam Chairwoman, thank you for your effort to keep Washington connected with the problems resulting from the record flood that devastated this part of the country.

I do not have an opening statement. I would like to also thank my colleague, Congressman Taylor, Gene Taylor, for your relentless pursuit of some redress for the people in this area. You have certainly kept Congress sensitive to this issue, so we appreciate your effort very much.

Thank you.

Chairwoman WATERS. Thank you, very much.

The Chair now recognizes the first panel. Our very first witness is our colleague, Congressman Gene Taylor, for 5 minutes.

STATEMENT OF THE HONORABLE GENE TAYLOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. TAYLOR. Thank you, Madam Chairwoman, and again, I want to thank all of my colleagues for coming down. I was remiss in my opening statement that I thank you for your time in being here. What I failed to thank you for was the incredible generosity that the Congress, all of you, extended to the people of south Mississippi in the wake of Katrina. Within a week, the Go-Zone legislation had been passed and by the week of Christmas, the approximately $4 billion that was going to ride to the aid of the people of Mississippi passed Congress probably about 3 a.m. as a part of the Defense appropriations bill that passed that week. We are very, very grateful for every penny of it and at no time, please do not ever doubt that we, just like the rest of our fellow Americans, want to make sure that it is spent properly and none of it is wasted, that it goes to the right place.

So a couple of suggestions based on what did happen:

You might remember about a year ago, our colleague Mel Watt, offered an amendment to the National Flood Insurance Program for those people who had homeowners' insurance, who were told they lived outside the flood plain and did not need flood insurance, but subsequently flooded and then their homeowners' insurance said that they would not pay. It was going to allow them to buy into the homeowners' insurance program retroactively, sign a contract saying they would stay in it forever, so that this would not happen again, and then file a claim as if they had been in the program.

That went on to become the Community Development Block Grants, and again, we are grateful for every penny of it. I happen to think that Congressman Watt's plan would have been quicker. And what I really saw after the storm was people who were having trouble making the decision, they found themselves in an unforeseen situation and I was very much afraid that people would have to sell their houses, walk away from their mortgages, and lose ev-

erything they had because something they never expected happened to them.

We are grateful for the CDBG program, but there are a couple of flaws.

One is that it took way too long. Even in Mississippi, where we did better than Louisiana, on the anniversary of the storm, only about 200 people had received their checks. Now we passed that money through Congress Christmas week, the check was in Jackson, Mississippi, our State capitol, by March and yet towards the end of August, only about 200 people had received their checks. And I think if we had done it the way Congressman Watt wanted to do it, using the existing bureaucracy, it would have been a lot faster. So that is the first suggestion.

The second thing is, one of the unpleasant things that came out of this is that we actually had some State elected officials do business with the program. And as someone who asked for that money, and as someone who promised my colleagues that money would be spent properly, since the State allowed that to happen, I would suggest that we, as a Nation, pass some rules saying that is not going to happen in the future. I want my colleagues in Congress to know that should this ever happen in Mississippi again, or in Los Angeles or in Texas or New Jersey, that the money is going to go to the citizens and not somebody who is using their elected office to try to get a few bucks out of the deal.

The third thing is that transparency is a good thing. A lot of these local communities actually publish their monthly expenditures in the paper. Whether they are buying a lawnmower, or getting a police car fixed, it is published in the paper, and transparency is a good thing. One of the things that I would hope in the future is that the amount of money that is distributed is transparent, because again, most of you may come from other small communities where people know what happened to the Jones, people know what happened to this family over here. And the best way to ensure that the checks were given out properly and fairly is self-policing of the citizenry. They are going to know which houses were gone, which houses were flooded, and which houses only lost a few shingles. And so I think transparency is a good thing. If we, as a Nation, are looking for transparency from Bechtel and Halliburton and all of them, then it ought to be transparent all the way through. So that would be a suggestion for the future.

In the case of the trailers, we are very, very grateful for them. There are a few folks in the back of this room who worked for FEMA in delivering those trailers and at one point we had 40,000 Mississippi families living in those tiny trailers. They are designed for up to a family of four. One of my neighbors who used to play ball for one of our colleges here in Mississippi, the guy is about 260 pounds, and he has two 280-pound sons. You put his wife in there, and that is a lot of people in one of those little trailers. So again, maybe in the future, you ought to take that into account.

And there are some issues that have only recently come out. We had just yesterday, in our local paper, a front page story about a lot of congestive problems that are coming from the people living in these trailers. They were really made for a weekend. Now we have had people—and again, thank goodness—we have had people

who have had an opportunity to live in them for 18 months because they lost everything. The President has extended that to 24 months, but they are finding some respiratory problems because the materials in these trailers, among other things, contain formaldehyde. Again, if you are only going to spend one weekend a month in it, no big deal. If you are spending 18 months every night in it, it does become a big deal, so that is something that I would encourage you to look into.

A lot of the initial contracts were cost-plus, non-compete contracts. And I will point to the trailers again, and I want to make it really clear that we are grateful for the trailers. It did take too long to get them on people's property but it was a cost-plus non-compete contract to an outfit called Bechtel, and it turns out that when you put a pencil to it, it was about $16,000 per trailer just to haul them from about 70 miles from here, take them to somebody's yard, hook them up to a garden hose, hook them up to a sewer tap and put in what those of us in the construction trade call a 200 amp pole. That is way too much money.

In the beginning, it was chaotic down here. There was a lack of fuel, no electricity, you had to bring in food for your employees, you had to bring in a portalet for your employees, and you had to bring in a shower and a cot for your employees. So obviously in the first month or so, everything we did was very expensive. But that was not the case after the fourth month or the sixth month. And so again, maybe we need to find a good balance between responding to the initial emergency and then as things get a little bit more normal, rebidding those contracts, giving the local guys a better shot at bidding for them, because a heck of a lot of the contracts went to outfits like Ashford out of Florida, Bechtel out of California, and the locals felt left out. And then what also happened, in the case of the debris, the debris removal contract was fairly generous, it was about $21 per cubic yard in some of these counties. Well, then someone would come along and rebuy that contract for $19 a cubic yard. Someone else would buy it for $17, or $15, and so it ends up that the guy who is actually hauling debris is getting about $9. And again, we, as a Nation, should have been in a position to say, you know what, if that price is going to end up around $9, maybe that is what the Corps of Engineers ought to be issuing and not the $21.

The good side was, because there was a lot of money to be made, it almost looked like the gold rush to get debris out of here, because people knew that every time they put a yard of debris in their truck and got it to the dump, they were going to get a check for that much money. So it moved things along quickly, but I think it certainly could have been done in a more cost-effective manner that gave more of the local folks an opportunity to compete.

Again, I do not want to monopolize your time. I am incredibly grateful for everything our Congress has done, and I am particularly grateful for you being here. God bless you all.

Chairwoman WATERS. Thank you, very much.

I am very appreciative, and we all are very appreciative that we have elected officials who have come to be with us today. We have Supervisor William Martin from District 4; Council Member Bill Stallworth from Ward 2; Council Member Barbara Nalley; the Elec-

tion Commissioner from District 4, Christine Brice; former City Council Member for Gulfport, Jimmy Jenkins; Council Member Jackie Smith; and Councilwoman Ella Holmes-Hine from Gulfport. Thank you very much for coming today.

With that, I would now like to call on the representative who is here from the Mayor's office. I understand that the Honorable Brent Warr could not be with us today, but he has asked Dr. Bounds—I could not see that lettering on your identification tag there. Thank you very much for being with us, Dr. Bounds. Please go ahead.

STATEMENT OF DR. JEFFREY K. BOUNDS, A REPRESENTATIVE FOR MAYOR BRENT WARR, GULFPORT, MISSISSIPPI

Dr. BOUNDS. Thank you for having me. First, I would like to apologize on behalf of Mayor Warr, who had a previous engagement and could not be here. The Mayor asked me and my colleague Linda Weil, another planner, to be here, partly because, I think, of my somewhat unique experience. I am a local native to the area, I grew up here, so I know the area from that perspective, and I experienced Katrina not just from the perspective of a resident who is suffering through it, but also as a volunteer.

Shortly after Katrina, or a few months after Katrina, I went to the City of Gulfport and volunteered to help with the management of the building department, so I got some exposure to the perspective as a city staff employee. And then lastly, I have served as a planning consultant with the Cities of Gulfport and Pass Christian and several other cities on the coast in the adoption of the planning reform efforts that the Governor's Mississippi Renewal Forum pioneered in October of 2005.

So in my comments, I would like to say first that I am extremely appreciative of all the efforts that the Congress, and Congressman Taylor, in particular, and the Federal Government has expended in terms of support and recovery for the Mississippi Gulf Coast.

In what I say next, though, you may notice a little bit of frustration and I am largely going to be talking about the negatives. I do not want that to be construed as a lack of appreciation for State, local, or Federal officials because basically wonderful things have happened and have been done, but I do think that we can do better in many regards.

Chairwoman WATERS. Excuse me. Could you speak up a little bit louder so everybody in the back can hear you?

Dr. BOUNDS. Yes, ma'am.

I would like to start with two comments about the goings on in the city and then to basically make four specific points about the recovery efforts as far as affordable housing goes.

First, the extent of housing damage in the City of Gulfport is something that is sort of difficult to put a specific number to. The fact of the matter, and one of the things that I learned when I volunteered to work with the City is that one of the most frustrating aspects of the recovery has been that the local governments, city and county, do not actually possess the staff and resources to address a lot of the challenges of the recovery.

So for all the funding that has been provided, little or none has actually gone to help local governments obtain the staffing and ad-

ministrative support that the recovery requires. The building department, I think, in the City of Gulfport was an early example for me. They essentially have to permit every single repair or building replacement that happens and this is a building office that normally handles a fairly sleepy number of additional buildings that are constructed every year. But at this point, fully a third of the structures in the city had to essentially have some work done on them. As you can imagine, that really overburdened the resources the City had.

Essentially every department in the City of Gulfport has been strained to the breaking point, and are generally unable to hire sufficient staff due to housing constraints. It is very difficult to move new people into the area, and essentially coast-wide, there is a huge employment shortage, which makes it very difficult to get staff.

As a result, the City has not had staff available to provide the data collection that would be necessary in order to obtain useful accurate information on the actual number of destroyed, required, or even in-service housing units that are on the ground at this time, or to put numbers to the shortfall of affordable housing in the City. That is sort of a fundamental requirement in terms of knowing where you are so you can know where you need to go. And essentially, I think most of the cities across the coast are just unable to do that and some assistance would essentially be very, very helpful.

Based on that, I would like to make the recommendation that funding for additional administrative staffing for local governments is really an important thing after a major catastrophe. FEMA's model of providing national food insurance staff to help local building officials with answering flood questions is a great model, I think, for the way that that can work. It was a little on the insufficient side in the amount of help that was actually needed, but it was a brilliant idea and it worked really well in the towns where it was used.

I think in general that short and longer term support is needed for administrative tasks from damage assessment to housing evaluation to building code and engineering staff.

The second point I would like to make, or issue I would like to address, is just talking about the City of Gulfport's repair and rebuilding experiences after the storm. Gulfport is an entitlement city with home and CDBG funds administered by the Community Development Division of the City's Urban Development Department. After Katrina, existing entitlements in the amount of about $800,000, including CDBG and home funds, were reallocated for a hurricane emergency repair program that was fashioned as a direct response to the catastrophic destruction of a large number of homes by City staff. That required a large number of waivers on the part of HUD, and to their credit, HUD actually came through with the waivers, but it took a very, very long time for that to happen and part of the problem was no doubt the fact that there was not a good communication channel between local staff on the ground and higher ups. And so it became somewhat difficult to make clear the nature of the situation and the fact that the waivers were needed.

What the City did with that $800,000 of reallocated funding was to essentially team up with local nonprofit groups. The nonprofit groups provided the labor to do emergency repairs on houses that were damaged for people who could not afford to otherwise repair them. The City provided the materials and provided local housing in the National Guard Armory for some of the volunteers to make that happen.

Chairwoman WATERS. I am going to have to ask you to wrap up. We are going to ask you questions and get to some more of this information.

Dr. BOUNDS. All right. I would like to touch really briefly then, if I can, on two issues or one issue in particular and that is the flood hazard. As a planner, one of the things that I think is easily lost in looking at recovery is the bigger term questions of how we make sure this doesn't happen again and how we avoid the mistakes that we made. One of the things that we see happening, especially in the City of Gulfport is an enormous amount of development that is happening is happening in the flood plain. Unfortunately a tremendous part of the high and dry and probably safest ground in the City of Gulfport is actually only about a mile north of the beach in older parts of town, which are in-fill. And essentially what we found is an awful lot of the federally funded programs to produce affordable housing take no account of that, provide us no reasonable mechanism for redevelopment of in-fill areas, and essentially programs like the tax credit programs which are intended well and which have made some efforts to accommodate the needs of cities, in fact are falling woefully behind in terms of the requirements. So we actually need, in particular, mixed use, mixed income, and mixed ownership types. Those are really sort of the critical things that are needed in order to make affordable housing work in the community.

[The prepared statement of Dr. Bounds can be found on page 00 of the appenidx.]

Chairwoman WATERS. Thank you, very much.

We would like to ask a few questions now. First, let me say to my colleague, Congressman Taylor, you and I had a conversation some time ago where you indicated your concern about conflicts of interest and you alluded to it again today. And I am not sure that I remember the details of that, but I do remember walking away from the conversation feeling that this was very serious and it sounded as if some elected officials had been the beneficiaries of our appropriations because they had businesses that they were able to get to do certain kinds of work. And it certainly did not seem as if it is the kind of thing that we would support.

So would you explain to us again exactly what is it that concerns you and what should we do, what ideas do you have to correct it?

Mr. TAYLOR. Madam Chairwoman, the State of Mississippi, in the State Constitution, Section 109, has a very strong conflict of interest section that says in effect that a city councilman cannot do business with the city or a county supervisor with his county. You cannot even recuse yourself from a vote. You simply cannot do business.

Because the CDBG money came out of Washington, the State Ethics Department ruled that was Federal money. And even

though it flowed through the State of Mississippi, it was Federal money and, therefore, a couple of State reps and a State senator, or vice versa, were able to start a corporation. Now in their defense, they were the low bidder and the substantially low bidder, but it still gives off the appearance of impropriety. And again, we are asking for your generosity and we do not want anyone to think, 5 years from now, should this happen in Mississippi again, and I go to my colleagues again, I do not want my colleagues saying, "Well, wait a second, you gave that money to a bunch of legislators."

So I would ask that the rules be changed to just make it very clear that anyone who is going to handle this money in an official capacity cannot bid on this money, and that is whether it is a trailer delivery contract, whether it is debris removal, anything of that sort, we need a good clear—because again, the State has a very good law, a well-intended law, but I think the Ethics Commission came up with a bad ruling on that. So that is the situation and that is why I think it needs to be addressed.

Chairwoman WATERS. Thank you, very much. I thank you for bringing that to our attention, and certainly, I think we can write into our legislation something that would prevent that from happening in the future.

Let me just ask, is it Mr. Bounds?

Dr. BOUNDS. Yes, Dr. Bounds.

Chairwoman WATERS. Dr. Bounds, you mentioned that the City did not have a lot of support and you needed personnel—here you are in a crisis and you need to do some management. Now am I to understand that you did not get any of the CDBG money that we sent to the State to help offset your costs at the City level?

Dr. BOUNDS. The CDBG money actually was forthcoming but in programs, to my familiarity, that essentially were not—certainly were not available to the City immediately after the storm when the staffing crisis first happened. And, you know, that is not intended as a criticism of that program, just that I think some other mechanism is probably needed in order to ensure that when a catastrophe hits an area comprised largely of very small towns, which in many cases have a single building official and nobody else in the department, that some kind of support is going to be needed in order for at least the very obvious case of rebuilding.

Chairwoman WATERS. Well, as I understand it, the CDBG money that we sent to the State could have been used to assist the local communities in expediting whatever programs they needed to expedite in order to help the citizens.

Secondly, if I still have a minute here, you alluded to public housing and the replacement of public housing, I believe. And I was not clear what you were saying.

Dr. BOUNDS. My concerns were actually directed to affordable housing in general, not just public housing, but my concerns are that what we see locally is that probably 95 percent of the reconstruction is actually happening in the flood plain, and the concern being, in my opinion, that there is a real issue with whether you are doing anybody any favors by locating those who are least able to handle the financial consequences in harm's way.

Chairwoman WATERS. Thank you.

Now I do not know if you are able to answer this question, but I just heard some information that was not clearly explained to me about residents who are being asked to do long-term leases rather than purchasing. Are you familiar with that?

Dr. BOUNDS. No, ma'am, I am not.

Chairwoman WATERS. All right. Thank you, very much.

With that, I will turn to my colleague, Ranking Member Judy Biggert.

Mrs. BIGGERT. Thank you very much, Madam Chairwoman.

Congressman Taylor, thank you so much for all that you are doing for your constituents. And I notice that in the Wall Street Journal today, there is an editorial which you are in, along with Senator Trent Lott, and both of you talking about the flood insurance and I know that you have been working very hard on that.

I understand that you are introducing a bill that will address this issue, at some point? At least that is what they are saying here. What I wanted to ask you is if that is similar to—there was a bill that was introduced in 2007, it was called the Multiple Peril Insurance Act, and Congressman Boustany had this bill, and it was to amend the National Flood Insurance Act to provide for the National Flood Insurance Program to make available multi-peril coverage for damage resulting from wind storms or floods and for other purposes. Is the legislation that you are proposing similar to that?

Mr. TAYLOR. Yes, ma'am. Two things. Number one, the only industry in America that is exempt from the Sherman Antitrust Act is the insurance industry, and I will give you some examples. If a storm had just hit, and people had holes in their roofs, and the local roofers all got together and said, let's all bump our prices by $100 a square because we have a captive audience, then they they would go to prison. If just before a hurricane, people are trying to get out of town and there are only three gas stations and the three gas stations all look at each other and say, you know, we have a captive audience, so let's charge $5.00 a gallon, then they would go to prison.

But it is perfectly legal for State Farm to call Allstate and to call Nationwide and say, let's raise our rates or, what I suspect they did in the wake of Hurricane Katrina, they said let's not pay claims. If you, Allstate, do not pay claims, then there will not be pressure on me, State Farm, to pay claims, and then Nationwide will not have to pay claims. It is wrong, but it is legal.

And if you think about it, we have laws that say you have to have insurance. You have to have insurance to drive. If you have a federally backed mortgage, you have to have insurance. So we are telling the people on one hand, you have to have insurance; on the other hand, we are telling them that you are exempt from the antitrust laws and there is zero Federal regulation of the insurance industry.

The all perils insurance—one of the phenomena that happened is the few people who got justice from the insurance industry that I saw early on were eyewitnesses. Even though the satellites told us the storm was coming, even though the hurricane told us, even though the sheriff's deputies went out to all the churches that morning and said, you cannot have any more services, tell your

congregation to get the heck out of here, some people did stay behind. Some died as a result of that. But the ones who lived were the ones who could say yes, I saw my house fly apart before the water got here, and they got paid by the insurance industry. The ones who were not eyewitnesses because they did what they should have, which was to get the heck out of here, all they know is that they have come home to a slab, and they have an insurance company who is holding the checkbook and they are saying they do not see any sign of wind damage, so they are not going to pay.

So the purpose of the all perils is that if you built your house to Code, if you have built it high enough that—the Federal Flood Insurance Program tells you how high to build it—you have built it to Code, you have paid your premiums, and you purchased an all perils extension to that policy, then it does not matter if it got hit with a microburst, if your neighbor's house flew into it, if a shrimp boat went through it because the water got so high—it does not matter. And stuff like that really did happen to a personal friend. It does not matter, if it happened and you paid your policy, you are going to get paid. And you do not have to stick around—I really have heard a lot of my constituents say next time, I am staying with a video camera, and I am going to have evidence to show those sons of guns and they will have to pay me. And remember, 53 percent of all Americans live in a coastal community. So whether it is New Jersey, whether it is California, whether it is Texas, or whether it is Maine, 53 percent of all Americans are affected by this and I would certainly, for the interior States, if they want to be included, extend that to tornados and wildfires. But I am not going to force it on those communities. We want to make it available should they choose to participate.

But that is the intention, that is why we are doing it and quite frankly, the same year that the industry made $44 billion in profits, in 2005, the flood insurance program lost $20 billion, and the reason I think that happened is that the citizens got stuck with the bill that should have been picked up by Allstate, State Farm, Nationwide, and others.

Mrs. BIGGERT. I realize how passionate you are about this, but I do think that you are correct that people should not remain behind to video the disaster. I think the smarter people still were the ones who left, but thank you for all that you are doing.

I yield back.

Chairwoman WATERS. Thank you, very much.

Allow me to share this. Congressman Watt, who chairs our Subcommittee on Oversight and Investigations, will be having an oversight hearing next Wednesday in Washington on insurance, on precisely what you are describing now about what happened here. So it is because of you that this is the number one issue on the agenda for that subcommittee and this overall committee and additionally, support from this subcommittee.

Thank you very much, and I will turn to Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman.

I am stuck on CDBG and I do not think I am going to get unstuck any time soon because I think that there is some legislation needed in the event—not in the event, when we end up in another tragedy—it is going to happen.

The CDBG requirements for, as my colleague, Mr. Sires and I know, both of us have served as mayor, requires a community meeting, a public hearing on the spending of those dollars. That was waived in this process and as I understand it, the community was told that they could send in letters, which probably means that the majority of the people in here now never sent in a letter. Those public hearings are designed so that the public can participate in the decisions on how those dollars are going to be spent, and that is an annual event for cities that receive the Community Development Block Grant, the CDBG grant.

Do any of you believe that process needs to be addressed or do you think that even though it was waived, that things worked out okay, and that the community is satisfied even though they did not have the opportunity to participate? To some degree, I am begging the question, but was that process acceptable? Does the community, as far as you know—

Mr. TAYLOR. If you do not mind—and we also want these folks to speak—to a very large extent, as I was riding around the first couple of weeks after the storm—remember, the first week we were not in session, the second week we were, but I felt it was important to stay. And really, within days of the storm, as I am riding around checking on people, people were coming to me, tears in their eyes, policy in their hand, saying, "Gene, I live 25 feet above sea level, and I was told I did not need flood insurance because you only had to have flood insurance if you had a federally backed mortgage and you lived in the flood plain." So in some instances the FEMA maps were wrong, but in many instances, the unthinkable happened, places that had not flooded in the 300 years that people have lived here flooded. So people were coming to me saying I have a $150,000 policy, but I am not going to get a dime. I am going to lose everything.

So to a very large extent, the way it was written in the expedited process was at my request, because I wanted to get money in people's hands. It was pretty easy to spot that problem. Congressman Watt offered that plan as an amendment, it failed by a vote or two in committee, but Senator Cochran picked up the ball and God bless him for doing so, and did it through CDBG program. But basically took that plan, to cover someone up to the amount of their homeowners' policy, up to $150,000, for the amount of the damage or the amount of the policy, whichever was less. So if a guy only had $20,000 worth of damage, he got a $20,000 check and not a $150,000 check.

So a lot of that was waived to get things going because of—really because of the situation, as universal as the situation was and the fear that people would give up hope and sell out short to the sharks. And the sharks were circling from day one, coming around saying, "Okay, you have more mortgage than you are going to get homeowners' policy or you are not going to get any money. I will give you 10 cents on the dollar for that piece of property." We did not want people to lose their houses and we wanted to give them hope.

And again, it is one of the things that we did, I think, better than Louisiana. We got our plan going quicker. It was not perfect, but at least by Christmas time, people knew that help was on the

way. So that is why we waived some of those rules. I understand your concerns, but it was to give people some hope right away that they did not have to lose their properties.

Mr. CLEAVER. Thank you. Madam Chairwoman, that is the only question. I yield back the balance of my time.

Chairwoman WATERS. Thank you, very much.

Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, very much.

Congressman, I want to kind of go back to what you were talking about with the insurance. I agree with you wholeheartedly. We have to have a centralized policy process so that people do not have to guess what perils they are insured for, that they know if they have a loss, that they are covered.

I think one of the things that will be an interesting part of that, and I wanted to get your thoughts on that is, is that a coastal rider that the private sector is going to make actuarially sound? Because obviously we do not want to start—you know how I feel about the government being in any kind of business, I get concerned about that. So can you kind of walk me through some of the thoughts that you have on that?

Mr. TAYLOR. Sure. And I very much appreciate the question.

If you go back to the 1960's, in the late 1960's, we started the National Flood Insurance Program because the private sector did not want that business. They thought it was a bad investment on their part and so rather than tell people who live in the flood plain of Texas or the flood plain of Ohio or the Mississippi Gulf Coast that they cannot live there or they cannot get insurance, the Nation stepped up and created the Federal Flood Insurance Program. And to this day, it covers about 53 percent of all Americans, those who live in a coastal community or the folks who live on the Great Lakes, who live on the Mississippi River, etc.

What we have seen since the storm, and I followed it closer than most because it is so personal, is that on a State-by-State basis, the insurance industry has pulled out of coastal America. Just last week, Ms. Waters told me that, I believe, Nationwide, pulled out of the State of California. A couple of weeks ago, last week, State Farm said, "We are out of Mississippi." A couple of weeks before that, in Congressman Joe Bonner's district down in coastal Alabama, one of the majors said, "We are out of here." And we actually have a map of coastal America where, on a State-by-State basis, company by company, they are pulling out. So there is a void there that the private sector does not want or, I will play devil's advocate, maybe it is a marketing ploy. Because remember, they are exempt from the antitrust laws. So they really are the only businesses in America who can turn to their competitors and say, "You say out of Mississippi, you stay out of Alabama, I will take Florida." Maybe it is a game for them to pull out for awhile, wait until a couple of weeks before hurricane season, come back into the State and say, "Okay, we are back, but we are going to charge you 5 times more money." Either way, that is wrong.

So if they do not want the business, and 53 percent of all Americans live on the coast, I do then see it as something that our Nation should step forward and do as long as it is done in a cost-effec-

tive manner, and under the Pay-Go rules, we cannot pass anything that is not going to pay for itself.

It is not just Mississippi. I guarantee you, if you take a look around Texas, you will see that many of your big carriers have pulled out. It was the biggest issue in the Florida gubernatorial race this year, and the Republican winner is now trying to deal with that in a special session.

As you notice, the co-sponsors of this bill are the folks from Louisiana, the folks from here, and Walter Jones from coastal North Carolina. This is a national issue and that is why I think we should step forward. I understand your concerns about taking something from the private sector. I feel very confident in saying this is business the private sector does not want, so we are either going to leave those people out there exposed or our Nation is going to step up and provide that coverage.

Mr. NEUGEBAUER. Well, I think one of the things that maybe we need to do with the private sector, Congressman, is just kind of sit down with them and say, how do we make this—obviously if you have 53 percent of the American people living in a coastal area, I have to believe that it is going to be tough for them to try to make a living off of the 47 percent of us who do not. So I think one of the things that we may have to look at is what is the issue that is causing the private sector not to—and obviously when you have a catastrophic event like we have had where it was a major—and in some of those areas of Florida that have had repetitive losses. I mean I understand the business model of you keep paying out, you keep paying out.

So I look forward to working with you in that respect as we look at ways to see if we can induce or entice maybe is a better term that private sector participation.

Thank you.

Chairwoman WATERS. Thank you.

Mr. Sires of New Jersey.

Mr. SIRES. Thank you, Madam Chairwoman.

Congressman, I could not agree with you more on the fact that most people live along the coast. New Jersey is a time bomb waiting to happen. Millions of dollars have been invested in my region. But I certainly agree with you that we have to hold these insurance companies' feet to the fire and we have to come to—it is just not acceptable that you have a region like this and they have a process not to help the people but it seems they have a process to make as much money as they want.

I have a question for the planner. You made a recommendation that some of the functions, I guess, that you have to do after you have this devastation, like inspectors, and administrators, you said the smaller communities cannot handle the magnitude of it. What is your suggestion, what should we be looking at? Do you want a regional approach, do you want it to be part of the emergency program afterwards? How much power are you going to give these people when they come into this region and say, you know, the inspectors, because I have dealt with inspectors all my life, I was a mayor for 12 years. Some of them are good, some of them are not so good. So what is your suggestion?

Dr. BOUNDS. Actually, I would say that probably the best thing that could be done would be sort of a three-tiered program. And that would be first, for immediate services part of what is needed is just—and perhaps it could be provided through FEMA, but essentially just on the ground groups of people doing even very basic administrative tasks, probably not inspections or anything like plan approval because that is really not what happens. But sometimes just getting bodies in these smaller towns is important.

A second part of that would be in the longer term, what would have been helpful and what is essentially not allowed by the CDBG program is for cities to have used the CDBG money for—at least the way the program was administered—for staffing needs or to even hire short term consultants to alleviate some of the issue. And I think that would alleviate some of the problems as well.

And lastly, and I think perhaps most importantly, that what we found locally and I think across the coast was that nonprofits, working with local governments have essentially been able to multiply the capabilities of what the local governments could do. And in many cases, much more cost-effectively than the governments themselves were able to do.

So I would urge that CDBG funding be aimed at existing nonprofit infrastructure so that essentially those are basically people who were there, they are frequently very knowledgeable and, you know, generally you can get a lot for your money that way.

Mr. SIRES. One of the problems that we heard when we were in New Orleans was the fact that some of the buildings—some people said that they should be torn down, and some inspectors said that they needed to be torn down; while other people said that they should—they had an engineer there from MIT saying that these buildings could be saved. You would not come into that situation by having a regional approach, so I just want you to think that over, because sometimes it is not as easy as just—

Dr. BOUNDS. I think you are right, clearly for the larger decisions. But I think what we found overwhelmingly was it was not even these big decisions that were overpowering the local government, it was just volumes and volumes of residents coming in saying, "What do I do? Where can I go for emergency assistance? I need to do something, I have to patch a hole in the roof of my house, do I need a permit?" Really very basic stuff in many cases.

Mr. SIRES. I guess what I am getting at is that region by region, we really have to take a look at what is in the best interest of that region.

Dr. BOUNDS. I think that is true. I think that the nonprofit approach has the advantage that generally, you know, local nonprofits are pretty aware of the circumstances on the ground. I think that is a real opportunity going forward.

Mr. SIRES. And Congressman, I want you to count on my support on anything that you are doing with insurance. I think it is just—I felt like I was back in New Jersey when I heard some of these people getting into the insurance business.

Thank you.

Chairwoman WATERS. Thank you, very much. I would like to thank you for your participation today. And Congressman, feel free to join us here if you would like, or at the table where you are. We

are just delighted to be here and thank you for all that you are doing to educate us about what we can do to have better assistance from the Federal Government.

With that, I will call the next panel, panel two. Mr. Gil Jamieson, Deputy Director for Gulf Coast Recovery, Federal Emergency Management Agency; Ms. Donna Sanford, director, Disaster Recovery Division, Mississippi Development Authority; and Mr. Bobby Hensley, executive director, Biloxi Housing Authority.

And while they are coming to the table, let me take a moment to thank Ms. Valerie Hill and the Good Deeds Center. Where is Ms. Hill? Thank you, Ms. Hill, so very much for hosting us here today. We really do appreciate your kindness and the generosity of the Good Deeds Center.

All right, we will call on our first witness. I think we are just about settled there. We have a familiar face, Mr. Gil Jamieson, Deputy Director for Gulf Coast Recovery, Federal Emergency Management Agency. Anything we did not ask you yesterday, we will ask you today. Thank you.

STATEMENT OF GIL JAMIESON, DEPUTY DIRECTOR FOR GULF COAST RECOVERY, FEDERAL EMERGENCY MANAGEMENT AGENCY

Mr. JAMIESON. It is good to see you again this morning. Good morning, Madam Chairwoman, Ranking Member Biggert, and other distinguished members of the panel.

As you know, but others here do not, my name is Gil Jamieson, and I am FEMA's Deputy Director for Gulf Coast Recovery. My current position was established to ensure that FEMA's programs are consistently and effectively administered throughout the Gulf region. I am very proud to say that to help me do that, we have established transitional recovery offices in all four States in which I am responsible. We have been here on the ground since the early days. We have a presence in Biloxi, and we have a presence in Jackson. Throughout the AOR, we have over 3,300 people, which is, in fact, larger than the size of FEMA in its headquarters region itself. In Mississippi, that number is 1,000 folks and I am very proud to say that 70 percent of that number are local folks who are working to assist in the recovery of their communities.

Madam Chairwoman, I know yesterday—I am trusting that you have a copy of my full testimony and I would ask that it be submitted for the record. I will summarize my remarks very quickly.

Essentially, FEMA has declared emergencies in 44 States and the District of Columbia to assist in this response and recovery effort. We have reimbursed over $750 million in shelter expenses; we have provided approximately $6.3 billion to over one million households through FEMA's Individual and Household Program; we have provided more than 120,000 households with travel trailers and mobile homes through FEMA's Direct Housing Assistance Program, and we have provided over $7 billion of public assistance funding throughout the Gulf region.

FEMA is authorized, as you know, to provide temporary housing assistance and a point that I continue to make is that it is important to note that FEMA's Temporary Housing Assistance Program; and our authorities were not designed to provide long-term housing

solutions, but rather to provide eligible disaster victims with temporary accommodations.

Just very, very briefly, under our Financial Assistance Program, we have provided over $2.1 billion in rental assistance to over 700,000 households, and 35,000 households continue to receive some form of rental assistance payment.

Under our Home Replacement Program, we are authorized to provide up to $10,500, and we have provided $300 million to over 30,000 households.

For the Direct Housing Assistance Program, which I know is a concern of the committee's, we have, over the last 17 months, provided 120,000 households with travel trailers and mobile homes. That number has decreased and we are now down to 28,000 here in the State of Mississippi. The good news here, as it was in Louisiana, is that a good number of those units are on private sites where people are actually working to build back their homes.

Congressman Taylor mentioned that the President has extended the deadline for housing assistance for an additional 6 months, which gives us 24 months. That is important because it is additional time, not only for disaster victims to be in temporary housing assistance, but for us to work with HUD and our other partners to find permanent housing alternatives.

On the mitigation program, I cannot emphasize how important I think it is to build this community back stronger. There was a good deal of discussion this morning about insurance, about mapping, and about advisory base flood elevations which are guiding the elevations levels. Building back smarter and stronger is clearly—there is a rich opportunity here in the State to ensure that we do that.

We have, through our Hazard Mitigation Grant Program, $433 million that will be available to the State to assist them with elevation of structures and what-have-you. The National Flood Insurance Program has paid out here in Mississippi $2.4 billion; 18,600 claims in Mississippi, and I am very pleased to say that over 99 percent of those claims have been settled.

An issue for many on the panel, I know, is the issue of contracting and I am proud to say that here, as well as in Louisiana, all of our new contracts now are competitively bid contracts, with significant thresholds in there for locally owned and minority owned firms.

One thing that I would like to focus on over here is that Congress did, as part of an emergency supplemental, pass $400 million to FEMA for our pilot program. Madam Chairwoman, just the Alternative Housing Program, I think perhaps in question, it would be important that we address that, and I will conclude my testimony however.

[The prepared statement of Mr. Jamieson can be found on page 77 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Our next witness is Ms. Donna Sanford, director, Disaster Recovery Division, Mississippi Development Authority.

STATEMENT OF DONNA SANFORD, DIRECTOR, DISASTER RECOVERY DIVISION, MISSISSIPPI DEVELOPMENT AUTHORITY

Ms. SANFORD. Good morning, Madam Chairwoman. Thank you for being here and welcome to Mississippi.

I think you kind of hit on our highlights with our members earlier and I would like to update those for you. I would like to remind you that over 30,000 homes in the coast area received flood damage and our homeowners assistance programs were directed to those who received flood surge damage.

We have a $3.2 billion plan that has been approved by HUD. I also would like to point out that plan was approved on April 1, 2006, but we did not receive a release of funds until July of 2006. That was because there was a question from the mortgage industry as to whether or not we had appropriately addressed environmental issues.

In our Phase I Homeowners Program, we have received 17,750 applications. We have deemed that 14,300 of those are potentially eligible and we have notified 13,770 that they are eligible to close their grants—12,660 homeowners have closed their grants and as of Tuesday, we have paid 11,100 homeowners. This is 78 percent of the potentially eligible applicants and we have issued checks for $738.2 million. It also interesting to note that 84 percent of these applicants have indicated that they would repair or rebuild their homes here on the coast.

In July of 2006, we began taking applications for our Phase II Homeowners Program. This included residents who were either inside or outside the flood zone and regardless if they had structure insurance. There is an eligibility requirement that the home be 120 percent of area median income. To date, we have received 7,100 applications for this program; in addition, the 3,450 Phase I applicants who did not qualify will be rolled into this program. That brings us to 10,550 applications that we are currently working, and we have begun damage assessments and title work on all of these.

With both of these phases, we are working with 24,850 applicants. This represents 83 percent of the 30,000 homes that received flood damage on the coast.

In addition to this part of our Homeowners Program, we are offering $30,000 elevation grants to those homeowners who wish to elevate and are a part of Phase I and Phase II.

We have provided $5 million for the local governments for inspectors. We have issued 16 grants for a proposed 85 additional inspectors on the coast. We provided $5 million to the State auditors office for the Katrina fraud and investigations team. This team investigates fraud in the application process and also contractor fraud related to rebuilding.

In addition to the CDBG monies that we have utilized for homeowners, $390 million in mortgage revenue bonds have been issued, and $157 million of this is Go-Zone. These issues have assisted 400 families on the coast. This provides low-interest rates for these homes and also a 3 percent closing cost, which does not have to be repaid.

As you said, there were 8,600 rental units on the coast that were destroyed or severely damaged, and about 8,200 of these were located in the coastal counties. $38 million is allocated annually in

2006, 2007, and 2008 in low-income tax credits in the Go-Zone. To date, 2,627 units have been funded in the coastal area. This represents 32 percent of the destroyed or severely damaged units. It is estimated that these income tax credits will provide a total of 5,000 rental units in the lower six counties of Mississippi.

A draft plan was submitted to HUD earlier this week to address assistance to small rental properties to increase the availability of affordable units. This plan allocates $250 million for this program. Approximately 2,500 rental units, with less than nine units, fall into the FEMA serious damage category. Small rental units for this plan is defined as 10 or less units for the owner, with the ability for the State to expand to 40 units, depending on funding availability. This program is open to both new and existing rental units. In exchange for assistance, the owner will agree to accept limitations on rent and income levels of their tenants.

Our next witness is here and he is Delmar P. Robinson, chairman, Board of Commissioners, Biloxi Housing Authority.

Chairwoman WATERS. Thank you, very much.

STATEMENT OF DELMAR P. ROBINSON, CHAIRMAN, BOARD OF COMMISSIONERS, BILOXI HOUSING AUTHORITY

Mr. ROBINSON. Thank you, Chairwoman Waters, Ranking Member Biggert, and other members of the panel. We appreciate very much the Biloxi Housing Authority being invited here to give testimony regarding the aftermath of Katrina. Katrina hit us in Biloxi and hit us hard.

Prior to Katrina, we were prepared to move into an additional 100 units of our HOPE VI project, but on the 29th of August, Katrina visited us. We lost 700 affordable homes and apartments with 1,500 family members; 172 of our units were completely destroyed.

After a day or so of individual recovery and staff recovery, we went to work. Since that time, we have partnered with volunteer organizations in gutting out our units. With small sums of monies from HUD, $7.8 million and insurance funds, we have been able to rehab our units, where by the end of the summer, we will have 400 of these 700 units on line.

We could not have accomplished this without the support of America Corps and Hands on America USA who assisted in this recovery process. Last month, our Mayor Holloway targeted the Housing Authority for the City of Biloxi as the lead agency in affordable housing recovery for the City. And we have accepted that challenge. We have had support and we interfaced and have for about a year now with Living Cities, with the Enterprise Community Partners, and with Fannie Mae to begin this process.

We unveiled a 5-year plan last week for 1,500 affordable units—that is, public housing affordable housing and mixed income homeownership houses. We feel confident that over the 5-year period, that we will be successful, however, we need your support.

We presented a proposal to our Congressional delegation in Washington on the 30th of September 2005 of our needs. We did a needs assessment, and it was there by the 30th of September. We met with our delegation on the 18th of October 2005. You appropriated the funds I believe, the CDBG funds, in December of 2005.

Yesterday, we were able to meet with our partners here in the State of Mississippi, who outlined the process for us to use in receiving those funds. We do need assistance in expediting the funds that Congress appropriates. I know red tape and I know bureaucracy—I served 34 years for the Federal Government, and then I retired. However, we are dealing with flesh and blood.

I have four specific proposals:

We have a 44-acre site in the City of Biloxi which is now under Keesler Air Force Base. They no longer will be using this site for housing. We need it. We need it transferred to the Authority.

We need Congress to continue funding many of the proven community development programs that have been crucial in our ability to provide housing to address the needs of not only residents in Biloxi but all residents throughout the United States.

We also urge Congress to extend the placed-in-service deadline for projects funded with Go-Zone low-income housing tax credits. The Mississippi Home Corp's final round is in 2007. We need at least 2 years from that date in order to get them placed in service.

Insurance—major issue. And to be more specific, we will complete a 76-unit senior citizen complex within the next few months.

The insurance increase has been from $5,400 to $8,000 per unit. We would have only received 76 percent of that $5,400 insurance need from HUD because they said that we are not going to be funded at the level that we should.

The Biloxi Housing Authority appreciates the support we have received from our elected officials. Senators Lott and Cochran, Representatives Taylor, Governor Barbour, and Mayor Holloway. And with your continued support and action on the items we have outlined, we will be able to replace the housing that Katrina washed away.

[The prepared statement of The Biloxi Housing Authority can be found on page 74 of the appendix.]

Chairwoman WATERS. Thank you very much for your testimony.

I will yield myself 5 minutes for questions. Where do I start?

Mr. Jamieson, I do not want you to take up the entire 5 minutes, but I want you to again just tell us, for all of the people who are still in FEMA trailers, what are your plans?

Mr. JAMIESON. Madam Chairwoman, as we spoke yesterday, the deactivation rate of those in trailers is now almost 300 a week, so a lot of those folks are finding permanent housing alternatives. We are working with the voluntary organizations here to, for those who were in Section 8 housing and public housing before, as units become available, we are sharing lists back and forth so folks can occupy those units.

Here in Mississippi, we also have the Alternative Housing Program, which I mentioned at the end of my testimony, and that was where Congress was asking us if there is a better way to do business than mobile homes and travel trailers. Mississippi did benefit from the awards of the Alternative Housing Program and so in conversations right before this hearing, we think that a good number of those folks, given the rate of folks returning to their homes as well as those that may be available to occupy some of these alternative housing programs, we think there is a good path there to

certainly interim, and in some instances permanent, housing solutions for those folks.

Chairwoman WATERS. All right, thank you very much.

Mr. Robinson, I would like to ask you to clarify for me some of what you just testified to in relationship to the rebuilding and the replacement of the units that were lost as a result of the hurricane. Am I to understand that you have been doing this without assistance, with CDBG money or without the HUD allocations? Would you explain to us again?

Mr. ROBINSON. We received $7.8 million in emergency funds from HUD for the rehabbing of facilities. Our facilities were insured, not to full capacity, but we did receive these funds. We received capacity building grants from both Fannie Mae and from Enterprise Community Partners, and a tremendous amount of volunteer work.

Now the funds that have not been forthcoming are for the completely destroyed—

Chairwoman WATERS. What are they telling you about—

Mr. ROBINSON. We have been told that we are to receive $41 million for the replacement of units that were completely destroyed.

Chairwoman WATERS. When is that supposed to be forthcoming?

Mr. ROBINSON. It is to be forthcoming when we submit the papers that were delivered yesterday.

Chairwoman WATERS. I thought that was what I heard in your testimony, that you had just heard a response yesterday.

Mr. ROBINSON. Yes, ma'am.

Chairwoman WATERS. It seems to me that it is commendable to have all of the volunteer support that you have had, but it was clear to me in listening to you that you have not gotten the money for the replacement from HUD. I do not know why it has taken so long. That goes to the top of my agenda to check out. When I go back to Washington, I will call Secretary Jackson and I will ask him to help speed up the funds so that you can get the work done. And I thank you for working hard to get the replacement units for poor people who probably have no other place to live.

Mr. ROBINSON. Thank you, Madam Chairwoman. We are dealing with flesh and blood; we are not dealing with widgets.

Chairwoman WATERS. Thank you. Do you have any other recommendations for us to help your agency?

Mr. ROBINSON. I had better write them down.

Chairwoman WATERS. All right, thank you very much.

Let me just ask very quickly, Ms. Sanford, you are responsible for all of the CDBG money and you gave us those wonderful statistics and the data on what you have been able to do. You have a second round and in the second round, you are funding people who applied in the first round that you did not fund. And it looks as if the second round is not eligible for $150,000, they are eligible for something less, $100,000. What is the difference?

Ms. SANFORD. They are actually eligible for $100,000. In the first round, the $150,000 is capped by the amount of insured value of the home because in round one, they were required to have structure insurance and be outside of the flood zone.

Chairwoman WATERS. No, stop one moment. To get CDBG money, one of the requirements was that you had to have had flood

insurance. What about people who did not have insurance, were they the ones who needed it most?

Ms. SANFORD. They are included in Phase II, and the 3,450 who did not qualify in Phase I, basically 50 percent of those were inside the flood zone and they had applied and the other 50 percent did not have a structure insurance. So that is why they are covered under Phase II.

Chairwoman WATERS. All right. Under this Phase II, you are saying that they are eligible for the same amount of money, $150,000?

Ms. SANFORD. They are eligible for $100,000.

Chairwoman WATERS. For how much?

Ms. SANFORD. $100,000.

Chairwoman WATERS. Is that less than in the first phase?

Ms. SANFORD. Yes, ma'am, the first phase—

Chairwoman WATERS. Why is it $50,000 less?

Ms. SANFORD. That was the amount of money that we set aside.

Chairwoman WATERS. But is there not a problem about—I mean could somebody not go to court based on equal protection under the law and say you gave them $150,000, and now you are telling me I only get $100,000. What is wrong with this picture?

It just seems as if something is wrong with that. I do not know. You could maybe get sued, I do not know. Why are you doing it that way?

Ms. SANFORD. That was a policy decision that was made. But I would like to point out that in Phase I, we changed policy as we went through and calculated grants. Originally they were capped at their insured value. We found that the insured value in most places, they were underinsured, so we added an additional 35 percent to that. We also went, instead of a percentage of damage, we went to a straight damage estimate. We gave them the benefit of the doubt and used an SBA estimate which was more. So there is a possibility that changes will be made.

Chairwoman WATERS. Okay. Well, let me tell you what we are looking at. Despite the fact that you have done a reasonably good job, there are several things that we are looking at with this recovery program. Number one, Congress evidently somehow supported a waiver from what we normally do with our CDBG funds and it is, what 70 percent—what is the rule. The targeting requirement normally for CDBG is 70 percent and it can be reduced to 50 percent in this kind of a crisis, and it was waived, everything was waived for Mississippi. Is that right?

Ms. SANFORD. We received a waiver for the homeowners program. Each waiver we received was for the specific—

Chairwoman WATERS. Yes, but see, what I am worried about is that you received that waiver and then you gave money to people who were already insured, which appears that the people who may have been a little bit better off, because they had insurance, were getting the assistance that they needed and you had done the waiver that precluded you from spending the lion's share on the people who were less well off.

Ms. SANFORD. Their grant was reduced by the amount of insurance proceeds that they received. So if a home was damaged and

the estimate was $100,000, and they received $50,000 from their structure insurance, then their grant was $50,000, not $100,000.

Chairwoman WATERS. Yes, but I am not—at this time, I am not focusing on the amount of the insurance, we know that both in Louisiana and Mississippi, that you deduct basically, I guess, the amount of the insurance that they get. What I am focusing on is, first of all, a criteria that says if you already had insurance, you get at the head of the line and somehow you get taken care of. Even if it is for something less than the maximum, $60,000, $50,000, $40,000, $30,000, or whatever. And then also included in that policy, there is no targeting of the neediest or the low income or the moderate income. And I am just asking about this, because as we take a look at trying to help fix our CDBG program for this crisis, whether or not we need to direct how this is done, so that we can make sure that we take care of everybody. It appears that—I do not know if this is true—it appears that what you have left over is now what you are making available to perhaps the people who needed it the most.

Mr. TAYLOR. Would the gentlewoman yield?

Chairwoman WATERS. Yes, I will certainly yield to the gentleman from Mississippi.

Mr. TAYLOR. Madam Chairwoman, again I would just remind people that the program that we did pass was a hard sell. And if you recall, Congressman Watt's amendment did not pass Financial Services, it was voted down on almost a party line basis unfortunately. And it really was the good work of Senator Cochran in his capacity as chairman of Appropriations that made this happen.

What I found in going to bat for folks is that there was very little sympathy in Congress, collectively, for the folks who did not buy insurance. We could make the case for the folks who bought insurance, who thought they had taken all the precautions and were denied, out of what I thought was a really flimsy defense on the part of the insurance companies, but they were denied. And so it was the best case we could make, the one that seemed to resonate with the majority was look, these folks took all the precautions that you as a homeowner have taken, and something unbelievable happened to them, so we ought to try to make them whole.

So I understand your frustration with what Ms. Sanford is telling you, but it was the will of Congress and again, even that bailout did not pass through the House. It really was Senator Cochran in his capacity as chairman of Appropriations over in the Senate, who made it happen.

Chairwoman WATERS. Well, thank you, very much.

There are further concerns around this issue that perhaps you can help me with. It is my understanding that those decisions were not the decisions that were made by Congress, but rather by the State, relative to—except for the waiver. We know that the Senator helped out a lot in doing that waiver.

Mr. TAYLOR. And you helped out a lot. Unfortunately, you were not on the winning side of that vote. But you know, your heart was there, but the majority was not there. The majority has since shifted in Congress.

Chairwoman WATERS. Not on the waiver, we were not a part of that, that took place, I think, over on the Senate side.

Mr. TAYLOR. Again, the original proposal was for the people who had homeowners' insurance. Even the proposal that Congressman Watt brought up last year was for the people who had homeowners' insurance because everyone agreed that was just an unforeseen occurrence. It has since been expanded to help some other folks, and rightfully so.

Chairwoman WATERS. But Congressman, let me just ask this. On the question of flood insurance, I do not know if it is true in Mississippi or not, but over in Louisiana, there were people who were given mortgages, who were told they did not need flood insurance, because they were not even in the flood plain. So people were given mortgages by the bank that did not require them to have any flood insurance. They did not know that they were even in the flood plain and then all of a sudden, they are at the back of the line for getting some help. And that is what I am trying to understand. How do we fix that for the future?

Mr. TAYLOR. If I may, the flood maps were woefully inadequate.

Chairwoman WATERS. Okay.

Mr. TAYLOR. The flood maps were mostly designed, in a nutshell, to take care of rain coming down, streams flowing out, never envisioned water coming in. You saw where my house used to be.

Chairwoman WATERS. Yes.

Mr. TAYLOR. I was not in the flood plain as determined by FEMA. Now I had flood insurance, because if I could see the bay, I figured something might come see me one day.

But legally, I did not have to have it. And some of my neighbors actually were burned that way. So now, that is being changed.

Chairwoman WATERS. Well, that is good, because we do not want people penalized because we have bad maps and the banks will extend the mortgage and not require them to have such insurance. Then when we have a disaster, we tell them, well you go to the back of the line because you didn't have flood insurance.

So with that, let me just move to our ranking member. I have taken up much too much time. Mrs. Biggert.

Mrs. BIGGERT. Thank you very much, Madam Chairwoman.

Ms. Sanford, a couple of things, and maybe Mr. Jamieson, and I am not sure about Mr. Robinson, this would apply. When we were in New Orleans, we found that one of the problems of trying to get out of this cycle of where you start to address the issue was that there is a lot of property where there was not a clear title and people were not available and people actually had, you know, the property had kind of just passed down generation to generation. And so in order to start doing something, that has to be addressed. It does not look to me like that is such a problem here, but if you could address that.

And also, as we drove by on the coast today and by the beach areas, there are so many houses that, you know, all you see are some cement stairs and a slab left of those. One of the concerns, I guess, is the elevation levels and you talked about the $30,000 that might be applied to that. But in order for people to really begin to rebuild and to make sure that they are within those levels which will be set, it seems like this has to move forward. Do you have any idea when this will be? And it applies, does it not, to all the coastal areas, I mean California, Texas, Florida and whatever,

New Jersey. And it seems to me that this is really an impediment to people being able to rebuild.

Ms. SANFORD. First to address the title situation. We have the same situation in Mississippi that they have in Louisiana. We basically have performed 17,750 real estate transactions, and title searches were done on all of those. We are adding another 7,100 with Phase II. This has been accomplished with the help of the chancery clerks, through much overtime and working weekends. And again, it is just a real estate transaction, is the issue that we have dealt with many times on an individual basis with the applicant.

As far as the elevation grants, we have patterned our program after the NFIP ICC grants. We have submitted to HUD a request to allow this to be a compensation program. We provide $15,000 for the permit to elevate and then $15,000 for the certificate of compliance, just like the ICC program. We have not received a response from HUD, we are waiting on that. Again, we want to do it as a compensation program so that we do not have to do environmental assessments on every home that is included.

Mrs. BIGGERT. Mr. Jamieson, could you—

Mr. JAMIESON. Yes, I cannot improve on the title answer that you got there. I would like to address just the mapping issues very quickly. Congressman Taylor is exactly right, the maps that were down here did not reflect the true risk in many instances. What FEMA has done immediately following the disaster is that that we offered these advisory base flood elevations which is actually reflecting the flooding that did occur, the wave heights they did experience. So as people begin to rebuild, they have some perspective in terms of what those elevations might be.

These are not part of the National Flood Insurance Program. The preliminary maps for this area will be out in approximately the August time frame of this year, that will be engineered studies, if you will. We call them preliminary because they then have to go to the community and there is actually an adoption of those maps, if you will, that serve as a basis for land use.

So there are advisories out now. The preliminary maps will be available in the August time frame.

Mrs. BIGGERT. So if there are preliminary maps in August, those would not be the final, and then would there be a comment period and whatever goes into it?

Mr. JAMIESON. There would, that's exactly—we call them preliminary because they go in and they are reviewed by the community in terms of the science and the zoning that occurs, velocity zones that are there along the coast, and other levels of deep flooding that may exist. And so many times there are local contractors who look at the hydrology of those and disagree and so there is the process, due process, if you will, before the adoption occurs.

Mrs. BIGGERT. So can you give an approximation for a final decision on those?

Mr. JAMIESON. It's a contentious process and, you know, it can go into a deliberative phase and sometimes it can take 6 months and sometimes it can go quicker than that. But there is—you know, in the areas where the Congressman lives, there is obviously deep flooding there and those are hard decisions in terms of, you

know, how—when you are talking about 14 feet and 15 feet and 18 feet elevations in those areas.

Mrs. BIGGERT. So people who would want to rebuild and let us say they took an estimate and it turned out to be several feet short of what is recommended or what is the elevation, then what would happen?

Mr. JAMIESON. If they rebuilt based on our advisories?

Mrs. BIGGERT. Yes.

Mr. JAMIESON. They would be grandfathered into the program as having provided protection that was equivalent to what we would eventually recommend. And that is the case, as the Congressman and many of you probably know, in many instances, you know, we are grandfathering homes in to what becomes new science or new elevations.

I think what is very, very important here is there is a rich opportunity as the community rebuilds to build back stronger and smarter to avoid damages the next time out.

And I was just also advised by folks here that those preliminary maps do become effective, regardless of any appeals, within 12 months after the preliminary map is issued.

Mrs. BIGGERT. Thank you.

Chairwoman WATERS. We will turn now to Mr. Cleaver.

Mr. CLEAVER. Thank you, Madam Chairwoman.

My concern is why is it that Bechtel and Halliburton always show up, whether it is a flood or a war or a circus? I mean, whatever it is, they always show up. What is it about their company that allows them to be so multi-faceted?

Mr. JAMIESON. Congressman, I am not in acquisition, but I will give you my best shot on an answer on that. I think, again, as Congressman Taylor well knows, and using a baseball as an analogy, FEMA was clearly caught on the short hop when this disaster occurred. We were in the process of doing a competition, but that competition had not concluded. Those contracts were not definitized, and many of them are still not. But at the same time, we needed to get a resource out there as quickly as we could to be responsive in terms of the rebuilding process and hauling and installing mobile homes, and what-have-you. I do not make apologizes for that, I do not make excuses for that. It was wrong, it was more costly than it needed to be.

But I think under the competitive process that FEMA goes through, and we now are going through for those contracts, we need a capacity to deal with a catastrophic disaster in terms of what we have experienced here. We are not saying that it is one company or another who necessarily qualifies, it is a competitive process under the A&E process, and nationally any firm has the basis to respond.

What we have done in both the pre-existing contracts that you spoke of and the new ones, is that we have put very high thresholds in there for subcontracting to minority owned firms, to disadvantaged firms, to locally based firms, so that those large contractors who can do the supervision, are drawing on the local economy for their workforce, to get the work done.

Mr. CLEAVER. Yes, I appreciate—you and I talked about this yesterday—I appreciate the way things have been corrected and the

reason I am concerned about it and appreciate the new direction that FEMA has taken is that, you know, if the public doesn't trust the government to do the fair thing, it damages our ability to help because people come in automatically assuming that they are going to get the short end of the stick unless they are the wealthy, the connected. So I do appreciate that.

The other issue is for me, and the gentleman representing the Mayor's office is not here, I do not think, but it seems to me that if the State always handles these disasters, that the local community and the locally elected officials are, to some degree, frozen out of the process. And I know that as a former municipally elected official—actually three of us up here have been elected from a municipality—we always challenged anything, whether it was the COPS grant or whatever, where the money went directly to the State, because we always believed that we lose and we also are the people most able to understand the local needs.

This is already a done deal now, so I am not—there is nothing we can do about it. But should this happen again, I would really be interested in hearing from local folks whether or not they believe they could address the local problems better than the State.

Okay, thank you, thank you very kindly.

It is rambling. I mean I am always interested in the local community dealing with problems as opposed to the State. That is just part of who I am. So there is no need for a response. The Mayor would probably have a better response. Thank you.

I yield back the balance of my time.

Chairwoman WATERS. Thank you, very much.

Mr. Neugebauer.

Mr. NEUGEBAUER. I thank the chairwoman.

Mr. Jamieson, I think my colleagues probably expressed the frustration for all of us is that, you know, when we, Congress, stands up and allocates what we think is going to be the resources needed to address problems of the American people and then when we have these issues where things are—the $500 commode seats in military aircraft, I mean those kinds of things make it difficult for policymakers to go back home and say well, we did the right thing, we just did not do it very smart.

But, I understand the issue of all of a sudden you wake up and you have millions of people displaced, and you have debris, billions of tons of debris maybe. I guess the question is, and as my friend from Mississippi was saying awhile ago, could you actually get some of these companies that have the resources to respond to that magnitude? Would they have come in and said look, all we want is a 1-week contract until we can bid this out to local contractors? Would they have given you—or one month? I mean how do we bridge between being able to meet those needs now and then being able to move to where we can, you know, go to a bid situation? And what has FEMA learned, I guess, through this process is that hopefully we do that a little better in the future.

Mr. JAMIESON. Thank you, sir, I appreciate the question. And at the risk of Congressman Taylor making my hair shorter than it already is, I think FEMA has learned from that experience. It is in no one's interest to not employ the local workforce and to jump

start the economy as part of the recovery effort. So let me speak of debris and say what FEMA has done there.

I think that part of what we do as an option is that we offer the local community the ability to use the Corps of Engineers if they cannot contract themselves. The Corps of Engineers has also brought in some large contracts to do that. But we are putting a significant emphasis this year to not only offering the option for local governments to contract with their own resources to do this, but to also offering, as opposed to saying if they cannot do it, go to the Corps of Engineers, to provide force packages and technical assistance to step in with the communities and help them contract, so that we can better engage the local workforce. And we have also established a system where—unfortunately every time there is a disaster, there are a lot of bad folks, quite frankly, who come along, and so what we are trying to do is establish a reference system, if you will, of reputable contractors that a local government could use that have worked with us before and that we know are good.

So, you know, we have learned from some of those lessons. I will also tell you that as part of what we are doing now throughout the competitive process, the contractors here in Mississippi, for instance, that are doing the maintenance and deactivations of the mobile homes that are there, there are some 10 of them that are there, five of them are 8(a) and minority owned businesses, there are also women owned businesses and 8(a) contractors that are there. So of the 10 that are there, all of them are represented either locally or through minority owned businesses.

Mr. NEUGEBAUER. Just a follow-up question then. What is the—obviously you bought a lot of trailers. So then the question is now, as these trailers are being deactivated, what are FEMA's plans for those trailers?

Mr. JAMIESON. Sir, we did buy a lot of trailers and FEMA took a lot of hits because we bought a lot of trailers. I think that if I may, I think some of that is a little overstated, because part of the slowness that was here on the front end was the fact that we had to award contracts, we had to wait for those units to be produced to roll them onto sites. So the fact that we bought a little bit more, as a guide, an operational person on the ground does not bother me a whole lot, because I think having a certain amount of them in reserve to offer a quick response is a good idea.

Of those travel trailers that are here on the ground, those that we can refurbish and use and return to an inventory, we will do that. But we are also looking to excess those units, to donate those units. In Louisiana, we have already started the donations policy, and to sell those units themselves to folks who want to buy them and use them as a form of housing assistance. In other words, they would move off our caseload of our supporting them and they would use them as permanent housing alternatives.

Chairwoman WATERS. Thank you, very much.

Mr. Sires.

Mr. SIRES. Thank you, Madam Chairwoman.

Mr. Jamieson, what is the actual number of families in trailers? I keep getting all these different numbers.

Mr. JAMIESON. Sir, in Mississippi, it is approximately 28,000 folks.

Mr. SIRES. 28,000?

Mr. JAMIESON. Those are units, incidentally, those are not people. You know, the average size of a family is three folks, so those are 28,000 units.

Mr. SIRES. This question, I guess, goes to Mr. Robinson. Mr. Robinson, you stated before that you had 700 units that were wiped out by Katrina.

Mr. ROBINSON. We had 172 that were completely destroyed. The others were rehabbable.

Mr. SIRES. So you have rehabbed about 400?

Mr. ROBINSON. We will have 400 rehabbed and ready for occupancy, all of them by the end of the summer, although we do have people moving in the end of this week, because we schedule the construction where as soon as it is completed we can move the people in.

Mr. SIRES. Have you made an effort to identify the people living in the trailers who will want to come back or maybe who lived in those places?

Mr. ROBINSON. Yes, we have. The first priority is for people who were living in those units. That is the first priority.

Mr. SIRES. What happened to your senior population in those places, are they in trailers?

Mr. ROBINSON. Sir?

Mr. SIRES. Your senior population and your disabled.

Mr. ROBINSON. Okay, I did not address that at the outset. We made provisions as much as we possibly could to relocate people to other housing complexes in the State and outside of the State, the farthest away was Tennessee—Memphis and Chattanooga. We do make every effort to stay in contact with our tenants and this is why I indicated earlier that we are dealing with human beings, so those people who left have first priority in the units when they return.

Mr. SIRES. So you keep track of them and you do offer to let them come back to their homes?

Mr. ROBINSON. Yes. In fact, they contact—

Mr. SIRES. Well, I commend you because I have not heard that—

Mr. ROBINSON. They contact me at my home at night.

Mr. SIRES. I did not hear that in New Orleans, let me tell you. They are still trying to put a list together.

Mr. ROBINSON. I live in the community.

Mr. SIRES. Great job. Thank you.

Chairwoman WATERS. Thank you.

Mr. ROBINSON. Thank you.

Chairwoman WATERS. Thank you very much, panel. Before we leave, I just want to make sure that I understand very clearly from Ms. Sanford how your two phase program works.

In your first phase program, the significant criterion is that you should have had insurance, and in that program, you could get up to $150,000. In your second phase program, you have additional criteria, that is you have to be 120 percent of median, which means here that would be about what, $30,000?

Ms. SANFORD. For a family of four, that is $57,000.

Chairwoman WATERS. Okay, about $57,000. Your money is handled a little bit differently in the second phase. You have to have

counseling and you have to go into a disbursement system, which means that you do not get the money, but the money would get paid to the contractor or the person providing the service, is that right?

Ms. SANFORD. No, ma'am. The money would be put into a disbursement account in the name of the applicant. They would be able to draw that money as they achieve certain permits through the local permits department. It will not be paid to a contractor.

Chairwoman WATERS. Is that the same—did you have that requirement in Phase I?

Ms. SANFORD. No, ma'am, we did not, it was a compensation plan.

Chairwoman WATERS. Why is there a difference in the two phases?

Ms. SANFORD. One of the differences is that this is inside the flood zone and we felt that the destruction—

Chairwoman WATERS. I cannot hear you.

Ms. SANFORD. We felt that the destruction was greater inside the flood zone and this will assure that those houses are hardened and that we have affordable housing stock in that area.

Chairwoman WATERS. Okay, let me ask you, because it worries me a little bit, in that if you have flood insurance, you are eligible. What if you make $70,000 a year, so two people are working, you are making $60,000, $70,000, $80,000 a year, you are not—you did not have flood insurance. You could not get in the first phase and now you are not eligible for the second phase. What happens to that hard-working, middle income American who does not fit in either of these phases?

Ms. SANFORD. You are addressing those people who were inside the flood zone without insurance over 120 percent of AMI? We have asked all homeowners that received flood surge damage to come in and register their needs and fill out our application. And we are addressing the buckets of people as we have funds to do so and as we can write a program. So we encourage those people to come in and apply so that we can identify them and see the need of those applicants.

Chairwoman WATERS. All right. We see what the rules are, now you have rules and these rules appear to eliminate the possibility for some people who have been damaged by Katrina, a family of four with $70,000 and four kids or so, I mean they should be eligible in my estimation, and I think you are setting yourself up for a lawsuit. So I want you to take a look at this, because it appears that there are some people who are going to be left out and the people who are going to be left out of receiving any assistance, are not the rich, but just good hard-working people who earn $60,000 and have four kids. I mean, I think they should also be covered. So you take a look at that. I will talk with the Congressman about it to see if he wants to deal with this issue in any way, but I bring to your attention that which is disturbing; people who have lost their homes just do not need that kind of hassle.

Thank you, very much.

Chairwoman WATERS. All right. I am sorry, Representative, please, do you have any questions you would like to ask?

Mr. TAYLOR. Madam Chairwoman, again, thank you for your time and while we have the folks from FEMA here, something I would like the committee, a thought I would like them to leave with. FEMA had a tendency for expediency to want to put trailers in clusters. I found that most homeowners wanted to be back on their lot. In a world where they have lost everything, the only bit of certainty they had was that little piece of ground, where their neighbors used to live to the left of them and to the right of them. And we have had trouble with the group sites, for whatever reason, we have had more crime there, we have had drug dealing, and in some instances, even gangs. And so if there are going to be group sites, one message I would leave since I am sure the Mayor would have delivered this if he was here, that is if you are going to have group sites, then FEMA needs to pay for the additional police that would be necessary. But to the greatest extent possible, even though it is harder, I would really encourage FEMA to continue the practice of trying to put people back on their property, if they can, to give them a sense of certainty.

The second thing is really a question, and an observation for Mr. Jamieson. And I have been through this and it is water under the bridge for me. I do not want it, but I can see where other people are going to raise the question that if they lived in an area that was not in the flood plain, but is going to be in the flood plain in the new set of maps, they are going to find that they cannot get ICC. Now I have raised this question directly to Director Paulison and so again, I am passed it, I have already put my pilings down and took care of it myself, I do not want the money, but for the sake of all those other folks, that has to be addressed, because you are going to have a lot of angry people when those new rules come out, who think they are going to be eligible for that $30,000, so that they are trying to prevent future losses, who are going to be told the same thing I was told, you were not in it, but now you are in it, so you are slipping through the cracks. So I want to impress upon this committee that needs to get fixed. You understand the issue because you are down here, I do not think the guys in D.C. really do understand that issue, but that has to get fixed and it has to get fixed very, very quickly. And if you cannot fix it administratively, then this Commission needs to fix it legislatively. But I would welcome your thoughts on that.

Mr. JAMIESON. Congressman, thank you, and for the other panel members, increased cost of construction is what the Congressman is speaking about, and that is for those folks who are grandfathered in and they will be grandfathered in if they have not been in the flood plain with the new maps, but they are not entitled to this coverage of what they may need to do to build those structures up, and so I will carry back that message.

I just have two very quick points, Madam Chairwoman, if I may.

First of all, Congressman, thank you, you have been through it down here and I appreciate your opening statements and your remarks. FEMA has tried hard to be responsive. We were not always all the time, we were sometimes slow, but I do appreciate your recognition of what we tried to do down here.

And second, on the issue of travel trailers, we do have 80 percent of those trailers that are down here on private sites. We always try

to put those travel trailers on private sites if we can. In many instances, because of debris in the early days, we did need group sites. I do not mean to suggest that does not happen, but I personally met with Mayor Warr probably 2 or 3 weeks ago to address the security issues and we have doubled our security in those parks and we have also doubled our management in those parks and we are working very, very closely with local law enforcement. If we see trends occurring in those parks in terms of crime, whatever it may be, we are doing what we can on the civil side to increase our presence there in the park and work with local law enforcement to quite frankly stamp it out before it gets any worse.

Chairwoman WATERS. Thank you very much, and we do appreciate your presence here today and the testimony that you have shared with us.

And with that, I will call our third panel, thank you.

Mr. Derrick Evans, executive director, Turkey Creek Initiative; Mr. Jason Mackenzie, North Gulfport Community Land Trust; Ms. Lillie Bender, Unity Homes Project; Mr. Rodger Wilder, president, Gulf Coast Community Foundation; Mr. John Jopling, Mississippi Center for Justice; Mr. William Bynum, chief executive officer, Enterprise Corporation of the Delta; Ms. Diane Collier, tenant; and Mr. Brian Sanderson, Gulf Coast Business Council.

Please join us at the table.

Mr. SIRES. [presiding] Mr. Mackenzie, would you please lead us off, for 5 minutes

STATEMENT OF JASON MACKENZIE, NORTH GULFPORT COMMUNITY LAND TRUST

Mr. MACKENZIE. Thank you for having us.

I would like to speak of the work that local nonprofit organizations are doing in the recovery effort in coastal Mississippi. In a recent article, Wall Street Journal reporter Christopher Cooper reported that tens of thousands of residents remain displaced while authorities dither over how to distribute housing assistance. Many crucial infrastructure projects have yet to start. Of the tens of billions appropriated by Congress, half remains unspent. The article goes on to detail how concerns about local corruption and fraud have mired the process of providing financial aid to the municipalities and individuals with desperate need.

Often left out of articles like these is any discussion of the potential role of the local nonprofit sector. Governor Barbour has done an excellent job of assembling talent in Jackson to study issues of rebuilding housing and revitalizing economies. The Governor's Office, however, has not yet taken full advantage of coast-based nonprofit organizations with first-hand knowledge of local problems and innovative solutions for solving these problems.

We acknowledge the important role of private investment and government in improving the lives of coastal residents, yet we believe strongly that the Governor's plan for the remaining CDBG allocation must include grants to community based nonprofit organizations.

Unlike the private sector, local nonprofit organizations are required to serve the public interest and return any surplus funds into programs that serve the community. Community based non-

profit organizations, moreover, do not raise significant concerns about fraud. Local nonprofit organizations are largely transparent to the public and are managed by highly committed boards and staff with no inclination or opportunity for personal enrichment.

The coast nonprofit organizations enjoy excellent reputations and solid records of accomplishment. Back Bay Mission of Biloxi, for instance, has operated successfully since 1922. Housing 2010 developed an entire community of affordable housing in Moss Point with modest resources.

These organizations have also repeatedly demonstrated uncanny innovation in the chaos following Katrina. Witness the North Gulfport Community Land Trust, which preserved affordability of housing through in-fill development, separating ownership of land from its improvements and utilizing a resell restriction that provides for permanent affordability, or the emergence of a Hattiesburg nonprofit organization Unity Homes, which will provide the coast with green modular housing at prices unheard of in the affordable housing industry.

Alternative funding strategies have been suggested for nonprofit organizations throughout the United States and in greater numbers since Hurricane Katrina. Tax credits are offered to investors so they might assist in the creation of affordable housing. Though this form of financing affordable housing projects has provided thousands of units throughout the country, tax credit developments are required to create mass rental housing densities of very low to low income people. No mention exists of creating multiple use, multiple income, or multiple ownership types of tax credit development. Aside from FEMA trailers, this is the State's principal solution that has been offered for coastal development.

Providing grant funding from the remaining CDBG allotment to local nonprofit organizations would assist these grassroots groups on the Gulf Coast to expand critical work, and to rebuild affordable rental and homeownership opportunities for hurricane survivors and low income populations. Nonprofit organizations have demonstrated a proven track record of building and rebuilding affordable housing in communities across the Gulf Coast. It is essential that local grassroots organizations on the front lines of long term hurricane recovery have access to CDBG funds to serve the unmet housing needs.

To date, these organizations have moved mountains through tremendous innovation, out of State technical assistance and generous but relatively small private grants from foundations and individuals. With the creation of a grant fund for nonprofit organizations from the remaining CDBG allocation, the Governor's Office could ensure that thousands of units of safe, decent, affordable housing are rebuilt and that public dollars are reinvested quickly, efficiently and creatively in local neighborhood redevelopment.

Nonprofits offer an important capacity and willingness to take on the hardest to develop projects, the ones that are not attractive to the private sector. Please urge HUD to encourage the State of Mississippi to include an allocation for nonprofit community development. This is essential in Mississippi because our State has not fully laid out its budget for use of the CDBG allocation.

Mr. SIRES. Can you wrap up, please?

Mr. MACKENZIE. Thank you.

Mr. SIRES. Ms. Lillie Bender, please.

STATEMENT OF LILLIE D. BENDER, UNITY HOMES PROJECT

Ms. BENDER. Good morning. Welcome and thank you for allowing me to testify. I am Lillie Bender, and I am a native Mississippian. It is indeed an honor and a pleasure to represent Unity Homes Project as its Mississippi operations director.

Our project is an innovative program to build and install houses that are more energy efficient and use healthier building materials than have ever been offered in affordable and workforce housing. I would like to focus on three aspects of the Unity Homes approach that set us apart from other efforts.

First, community based rebuilding. Unity Homes is developing a modular housing production factory and installation operation in Mississippi as a nonprofit Mississippi based corporation. Unity Homes will invest in our most valued assets—our employees and communities. These efforts will product not only beautiful homes but also over 100 high quality jobs.

Second, healthy affordability. Our nonprofit approach allows us to avoid many traps that drive affordable housing to the lowest common denominators of quality. Healthy and inexpensive housing are not mutually exclusive.

As a nonprofit organization, we do not markup our costs at the expense of the homeowners and we are able to raise private grants and donations that offset the thin margins that are common in the industry. Further, by integrating both the construction and installation components of modular housing, we will operate with maximum efficiency and care.

A Unity Home builds equity in every sense. It minimizes the use of unhealthy materials like resins, insulation, and particle board that are laden with formaldehyde, paints that emit volatile organic compounds and toxic flooring and siding that are made of vinyl. Better indoor air means less asthma and other illnesses, which enhances productivity and reduces healthcare costs.

Third, strategic partnerships. Unity Homes is a fusion of strong partnerships with community groups, affordable housing organizations, leading legal advocates and national law firms, and some of the country's best green architects, engineers, and manufacturers. With their expertise, we have developed an organizational framework that includes public and private sector workforce development programs, affordable housing organizations, faith-based initiatives, legal aid organizations, financial, construction and employment counseling programs, land trusts, and community development corporations.

This new approach counteracts unhealthy housing conditions, unjust financing, and entrenched cycles of sickness and poverty for many families and communities. By replacing these industry standard materials with green building practices, we are building healthy homes that generate long term equity for their owners.

In fact, we are so dedicated to the mission of providing healthy, affordable homes to this area that we have donated a prototype home to the North Gulfport Land Trust. We held a ribbon cutting and open house on January 27, 2007, when over 250 people came

out on, believe me, the rainiest day of the year, to support this effort. We are proud that the first Unity Home is located less than a mile from here on the corner of Dr. Martin Luther King, Jr. Drive and Ohio Street.

In conclusion, our prototype is a symbol of many other private efforts to fill the gap in affordable housing that grew larger after Hurricane Katrina roared through here. Over the past 18 months, private, nonprofit organizations and volunteers have taken the lead in tracking unmet needs of the Gulf Coast. We hope that the Federal Government has taken notice of what works and can see that this project and others like it are worthwhile investments through initiatives like the special CDBG program. As innovative stewards of our communities and the environment, we can help implement Federal and State efforts to serve the thousands of people for whom affordable housing has not yet been rebuilt.

Chairwoman Waters and committee members, I urge you to come and see the Unity Homes advantage for yourselves. I invite you all to come and tour the Unity Home immediately following the hearing and we will be glad to answer any additional questions.

Thank you.

[The prepared statement of Ms. Bender can be found on page 58 of the appendix.]

Chairwoman WATERS. Thank you, very much.

Next, we will hear from Mr. H. Rodger Wilder, president, Gulf Coast Community Foundation.

STATEMENT OF H. RODGER WILDER, PRESIDENT, GULF COAST COMMUNITY FOUNDATION

Mr. WILDER. Thank you, Madam Chairwoman. My name is Rodger Wilder, and I am the president of the Gulf Coast Community Foundation, having just recently assumed that job after practicing law on the coast for approximately 29 years. I will make my comments brief.

First, I want to thank you for all that you have done and tell you how much we appreciate that effort.

I also want to commend to you the charitable and faith-based organizations who have come into this community. Government certainly had a large part in the recovery that we have enjoyed to this point, but as you will hear from other members of this panel and you no doubt have heard from others, the faith-based and the charitable organizations have literally responded in ways that are overwhelming to us. They came in the day after the storm, they have provided support, they have provided manpower, they have provided health benefits, and many other things, most of which could not have been provided to us regardless of how much money you had ever allocated because the money would not clean out a house, it would not tear out sheetrock, and it would not rip out flooring; those people did. We have enjoyed on the coast literally hundreds of thousands of people who have come in and helped us, and once they finished helping us, they thanked us for the opportunity to allow them to help us.

As you go forward and consider what you need to do to respond to this and other disasters, I ask you to remember that one of the big legs of the stool that supports any recovery are your charitable

and faith-based organizations. Whatever you can do to support those organizations, both before the storm in the nature of capacity building and what you can do then to help them in their efforts post-storm will benefit you, not only in terms of the human assistance that will be gained, but more importantly in terms of just pure money savings. And so I commend that to you as you go forward. Please remember those faith-based and charitable organizations, they can assist you in many, many ways.

Thank you again for everything you have done.

Chairwoman WATERS. Thank you, very much.

Mr. John Jopling, Mississippi Center for Justice.

STATEMENT OF JOHN JOPLING, MISSISSIPPI CENTER FOR JUSTICE

Mr. JOPLING. Yes, and let me begin, Chairwoman Waters, and all members of the subcommittee who are present, by thanking you so much for coming to the Mississippi Gulf Coast to hold this hearing. Your concern about the post-Katrina housing crisis on the coast is vital to our recovery. We need your attention very much. I would like to also thank Congressman Gene Taylor for being such a champion for the coast since the storm. We really appreciate it.

I am with the Mississippi Center for Justice, which is a nonprofit local agency committed to the advancement of economic, social, and racial justice in the State of Mississippi. We are the southern affiliate for the Washington-based Lawyers Committee for Civil Rights under the Law. On behalf of the Mississippi Center for Justice and the Lawyers Committee, I am here to outline for you a very specific problem that we are having with regard to public housing on the Mississippi Gulf Coast.

At stake are at least five housing complexes funded by HUD and managed by the Mississippi Regional Housing Authority.

Less than a year after Katrina, the Mississippi Regional Housing Authority decided to dispose of three large public housing complexes: Charles Warner in Pascagoula; L.C. Jones in Gulfport; and William Ladnier, also in Gulfport. These three housing developments sustained very minimal damage from Katrina, all three were and are habitable, and all three were and are occupied.

We have submitted to the committee a CD–ROM. We know that time constraints will not permit you to visit all of these public housing developments because they are spread throughout the coast. If you take a look at the CD–ROM, you will see the excellent condition, both outside and inside, of these public housing developments.

The Housing Authority notified residents first of its plans in July of 2006, when the residents were told that these properties would no longer serve as public housing communities. They were told that they might be eligible for Section 8 vouchers or that they might be transferred to other public housing properties. The notice also stated that residents eligible for Section 8 would have the option of returning upon completion of the redevelopment. Nothing was said about how the residents would be housed in the course of the redevelopment.

Now obviously we have serious concerns about any redevelopment of HUD-funded public housing property and we would have

those concerns regardless of the context in which this decision was made. Our concern would be that there be no displacement of any of the current residents and our concern would be that there be one-for-one replacement of all low-income units.

However, our overriding concern with the decision made by the Mississippi Regional Housing Authority is the context in which that decision was made. You have heard the testimony and many members of the committee have recited the statistics themselves; well over half of the rental property was gone after Katrina. What rental property remained escalated in its market value, according to the Mississippi Realtors Association, by at least 30 percent. At the same time, Section 8 only raised the level of its voucher by $25.

Why in the world would anyone pursue a policy in the aftermath of Katrina, in the midst of the most acute housing crisis in this State, a policy that would remove housing rather than add housing? Why would you put people out of the shelter that they presently have? At a time when almost 90,000 people are living in 28,000 FEMA trailers, why would you ask people to get out of a brick home with a good roof?

That is exactly what Region 8 is doing. Just last week, they told the elderly residents of Baywood that they would have to leave by November.

Chairwoman WATERS. I am sorry, I am going to have to ask you to wrap up, your time is over. But I want you to know that the CD–ROM that you have advised us that you have, without objection will be submitted for the record. And I want my staff to inquire about our time today, to see if we can squeeze in time before I go to the airport, and hopefully other members, to see some of these housing projects that I understand are not too far away. Is that correct?

Mr. JOPLING. That is correct. L.C. Jones. Thank you.

[The prepared statement of Mr. Jopling can be found on page 86 of the appendix.]

Chairwoman WATERS. All right. Mr. Bynum, chief executive officer, Enterprise Corporation of the Delta.

STATEMENT OF WILLIAM J. BYNUM, CHIEF EXECUTIVE OFFICER, ENTERPRISE CORPORATION OF THE DELTA

Mr. BYNUM. Thank you, Madam Chairwoman, and members of the committee, for holding this hearing and for inviting me to speak today.

I testify as the chief executive officer of the Enterprise Corporation of the Delta and Hope Community Credit Union. Working together, these nonprofit organizations form a regional community development financial institution that since 1994 has generated over $300 million in financing and helped over 30,000 residents, primarily in the Delta, but over the past 18 months we have done significant work down here on the coast. Perhaps most relevant to my comment today is the fact that these accomplishments have been achieved certainly not by ourselves but by collaboration with banks, with private industry, with public agencies, foundations, and the faith-based community and community development organizations.

I emphasize this collaboration because it has been our experience that development needs facing these communities, particularly here on the coast, cannot adequately be addressed by the resources of any one sector by itself.

Immediately after the storm, ECD/HOPE began working with several groups to begin connecting families with resources that they desperately needed, first to survive, and then to start the process of rebuilding their homes, lives, and communities. Together with community development groups, faith-based organizations, low-income advocates and others, we have provided affordable financial services to over 4,500 residents, assisted 450 homeowners with repair and rebuilding, generated over $20 million in financing to help rebuild homes and small businesses, and to help consumers get back on their feet, often making bridge loans while people were waiting for FEMA proceeds and insurance payments and government support.

In addition to working with individuals and nonprofit organizations, one of my colleagues last year before this committee talked about Home Again, our nonprofit housing development affiliate, which has been working to build 71 homes in Pass Christian. These homes have been funded by Jim Barksdale, Johnny Grisham, and The Home Depot Foundation. We provide counseling—financial and construction counseling—to help navigate the chaos that I think you have heard described that individuals have to endure in this environment, navigating FEMA requirements, elevation requirements, what you do with your first mortgage, etc. People need counseling.

As a result of our successful pilot and collaboration and advocacy by the nonprofit community, Enterprise Corporation has been invited to extend our financial counseling as a part of Phase II. We are going to be doing the financial counseling for the Phase II program that has been described earlier. We are very clear that this is an important obligation and we also are very clear that we cannot do it by ourselves. We will be working with nonprofits throughout the coast to make sure these homeowners get good information that they need to rebuild their homes. Counseling is really going to be critical if people are going to come out of this intact.

Again, none of this would have been possible without the work of nonprofits. They have been instrumental in filling the gap that exists between public resources and the resources people need to survive. I illustrate this with the story of Mr. George. He is a 70 year old man who lived in the Old Town District of Bay St. Louis. He received 8 feet of flood surge damage, even though he lived outside the flood zone, and he could not meet SBA requirements because his income was too low. After going through a process with the State for Phase I, he received only $10,000. With nowhere else to go, he turned to Citizens Homes Project, a project of Catholic Social and Community Services, which covered the gap in funding between the check he received from the State and what he needed to rebuild his home. It is nonprofits that have helped over 1,500 residents on the Mississippi coast. It is safe to say that without organizations like this, Mr. George, and many Mr. George's, would not have been able to return to their homes.

It is also the collective voice of nonprofits that champion an inclusive Phase II. Initially Phase II was capped at $50,000, not $100,000, as was reported today. It is because of advocacy, effective advocacy, that the amount is at $100,000 which we certainly would like to see more, but it is much better than it was.

On the eve of the storm, there were 3,300 nonprofits in the Gulf Coast including Biloxi, Gulfport, and over to New Orleans that employed 37,000 people. These nonprofits experienced the same sort of damage that everyone else did. They lost staff, they lost buildings, and they lost businesses as a result of this and now they were struggling. But very few programs exist that are targeted for the needs of nonprofits. I implore this committee to consider ways to ensure that the viability of these nonprofits is not an after-thought. I would propose that the CDBG funds, as has been echoed by several members on this panel—certainly a billion dollars would not be adequate to equip these nonprofits to play the vital role that they have played and will need to play if residents of the coast are going to be able to rebuild in a fair and inclusive manner.

We have done this in the Delta, we have seen nonprofits come together and work effectively, and we have seen it on the coast since the storm. The STEPS Coalition is a prime example of effective collaboration and we are making strides toward helping people rebuild.

Chairwoman WATERS. Please wrap it up.

Mr. BYNUM. Simply put, I would just like to leave you with this. Without the strong and viable nonprofits in the Gulf region, the region will not recover in a fair and equitable way for those who are most distressed.

[The prepared statement of Mr. Bynum can be found on page 66 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Diane Collier.

STATEMENT OF DIANE COLLIER, TENANT

Ms. COLLIER. Good morning. I would first like to thank all of you for giving us the opportunity to speak today.

Mr. Jopling has already said most of what I was going to say, but back to the Regional Housing—the tenants from Charles Warner Homes in Pascagoula, Mississippi. Some of our tenants out there just received their eligibility for relocation and they were signed on the 16th, but they did not receive the letter until after President's Day, which was Monday. They received their letter on Tuesday and it said, "As you know, Mississippi Regional Housing is proceeding with the Charles Warner Homes disposition project. You are eligible as a resident of Charles Warner Homes for relocation assistance to help you in moving to another Mississippi Regional Section 8 rental property or another rental housing assistance program. Charles Warner Homes has a management office located Palmer Street. Your current unit must be vacated by Monday, February 26th."

I have it right here, this is the letter that came from the manager's office. It says, "Your current unit must be vacated." Now they received it just this past Tuesday, and it says, "Your current

unit must be vacated by Monday, February 26th. Therefore, Mississippi Regional Housing would like to offer you a choice."

I am telling you. "We will provide you with a dislocation advance of $50. Arrange for moving company, furnishing and assisting you in making all necessary arrangements for your move. After completion of the move, families will report to the management office to sign the relocation certification. Payment will be made within 7 to 10 days after receiving verification of telephone cable reconnection costs."

Now all the elderly people out there, the ones who are moving from the west end up to Charles Warner, they are mostly all elderly people. You know, they first told them that they were going to give them vouchers and that they were going to see to them being moved to where they want to move, you know, relocated. Well, they changed their minds on that. So I went to a board meeting and in the board meeting, they said that I would have to have it in writing. Well, we did this on February 12th. I put it in writing, and I had it faxed to the Mississippi Regional Housing for the 15th, for the board meeting. When I got to the board meeting, we asked questions about the vouchers, and they shut me off; they would not give me an answer. They would not say anything.

So, I said well, the tenants are upset, they want to know what is happening, what is going on. You know, when they have to move, when they are going to receive their vouchers. They would not give me an answer. If so, I would have been able to tell them that they would have to be gone by Monday, February 26th. And I was just in the board meeting and they would not tell us anything, they just will not talk to us.

Chairwoman WATERS. Thank you, Ms. Collier. First of all, I would like to have a copy of that evacuation notice for the record. Without objection, that notice will be submitted for the record.

Which housing authority oversees, is it Taylor Homes? What is the name of your housing development?

Ms. COLLIER. Charles Warner Homes.

Chairwoman WATERS. Okay, thank you. I am going to move on and get our next witness up and then we will be back for questions.

Next we will hear from Mr. Brian Sanderson, Gulf Coast Business Council.

STATEMENT OF BRIAN SANDERSON, GULF COAST BUSINESS COUNCIL

Mr. SANDERSON. Chairwoman Waters, Ranking Member Biggert, members of the subcommittee, and Mr. Taylor, good morning and welcome back to the Mississippi Gulf Coast. My name is Brian Sanderson and on behalf of the Gulf Coast Business Council, I thank you for your continued attention and assistance to the people of Mississippi.

I work as president of the Gulf Coast Business Council, an organization comprised of over 170 of the top business leaders in the three coast counties. Most of our members are small businesses. Our group was formed in the wake of Hurricane Katrina to provide a unified regional voice of business on important public policy matters. No issue is more important to our region than affordable housing and it has been the priority of our organization.

In response to this unprecedented need, we have formed the Gulf Coast Renaissance Corporation, the mission of which I will explain in a moment. You have heard the enormous need we have for affordable housing. It is integral to any inclusive, sustainable community and it is absolutely essential for the economic recovery of the Gulf Coast. Without affordable, safe housing close to the major centers of employment, our projected economic growth will not be realized.

The title of this hearing asks the question, "Why no progress?" I cannot disagree more with that inference. I know you do not mean to suggest that the thousands of volunteers, faith-based and community action groups, and local, State, and Federal officials have made no meaningful steps in rebuilding affordable housing in this State.

In addition to the assistance from State and Federal Governments, countless community organizations, many of which you have heard from today, also have made investments in affordable housing. They are tireless examples of the progress made in Mississippi. But if you are still one of the thousands of people living in FEMA trailers or driving 3 hours to work every day, the progress is not fast enough.

The fairer question you posed today is what are the obstacles to success? The obstacles are significant. They can and will be overcome. Four are most prominent: elevated land prices; insurance costs and availability; increased construction material cost; and a shortage of construction labor. Continued Federal funding to support workforce training programs are crucial to meeting this need.

The exorbitant cost of insurance and its decreasing availability are the most critical impediments. We must create a stable environment which will attract good insurance companies to provide coverage in all parts of our State. Multi-family developers have to charge, on average, an additional $300 per unit per month, just to cover the increases in insurance rates. We are hopeful that proposed State legislation will bring some stability, but the only permanent solution lies with a Federal insurance program for all catastrophic disasters. Congressman Taylor is working on important legislation and we are supportive of those concepts and urge you to work to develop a national catastrophic insurance program. Without it, our individual efforts will be a stop-gap at best and dependent on the forces of the private market.

I will conclude by telling you about the efforts of our organization to develop affordable housing. As you know, many faith-based and community organizations have begun important work in building affordable housing. A comprehensive collaborative initiative, however, is necessary to build the significant numbers of homes in this area at a much more rapid pace. To date, the efforts have been well-intentioned but piecemeal. We have formed an independent, not-for-profit corporation named the Gulf Coast Renaissance Corporation. It will create and implement a broad based approach to land acquisition and development and redevelopment of single family and multi-family housing units on the coast with a particular emphasis on workforce housing. It seeks to work with, not replace, existing organizations like the North Gulfport Community Land Trust and the Enterprise Corporation of the Delta. A large portion

of the workforce in desperate need of housing is households at 80 to 120 percent of the area median income. This need is not being effectively met by existing State and Federal programs and it is our focus.

The Corporation will marshal capital to bridge the gaps in financing land acquisition and construction costs so the new units will be affordable to this population. Although we plan to raise capital from private sources and through creative partnerships with local and State governments, the rebuilding effort will require an unparalleled commitment from HUD. A commitment of this nature will require flexibility within the existing HUD guidelines for the use of CDBG funds, or a new program, tailored to this period of recovery. A historical parallel is existing in the Reconstruction Finance Corporation established during the great depression and its similar use in the 1980's to solve the S&L crisis. The Marshall Plan for European recovery is another illustration. Private enterprise, even at little or no profit, cannot assemble land and build housing at prices affordable to this population group.

In closing, the Renaissance Corporation is developing a formula and framework for the use of public and private funds in an effort to maximize the number of workforce housing units produced and to ensure that the development of these units reflects responsible land use practices and the creation of sustainable communities.

Developments will adhere to mixed income principles. Above all, the Renaissance Corporation will ensure fairness in housing and transparency in process and structure. It will be led by an experienced president and CEO, Laura Davis. It will be supported by a large advisory board that will bring together nonprofit groups, advocacy groups, housing authorities, policy organizations, and government stakeholders, as well as committed individuals.

I will leave you with one specific request, that if granted, will provide greater housing options for workers in that 80 to 120 percent of area median income. My request is that more flexibility be authorized for the use of public funds, namely CDBG, to serve the needs of these households, above 80 percent of the area median income. It is our challenge to you to create today's Marshall Plan by considering non-traditional approaches to the use of public funds. Your efforts are the critical piece in restoring hope to the families of the Mississippi Gulf Coast.

I thank you for being with us again and for inviting me to share these thoughts. I thank the American people for their continued support.

[The prepared statement of Mr. Sanderson can be found on page 107 of the appendix.]

Chairwoman WATERS. Thank you, very much.

And now we will hear from Mr. Derrick Evans, executive director, Turkey Creek Initiative

STATEMENT OF DERRICK EVANS, EXECUTIVE DIRECTOR, TURKEY CREEK INITIATIVE

Mr. EVANS. Thank you, Madam Chairwoman, and members of the subcommittee. My name is Derrick Evans and I am the founder and executive director of Turkey Creek Community Initiatives, a local nonprofit here in the Turkey Creek Drainage Basin, working

in partnership with nonprofit partners to plan for the revitalization of this distressed community and drainage basis.

Long before Hurricane Katrina, the Mississippi coast was in many ways a housing disaster just waiting to happen. Mississippi's lack of legal protections for renters in the absence of a State fair housing law have compounded the misery of many survivors who have needlessly lost habitable rental housing. Municipal and regional disinvestment in public housing is not new, nor is the dearth of creative and comprehensive planning to encourage in-fill development and to finance redevelopment of vacant structures in older, low- and moderate-income neighborhoods.

At present, virtually every major lender in Mississippi fails to offer to HUD 203(k) mortgage, a nationally touted vehicle for revitalizing existing housing stock while protecting borrowers from poor workmanship and other common rehab pitfalls.

In addition, poorly planned growth by annexation and the reckless permitting of inappropriate areas by local, State, and Federal authorities, particularly the Army Corps of Engineers, were for nearly 2 decades cornerstone features of the so-called Mississippi miracle that preceded Hurricane Katrina.

With or without a major hurricane, our coast gets more than 70 inches of annual rainfall and runoff flows into open ditches in front of many homes, wetland destruction intensifies, flooding significantly and learning little from the adverse impacts of poorly planned coastal urbanization, the Corps, commercial developers, and even many housing agencies are right back to these costly and self-defeating practices that made Katrina even worse than it needed to be.

A postcard victim of this trend, the Turkey Creek and North Gulfport area have been ravaged for more than a decade by investors, politicians, and government agencies willing to trade this region's unique cultural and natural identity for the homogenous sprawl of a drive-through economy. In 1994, after being annexed without input or consent, the entire Turkey Creek community was rezoned for commercial and industrial development, through an alleged clerical error in Gulfport City Hall. Getting listed as one of the State's 10 most endangered historical places in 2001 did not protect us from the boom town feeding frenzy that largely destroyed our ancestral cemetery that very same year.

When asked in 2003 why our residents opposed a multi-billion dollar development entailing a massive loss of even more wetlands, the then-mayor referred to our community, "as a bunch of dumb bastards."

Squeezed tighter each day by the Gulfport-Biloxi Airport expansion and development near I–10 and U.S. 49, our homes, wetlands, and people were gasping for relief long before Katrina struck. In truth, Katrina did attract more concern from outside groups than our community had seen before, but far less from policymakers.

While Katrina introduced others in this region to terms like smart growth, long term recovery, and new urbanism, we have cried for balance and sustainability for years. We have already tasted what the top down redevelopment push sweeping the coast will likely mean for low- and moderate-income families, African-Americans, and anyone else outside of the proverbial loop. We have

lost more of our community's diminishing resources in the 18 months since Katrina than in the 3-year period preceding it. Judging from the major road projects, wetland fills, and commercial developing sprouting around us daily, nothing much different can be expected from those who insist on this area where we sit today as the economic center of gravity for the entire region's recovery.

Indeed, just 2 days into Black History Month and less than a week after the Mississippi Department of Archives and History finally nominated my community for the National Register of Historic Places, Gulfport red-tagged five of our remaining historic structures, ordering their demolition to occur within the next 30 days. It takes roughly 45 days for the Department of the Interior to approve the recent historic district nomination.

Shortly before Katrina, several disabled, elderly, and low income owner-occupants of distressed dwellings on Rippy Road applied to Gulfport and were approved for HUD home grants of up to $30,000 per household. This much needed program had been fashioned and pitched to community residents and several were approved. When these houses were further and significantly damaged by Katrina, including the complete loss of one roof, the previously approved grantees went months without hearing from the City as to when or whether their anticipated home funds would be forthcoming. It was months before they learned that the initial pool of funds had been reallocated for emergency housing somewhere else.

The previous year, a similar single street approach to the home grant program was piloted by Gulfport on South Carolina Avenue, just 3 short blocks from where we are today. I urge you to drive up South Carolina on your way to the airport from this hearing and to judge for yourself if HUD's home program appears to have made any significant difference on that street. Should it seem to you that the answer is no, then you will personally understand why I mark the City 0 for 2 with HUD housing grants in the Turkey Creek/North Gulfport area.

Please note that my point here is not to deride Gulfport, but to illustrate for you the demonstrable fact that housing policy, planning, and program implementation have never been priorities or functional capacities characterizing our local or State government.

The dismal 18 months since Hurricane Katrina have only further driven home this truth, a truth that is readily observed in relation to public houses and places like the L.C. Jones Public Housing Complex that abuts South Carolina Avenue.

Another example of poor housing policy has been Phase I of the special Community Development Block Grant allocation. HUD exempted Mississippi from a host of requirements that are designed to serve low- and moderate-income households. Despite being low income elderly and disabled, however, and thus overlooked by the ill-conceived waivers, my mother lucked out by being one of the 17,000 homeowners who very narrowly qualified for assistance under Phase I of the CDBG grant program. Nevertheless, she is still in her FEMA trailer like everyone else who must wait for Phases II, III, IV, and V to occur. For her and virtually every household in communities like mine, there would be no housing recovery to speak of, if not for private donations and millions of hours of unpaid labor performed by friends, neighbors, and volunteers

from across the Nation and the world. Along with their contributions to the physical repair of our homes and communities, local nonprofits are at the center of an essentially grassroots recovery occurring brick-by-brick with limited or no access to Federal or State dollars allocated for Katrina housing recovery.

Thank you.

Chairwoman WATERS. Thank you, very much.

We have one other person here today, and I think it is someone I met when I was here before. Mr. Rodger Clark, executive director, Paralyzed Veterans of America. Thank you very much.

STATEMENT OF RODGER CLARK, EXECUTIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. CLARK. Madam Chairwoman, and distinguished panel, I would like to thank you all for allowing me to speak, even though I was not scheduled. Congressman Taylor, I would like to thank you for your efforts and the continued efforts that have been done here for the people of south Mississippi.

One thing that no one has really looked at in the rebuilding of the coastal area is that they have stated that if you own the property in the flood zones, and you have to go up to the higher elevations, they are not looking after the disabled community. If you have to rebuild a home—if you own property, let us say, on the waterfront in Hancock County and you are told you have to go up to 19 feet or whatever the height requirement is, they will give you the $30,000 if you qualify, to raise your home, but they are not including any funds for handicap ramps or handicap elevators to allow the disabled to get into their homes. According to the ADA, you have to have a one inch drop for every foot. That means if you are going up 23 feet with your home, your ramp is going to go totally around your house twice. Okay? Then you have to have another way to get out in the event of an emergency, which when I met with community planners, they said elevators. Okay, there are no funds that the Federal Government has even thought about for the ramps or the elevators.

If you get a non-service connected veteran, and I represent a lot of them, as well as representing and advocating for the disabled community as a whole, someone who is on a fixed income is not going to be able to afford a handicap elevator. A handicap elevator runs anywhere from $20,000 to $25,000 for the elevator itself. Okay, and then you are talking about the ramp that is going to wrap totally around the house at least twice. Someone needs to take a real good look at that.

I have asked if they could be waived and build back to the normal requirements. They were told no. I have had seven members who fought for this country, who have spinal cord injuries, and own property in Hancock County that have now had to sell their property, purchase property up in north Mississippi and move because with the building requirements, they could not afford to get their house up in the air, they could not afford the wrap around ramp, and they could not afford the elevators. And nobody in the Federal Government is taking a look at it. I have brought it up in meetings with the mayors, the planners when they were discussing the Sherette Plans, and no one has even come on board and even

thought about inviting anybody who has any idea of the ADA into the planning process.

Secondly, the affordable housing down here on the coast, I would like to thank these organizations here, because without them, a lot of the disabled community and elderly would not have affordable housing. But you have to look at the price that the housing was going for pre-Katrina, versus what it is going for post-Katrina. I have disabled members of my organization who are veterans and members of the disabled community who have called me up—pre-Katrina a one bedroom handicap apartment was running them $550 a month. Post-Katrina, that same apartment, if there is one available, is now $1,000 a month. And if you get an elderly person or an individual on a fixed income, who is disabled, they cannot afford the prices post-Katrina.

A lot of the Sherette Plans for the entire coastal front do not look at the affordable housing aspect. They are looking at condominiums. The cost of a condo, minimal price, is $1,300 a month. Do you think anyone in the disabled community on a fixed income will be able to afford that? No.

In closing, thank you, very much.

Chairwoman WATERS. Thank you, very much.

Boy, there are so many questions I need to ask, and I do not have time; I am limited here. Let me see.

First, I would like to get a clear picture of how many housing developments are under what housing authority, so that I can be clear, are scheduled to be torn down? Could you answer that for me, Mr. Jopling?

Mr. JOPLING. Yes, Madam Chairwoman, there are five developments that currently have applications before HUD for disposal. Disposal is sort of a term of art within HUD and it does not necessarily mean that they will all be completely torn down, but that they will be transformed in some way that will require the displacement of the current residents.

Chairwoman WATERS. Is this the Biloxi Housing Authority?

Mr. JOPLING. It is not, it is very important for me to point out to you that these are all properties under the management of Mississippi Regional Housing 8. We have no quarrel with the Biloxi Housing Authority.

Chairwoman WATERS. Okay, all right. And how many units are represented in these five developments?

Mr. JOPLING. Warner has 210 units, L.C. Jones has 124 units, William Ladnier has 64 units, Baywood has 72 units, and the Village has 68 units.

Chairwoman WATERS. Are any of these units being rehabbed now?

Mr. JOPLING. Yes. They are making some repairs at the William Ladnier development according to the residents.

Chairwoman WATERS. All right, so those people who were displaced do have the possibility of returning into these rehabbed units and what you are worried about is—oh, okay, let me back up. Explain it to me.

Mr. JOPLING. This is a situation where people are currently living in those units that are habitable in these various complexes. They are soon to be displaced, but they are not now displaced seek-

ing to return; they are seeking to remain in their habitable and safe units.

Chairwoman WATERS. So these units that you are describing are not being closed down as a result of Katrina; they are not using that as an excuse. They were making application to get rid of them whether Katrina took place or not, is that right?

Mr. JOPLING. They made the application after Katrina and in some cases, Katrina is the excuse, but it does not furnish a reason.

Chairwoman WATERS. Okay, so you said some were being rehabbed. What was the evacuation notice about, that the young lady just told me about? Ms. Collier, the evacuation notices are notices that people who could not return or have already returned or just living there, what? Who got these evacuation notices?

Ms. COLLIER. The people who are going to be moving out, they do not know if they are going to return or not, until the other building is built.

Chairwoman WATERS. I see. So they are talking about tearing them down and building new buildings under the kind of the HOPE VI program?

Mr. JOPLING. Similar. They are going to transfer these to a nonprofit agency that has been created by the Housing Authority which then is going to seek to go after low-income tax credit money and transform these units, which serve the extremely poor, into mixed income developments, but they will not tell us any of the details.

Chairwoman WATERS. I get it. It looks as if it is a continuation of the philosophy of HUD and this Administration to get out of the business of providing units for low income poor people and getting rid of public housing projects.

Mr. JOPLING. Yes.

Chairwoman WATERS. It is done in any number of ways and Katrina may be a convenient excuse for moving people out and putting them under this now nonprofit private authority and HUD is out, is that right?

Mr. JOPLING. As you say, Madam Chairwoman, you get it—you get it.

Chairwoman WATERS. I get it. All right, thank you very much.

I am interested, Mr. Evans, in your description of the demolishment of historical properties. Are you talking about properties that have been designated as historical that are being torn down in violation of the law?

Mr. EVANS. I am talking, Madam Chairwoman, about five structures that were identified as "contributing structures" in a State Department of Archives and History application nominating the entire community of Turkey Creek, to the Department of the Interior as a historic district. There are currently—I testified before Congress in November of 2005 and contributed to our receiving $40 million here for historic preservation grants for distressed historic structures in Turkey Creek and elsewhere.

There are currently ample funds on the ground here in Mississippi for—

Chairwoman WATERS. But the properties that you are talking about are not being covered?

Mr. EVANS. Well, they will be. The April 6th deadline is for homeowners with clear title to apply for the grant monies, what it is is a classic example of various layers of government here on the Gulf Coast not reading the newspaper and not knowing what other layers or departments are doing, quite honestly. I will leave it at that.

Chairwoman WATERS. All right. Mr. Bynum, thank you for the information that you shared with us about Phase I and Phase II. If you got it up from $50,000 to $100,000, you guys are certainly to be commended; do not stop working, they owe you $50,000. Okay?

All right. Let me thank you for coming and let me turn it over to our ranking minority member, Mrs. Biggert.

Mrs. BIGGERT. Thank you, Madam Chairwoman.

Mr. Bynum and all of you, I think working with the NGO, not for profits is a great thing and they do such a good job, whether it is in Mississippi, whether it is in Louisiana, whether it is in Chicago or wherever. I think we depend on the organizations so much to really move us forward without always having to have the government, and to a better job it sounds like in a lot of cases.

I want to ask Mr. Bynum, you talked about assisting the nonprofit organizations and raised a considerable amount of money, the $915,000, to use and then you got a recommendation for rebuilding the region and being able to then have small business loans and investments. You are raising money to develop small businesses, create and retail jobs, train workers, expand homeownership opportunities, and build affordable housing. One of the things that we saw in Louisiana was that cycle of the jobs, business, and homeownership. How is this working here in Mississippi?

Mr. BYNUM. Thank you. Unfortunately, it is working without a lot of support from the public sector. I would commend Governor Barbour's office for having conversations with the coalitions of nonprofits on the coast and moving forward with a counseling initiative and upping the amount of grants for Phase II. That said, nonprofits—I think if you ask people across the coast from Mississippi to Louisiana, who has helped them, 90 percent of them would not say the public sector, the Federal or State government. They would say nonprofits, they would say volunteers. And this has been done without any formal programs to help rebuild these nonprofits, without any formal allocation of funds for the CDBG dollars that you appropriated to the nonprofit sector. And so I think what I would encourage is that there be a more deliberate means to build the capacity, rebuild the capacity of nonprofits in these situations and equip them to address those gaps that cannot be adequately met by government bureaucracies, by banks, by entities that historically have not had a priority on serving the needs of people in economically distressed situations or socially distressed situations. That is what nonprofits do, that is what churches do, and that is what philanthropic organizations have done so effectively. And we have done it in a tremendous way since the storm. Again, without—we have been fighting, you know, we have been digging out of this with a spoon.

Mrs. BIGGERT. Well, thank you for all the work that has been done.

The other thing that you talked about, which I think is so important, is the counseling and I think that the Financial Services Committee has been very committed to financial literacy and I think that is so important as people have to make these decisions on how finance for rebuilding, what to do even in the public housing, financial literacy is so important. Could you expand on that a little bit?

Mr. BYNUM. Certainly. I think you would all appreciate the, even if you have a—if you are a banker, if you are an attorney, if you are an accountant, in this environment, it is very confusing, what are the elevation requirements, do you do with your existing mortgage, do you have to negotiate solutions with existing lienholders, with insurance companies. And so what we will be doing after the grant award has been calculated by the State, people will be routed to us and we will work with them to determine what their financial options are. In many cases, the grants by themselves will not be adequate to rebuild. What was affordable, maybe a $60,000 home before the storm now costs $120,000, or $130,000 because of labor, materials, etc. And so many of these people will have to find gap financing, they will have to go to a lender and in many cases these loans may be $40,000 to $50,000 and most banks do not find that a financially profitable proposition. And so they will need alternative sources of financing. So we will be providing financial counseling to help them determine their financial options, match them up with gap financing, and then after the gap financing is identified, work with them to avoid unscrupulous contractors. There are sharks swimming in the water who are waiting to rip people off. There is more money in this region than there has ever been and there are a lot of people who would like to take that money and many have already taken it without anything to show for it. So we will be working with the individuals to make sure that as they interact with contractors, the contracts are in their best interests and at the end of the day they end up with an affordable, quality home.

Mrs. BIGGERT. Thank you. I yield back.

Chairwoman WATERS. Thank you very much.

Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Madam Chairwoman.

There are a couple of things I want to do. I also want to talk about our nonprofits. I know that I came down to this area a few weeks after the terrible storm and there were tents that churches and organizations had set up all over the region. They were feeding people, they were bringing clothes in, and they were making sure people had water. And truly it was, I think, one of America's finest moments because I know a lot of churches from Texas and companies were sending trailer loads of food and water and clothing down there.

So one of the things I want to say to the—I agree that is an infrastructure that is important to our country. But let me just say this, I think one of the things that we can do to help you better probably than anything is that we have an unfair tax policy in this country. The issue today is that this is your hard-earned tax dollar that goes to the Federal Government. And by the time it goes through the washing machine in Washington, D.C., when it gets

back to the people you serve, it is this size. What we need to do is to have a better tax policy in this country that encourages individuals and corporations to be able to directly give you those dollars and not try to shuffle them through the Federal Government, so that you can then keep that infrastructure in place, serve the communities, and encourage local companies to support their local organizations. They are the most efficient delivery system in many cases of any of the services that we have. Yet today, we encourage you to send that dollar to the Washington washing machine, which shrinks that dollar and then by the time it comes back through the State government and then as we have been talking about in this meeting, that dollar is much smaller, and less effective for the people that it serves the most.

So, I look forward, I am hoping that in this Congress we are going to be talking about I think some tax policy in this country and I would hope to work on a bipartisan basis on a way to make sure that we encourage, not discourage, companies to do that.

I think the second thing I want to say is that, Madam Chairwoman, we have had wonderful panels in this hearing. We have had a great cross section of people that have testified all the way from the users to the people in government, people in the Federal Government and State government and local government. But there has been one group missing. and I would hope as we have future conversations about housing that we have America's homebuilders and developers at the same table getting their input, because they are also our partners in rebuilding, whether it is Louisiana or Mississippi or Florida, and making sure that we are getting input from them as to, from the private sector, the things that we might be doing from a policy standpoint that we could do better, that would help them bring their dollars to the table. We need everybody's resources and so hopefully as we in the future have some additional hearings possibly on housing that we could have some of those people at the table also.

And I yield back the balance of my time.

Chairwoman WATERS. Thank you, very much.

Congressman Taylor.

Mr. TAYLOR. Madam Chairwoman, I just want to thank our panelists and I think the gentleman from Texas summed up what they have privately told me before the gentleman said that was how impressed they were with all of you, how you did really touch every aspect of what needs to be done. And I thank all of you for being here and I thank all of our participants, the folks in the gallery—the folks sitting out there.

Thank you all for being here, it is important. Ms. Waters has asked to try to cut this short a little bit because she does want to try to find the time to go look at one of those housing complexes before she heads back and I think, as we all know, you have to see it to believe it. So I am going to cut my time short and try to make that happen.

Chairwoman WATERS. Thank you very much. Congressman Sires.

Mr. SIRES. Yes, thank you, Madam Chairwoman—go ahead, he deserves it.

I just want to say thank you to all of you. I have the opportunity to work with nonprofit corporations and you do a great job, and I

know you get discouraged, but I beg you, do not get discouraged. You do a wonderful job, people appreciate it, and the most needy are the ones you serve. So keep up the good work and we are going to take some of these things back and see what we can do.

Thank you very much for being here. We want a copy of that letter.

Chairwoman WATERS. Thank you very much.

Chairwoman WATERS. The Chair notes that some members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

This hearing is adjourned.

[Whereupon, at 12:16 pm., the hearing was adjourned.]

A P P E N D I X

February 23, 2007

TO; The Subcommittee on Housing and Community Opportunity
Scheduled: February 23, 2007, Gulfport MS 39501

UNITY HOMES PROJECT
Lillie D. Bender, Mississippi Operations Director
8208 Ohio Street, P.O. Box 483, Gulfport, MS 39501; 228-365-0126

Good Morning. I would like to extend a warm welcome to Chairwoman Maxine Waters, Ranking Member Judy Biggert, and other esteemed members of the Subcommittee on Housing and Community Opportunity. I thank all of you for coming to the Gulf Coast in order to see our affordable housing needs and hear about our solutions.

I am Lillie Bender, a native Mississippian, and it is indeed an honor to represent the Unity Homes Project as its Mississippi Operations Director. Thank you for inviting me to testify.

Our project is an innovative program to build and install houses that are more energy efficient and use healthier building materials than have ever been offered in affordable and workforce housing.

I'd like to focus on three aspects of the Unity Homes approach that set us apart from other efforts.

First, community-based rebuilding: Unity Homes is developing a modular housing production factory and installation operation in Mississippi. As a non-profit, Mississippi-based corporation, Unity Homes will invest in our most valued assets: our employees and communities. These efforts will produce not only beautiful homes, but also over 100 high-quality jobs.

The benefits of this effort will radiate far beyond our operations. Our organizational imperative – to use environmentally-friendly, locally-produced materials whenever possible – will benefit local businesses. And through partnerships with worker training programs, we will be a vehicle for adding badly-needed construction workers to wider rebuilding efforts.

Second, healthy affordability: Our non-profit approach allows us to avoid many traps that drive affordable housing to the lowest common denominators of quality. Healthy and inexpensive housing are not mutually exclusive.

As a non-profit organization, we do not mark up our costs at the expense of our homeowners. And we are able to raise private grants and donations that offset the thin margins that are common in this industry. Further, by integrating both the construction and installation components of modular housing, we will operate with maximum efficiency and care.

A Unity Home builds equity in every sense: it minimizes the use of unhealthy materials like resins, insulation, and particle board that are laden with

formaldehyde; paints that emit volatile organic compounds; and, toxic flooring and siding that are made of vinyl.

Better indoor air means less asthma and other illnesses, which enhances productivity and reduces health care costs. Overall energy efficiency cuts utility bills in half by incorporating many energy saving components, such as Energy Star™ appliances, and highly efficient HVAC systems. Our quality materials and construction techniques protect homeowners' investments over many decades, saving money on maintenance and repairs.

Third, strategic partnerships: Unity Homes is a fusion of strong partnerships with community groups, affordable housing organizations, leading legal advocates and national law firms, and some of the country's best green architects, engineers, and manufacturers. With their expertise, we have developed an organizational framework that includes public and private sector workforce development programs, affordable housing organizations, faith based initiatives, legal aid organizations, financial, construction and employment counseling programs, land trusts and Community Development Corporations.

This new approach counteracts unhealthy housing conditions, unjust financing, and entrenched cycles of sickness and poverty for many families and communities. By replacing these industry standard materials with green building practices, we are building healthy homes that generate long-term equity for their owners.

In fact, we are so dedicated to the mission of providing healthy affordable homes to this area that we have donated a prototype home to the North Gulfport Community Land Trust. We held a ribbon cutting and open house on January 27, 2007, when over 250 people came out on the rainiest day of the year to support this effort. We are proud that the first Unity Home is located less than a mile from here on the corner of Dr. Martin Luther King, Jr. Drive and Ohio Street.

In Conclusion: Our prototype is a symbol of many other private efforts to fill the gap in affordable housing that grew larger after Hurricane Katrina roared through here. Over the past 18 long months, private, non-profit, organizations and volunteers have taken the lead in tackling unmet needs on the Gulf Coast. We hope the federal government has taken notice of what works, and can see that this project, and others like it, are worthwhile investments through initiatives like the special CDBG program. As innovative stewards of our communities and the environment, we can help implement federal and state efforts to serve the thousands of people for whom affordable housing has not yet been rebuilt.

Chairwoman Waters and Committee Members, I urge you to come and see the Unity Homes advantage for yourselves. I invite you all to come and tour the Unity Home immediately following the hearing and we will be glad to answer any questions you may have. Thank you.

Testimony of Dr. Jeffrey K. Bounds
Planning Consultant, Cities of Gulfport and of Pass Christian

Extent of Housing Damage in the City of Gulfport

One of the more frustrating aspects of the recovery has been that local governments do not possess the staff and resources to address many of the challenges of recovery. For all the recovery funding provided, little or none has been available to help local governments obtain the staffing and administrative support to both continue day-to-day activities and stage the largest natural disaster recovery effort the nation has ever seen. The building department within the City of Gulfport must permit every repair or building replacement in the City with essentially the same staff that oversaw a fairly sleepy growth rate before the storm. Every department within the City of Gulfport has been strained to the breaking point, generally unable to hire sufficient new staff due to housing constraints, to a Coast-wide employment shortage, and to fears and uncertainties about tax income going forward after Katrina.

As a result the City has no staff available to provide the ground-truthing and data collection necessary to obtain useful accurate information on the actual number of destroyed, required, or in-service housing units, or to put numbers to the shortfall of affordable housing in the City.

Left to the available sources we can obtain a rough but incomplete — and frustratingly conflicting — picture. According to FEMA's December 2005 Residential and Substantial Damage Estimates for the City of Gulfport, 2,700 structures were more than 50% damaged or destroyed within the City. According to the February 2006 report of the Federal Coordinator for Gulf Coast Rebuilding [as reported in FEMA's Long-Term Recovery Plan for Harrison County] 24,447 residential structures (including houses, apartment buildings, and mobile homes) received major damage and 24,204 suffered minor damage during the storm. It was estimated that 62% of owner-occupied and 78% of rental housing received some damage. These numbers were provided by FEMA for revision and update by the cities and county.

Comparing Census numbers from 2000 and 2006 estimates by ESRI [Environmental Research Systems Institute] based on FEMA information applied to Census data paints a different picture. The 2000 Census indicated 31,555 owner-occupied housing units within the City, with a 2006 estimate of 21,447 — a loss of approximately one-third. The number of rental occupied housing units within the City from the 2000 Census was 13,733; while the 2006 ESRI estimate is 11,868 — a decline of about 15%. These numbers do not account for growth in the number of rental units between 2000 and 2005. Neither do they indicate to us the market pressure generated on the rental housing market by a large number of displaced owner-occupied housing residents and by a large number of relief and reconstruction workers. They do suggest the obvious fact that in demand-driven rental market that affordable units are the first thing to go. But the extreme number of owner-occupied units lost also suggests that housing owned by low-income families may have been both harder hit and less likely to be replaced.

The one obvious conclusion to be reached from any time spent in the area is that for all the efforts, too little has been done to address the problem of owner-occupied low-income housing units.

Unfortunately in the aftermath of Katrina it is my assessment that the cities of the Coast do not

have the staff or resources to ground-truth and assess actual accurate numbers for the current number of in-service housing units, nor a reliable basis on which to base pre-Katrina numbers for comparison.

Recommendation: Funding for additional administrative staffing of local governments is required after a major catastrophe. FEMA's model of offering NFIP staff to local building officials is a good starting model, but externally funded temporary and longer-term support is needed for administrative tasks ranging from damage assessment and housing evaluation to reinforcement of zoning, building code, and engineering staff.

City of Gulfport's Repair and Rebuilding Efforts for Affordable Housing

The City of Gulfport is an entitlements city, with HOME and CDBG funds administered by the Community Development division of the City's Department of Urban Development. After Katrina existing entitlements in the amount of about $800,000 (including CDBG and HOME funds) were reallocated for a Hurricane Emergency Repair program as a direct response to the catastrophic destruction of a large number of homes of residents with no resources for repair or replacement. City staff devised a program whereby the City partnered with nonprofit volunteer organizations to repair over 170 structures in the 6 months of operation, with City entitlement funds providing materials and the nonprofits providing labor. The City also provided an old National Guard Armory for housing and staging for one of the organizations (the facility required substantial renovation by the NPO). No additional funding was issued to the City to accommodate the Emergency Repair Program.

This innovative program required substantial waivers from HUD, and to the agency's credit, the waivers were eventually allowed. Staff indicated the most frustrating aspect of the program was the delay associated with getting the necessary waivers and approvals. In particular there was no communication with upper-tier HUD officials and local staff on the ground, and all requests for accommodation in the unique circumstances were through regular (slow) bureaucratic channels.

At this point the bulk of simple emergency repairs are thought to be tapering off, with more serious problems and issues standing in the way of many of the remaining cases. Most prominent among these issues is the location of damaged low-income owner-occuppied housing in flood hazard areas, along with consequent requirements to elevate and lack of funding to do so. A recurring, difficult, and vexing issue which the City, State, and Federal governments have failed to address is the siting of large amounts of low-income housing in flood hazard areas.

Recommendation: Better coordination between higher-level officials and local staff on the ground is required. Faster adaptability to accommodate innovative emergency programs is required.

Flood Hazard Area Issues

The confluence of flood hazard considerations, of NFIP requirements, and of affordable housing needs and location has created a serious quagmire that no agency or goverment — local, state, or federal — has directly confronted. Due to historical discriminatory practices low-income housing is disproportionately affected by flood hazards, black populations having been commonly relegated to low areas traditionally not highly valued. The problem in recent years has been significantly worsened by the City's enormous sprawl problem and by the City's failure to adopt

any of the EPA's Best Stormwater Management Practices in its standard engineering practices. Seventy-five years of attempting to re-engineer natural waterways to speed up rainfall drainage to accommodate construction of shopping centers in the area's former backswamps rose up and backfired on the City's inland residents when Katrina pointed out rather dramatically that channelizing streams to facilitate downstream flow also provide ideal channels for storm surge to travel quickly and unattenuated enormous distances upstream through these very same "improvements." The failure of local drainage engineering practices to grasp this simple fact is best illustrated by the fact that, in response to Katrina, local plans to further channelize the few remaining natural streams have been publicly advanced to solve local flooding problems.

From the perspective of affordable housing the key issue of local geography is the large available areas of land outside the flood plain. Unfortunately for the City, these high and safe ground areas are located contrary to the common assumptions about geography of outside officials who apparently do not actually look at flood maps when they create policy: some of the safest high-ground areas are only a mile north of the beach on a wide high ridge of ground between the Sound to the south and the backbays and backswamps to the north. This area is the area where the older communities largely developed prior to the push into the swamps over the last 30 years. Amazingly, since Katrina the furious pace of construction has been aimed almost solely in the floodplain and wetlands of the backwamps toward the north, while huge older areas of town which did not flood have experienced a near total lack of development activity.

Ultimately someone must stand up and ask about the rationality of putting affordable housing in known flood hazard areas. Those least likely to have the resources to recover from a major storm loss; those least able to afford the continual additional expense of flood insurance and therefore most likely to be without coverage; those who will be left homeless in the event that the next storm induces FEMA to yet again raise the Base Flood Elevations, leaving their homes perhaps substantially damaged and noncompliant with the elevation requirements; those least likely to be informed of the arcane details of cumulative damage and its insidious effects on the value of their largest asset — these are not people who deserve to be put in harm's way for the sake of short-term convenience and cost-savings for developers or governments. The enormous number of developers and local officials decrying wetlands protections, and the recent decisions by the Army Corps of Engineers to expedite permitting of construction in low wetland areas, all in the name of helping in the construction of workforce and affordable housing, should be recognized as either crocodile tears or highly misguided. We do no favors to place our most vulnerable citizens at greatest risk.

Recommendation: Construction of affordable housing with Federal funding should be banned within flood hazard zones, and siting appropriate to the realities of financial exposure should be a requirement for receipt of federal funding.

Infill, and Tax Credit Program Issues

A related issue is the overwhelming need to address the problem of incentivizing infill development in order to create viable affordable housing. The primary reason for the need to address infill development in the City of Gulfport and other coastal cities is the simple fact that the best, safest, and highest ground in the City lies under the oldest parts of the city. In the absence of air-conditioning and mosquito control, the older towns and settlements which the City of Gulfport subsumed were laid out typically on the highest ground possible. In addition the enormous sprawl which has afflicted the city over the last 30 years has left most of these areas in

decline, with enormous opportunities for redevelopment and vast amounts of empty or underutilized space.

The challenge of redevelopment of infill areas is in no case an easy one, but the City has committed to doing so. The City's conventional zoning code, adopted nearly 40 years ago, used draconian measures to enforce suburban standards across the City, rendering enormous numbers of lots in the older parts of town essentially unbuildable. The net effect on these areas has been tragic and frankly idiotic, and has been partly responsible for fueling the City's sprawl. Over the last 18 months the City has created and just adopted a reformed land use ordinance, the SmartCode, in order to incentivize general construction in infill areas and to address the problems created by the cities older conventional zoning by endorsing requirements suitable to the older neighborhoods and restoring buildability.

The advantages of locating affordable housing in such infill areas are compelling: families are placed in closer proximity to jobs, and mixed use potentially reduces significantly the requirement for automobile access — a major cost many low-income families are unable to manage. The reduced lot sizes in many such neighborhoods reduce total land costs of development, and the existence of infrastructure further reduces total development costs. Most critically, infill development offers the chance to remove affordable housing residents from exposure to flood hazards.

Unfortunately most of the efforts and funding for affordable housing have misguidedly followed the mantra of "go north to safety", even when that policy has driven development directly into the floodplains of the backswamps. Efforts such as the new sewage and wastewater authority and the Army Corps' expedited wetland-fill approval process only incentivize development of flood-prone areas and undeveloped land at the expense of the safer and more practical infill areas.

Other programs ostensibly aimed at producing affordable housing have also been enormously problematic with respect to Coast communities' goals of producing healthy, sustainable neighborhoods for residents of all incomes. Most pernicious of these are the various tax-credit programs, which, while well-intentioned, typically impose requirements completely at odds with known principles of creating quality long-term affordable housing and good neighborhoods. Many of the cities on the Coast have now moved to 21st Century planning reform, embracing mixed use, mixed income, and mixed ownership in order to create sustainably healthy neighborhoods. Unfortunately the inflexible requirements of most tax-credit projects I have dealt with prevent mixed use, ban mixed ownership models (rental and owned units), and provide no significant incentive for a developer to take on the perceived additional risk of mixed income development.

While tax-credit programs have been modified over the last few years to move in this general direction, the results have essentially been too little too late.

Recommendation: Initiatives are required to incorporate the best principles of current urban planning thought into affordable housing funding programs. In particular creation of affordable housing scattered homogeneously throughout infill development, and allowance for mixed-use and mixed ownership (using Community Land Trust methods if necessary) in individual projects is essential for production of long-term affordable housing which serves residents and communities well.

Implementation Problems of CDBG Funding for Planning Efforts

Coast efforts at planning reform have been surprisingly successful, though agonizingly slow. For all the efforts over the last 18 months, however, which are only now leading to adoptions of reformed land-use policies implementing some progressive features aimed particularly at affordable housing issues, the very recent example of applying CDBG funding for planning, while absolutely needed and appropriate, was completely botched by the mismanaged details of the implementation. Local consultants who drafted the Request for Proposals for these communities were not aware of the most recent planning efforts of the local governments with respect to principles of smart growth introduced by the Governor's Renewal Forum after Katrina. The RFPs were inconsistent with the actual requirements of the local communities, were very poorly advertised and circulated, and little or no effort was made to coordinate with the cities actual needs. As a result the cities will not necessarily going to get the most recent thinking and approaches to community planning, and in some cases planning funds — desperately needed since Katrina — will be utterly wasted.

Recommendation: Efforts like the planning funding initiative need more careful oversight and longer required deadlines and public exposure for RFPs. After the next major disaster planning funding should be forthcoming much earlier in the recovery process.

Final Comments: Need for Improved Local Nonprofit Capacity

Though I am certainly appreciative of the billions of federal dollars that have been provided for housing recovery, I do hope that much of the remaining funds will be administered through the existing network of local non-profits. As related above, one of the bright spots in the recovery has been the extreme effectiveness of partnering between local government and nonprofit organizations — and in fact on the extreme competence of non-profits at rapidly addressing real needs cost-effectively. One of the primary limiting factors in producing affordable housing more quickly has been the lack of capacity of local nonprofit organizations — both in funding and in staffing resources.

These already existing organizations should be utilized for the following reasons:

1) Efficiency - There is an existing housing/social service "infrastructure", already in place. Why should monies that could be spent on housing be used for setting up an entirely new, short-term organization for distributing these funds? It makes economic sense to utilize an existing network of organizations (CHDOs, resource centers, social service providers, LTR committees) on the coast for this purpose.
2) Speed - More CDBG monies will reach more people through a de-centralized system of distribution (i.e. through the organizations mentioned above) rather than through one or several newly established storefronts.
3) Knowledge of the Community - The people who oversee and operate theses existing housing and social service organizations know the communities and their needs. They can guide the MDA in the community outreach needed to capture all those who qualify for Phase 2 monies and be an important feedback loop for the program.
4) Knowledge of the Clients - Most of the people who will be served by the Phase 2 monies are already clients of existing housing and social service resource centers. It is a natural extension of their functions to implement this program. They know their clients and know their needs.
5) Long-term Investment in Mississippi - Last, and perhaps most important, by adding capacity to

existing housing and social service nonprofits along the coast is a long-term investment in Mississippi. Utlizing program dollars to add needed housing counselors and administrative staff to our existing network of nonprofits provides much needed capacity-building on the coast while simultaneously providing the network for distributing Phase 2 program monies. The "Affordable Housing" section of the Governor's Report "Building Back Better Than Ever" also recommends coordination between public, private and nonprofit entities in implementing the affordable housing agenda.

Recommendation: We need not only scores of financial counselors for families to think through their housing options and what they can afford, but each housing entity on the coast needs a seasoned in-house developer who can train us on how to work with developers on pre-development, development and post development housing and how to work with private developers on projects. When deciding how Phase 2 monies should be distributed, it is clear that the existing network of Community Housing Development Organizations (CHODOs) and Housing and Social Service Resource Centers and Long-term Recovery Committees should be utilized for this function. A portion of the balance of the $148M unallocated CDBG dollars would be ideal for this purpose.

Thank you for your time and attention.

Testimony of Bill Bynum, CEO
Enterprise Corporation of the Delta and Hope Community Credit Union
Before the U.S. House Financial Services Subcommittee on Housing and Community Opportunity
"Solving the Affordable Housing Crisis in the Gulf Region Post Katrina:
Why no progress and what are the obstacles to success?"
February 23, 2007

Madam Chairwoman and members of the Committee, thank you for holding this hearing to examine the housing crisis in our region, and thank you for the invitation to speak today.

I testify as CEO of ECD/HOPE -- Enterprise Corporation of the Delta (www.ecd.org) and Hope Community Credit Union (www.hopecu.org). Working together these nonprofit organizations form a regional community development financial institution that since 1994 has generated over $300 million in financing for entrepreneurs, homebuyers and community development projects, and directly benefited more than 30,000 individuals in markets that are distressed, underserved and often written off. Perhaps most relevant to my comments today, is the fact that we accomplished these results by forging partnerships with banks, private industry, public agencies, foundations, faith- and community organizations and other important contributors to economic and community development.

I emphasize this collaboration because our experience has been that the development needs facing these communities cannot be adequately addressed by any one sector by itself. This has been borne out in our response to Katrina. Immediately following the storm, ECD/HOPE began working with several groups to connect families to resources desperately needed to first survive, and then start the process of rebuilding their homes, lives and communities. Together with community development groups, faith-based organizations and low-income advocates, we have:

- Provided affordable financial services to more than 4,500 residents;
- Assisted 450 homeowners assisted with repair and rebuilding;
- Generated more than $20 million in financing to consumers, homeowners and small businesses;
- Made 900 bridge loans to people and businesses waiting for insurance and government payments; and
- Connected 1,500 people to free legal assistance, evacuation and relocation support, and other recovery services.

In addition to our work with individuals and nonprofit organizations, Home Again our housing development affiliate, is in the process of rebuilding 71 homes – all built to new codes – in Pass Christian, MS. Through Home Again, these families received financial counseling and construction management assistance. The counseling ensured that families only paid for quality work without being ripped off by

unscrupulous contractors. Last year, Phil Eide, our Vice President of Housing Initiatives described this project as a pilot to your committee.

As a result of the successful pilot, effective collaboration between nonprofit organizations and Governor Barbour's staff, I am pleased to report that, the financial counseling component of the initiative will be taken to scale through Phase II of the Mississippi Homeowner Assistance Grant Program. The State has selected ECD/HOPE to provide financial counseling for residents who receive award through Phase II. In this role we will help insure that thousands of Gulf Coast residents – regardless of their station in life – have the opportunity to return to their homes.

Despite the billions of dollars sent to the Gulf Region to aid in hurricane recovery efforts, significant gaps in the public response remain 18 months after the storm. Specifically, gaps exist within the affordable housing development response. Three issues underscore the challenges to affordability: 1) Plans to re-develop affordable rental stock are slow to unfold and do not represent efforts to fully replace the stock at pre-storm levels; 2) Rising insurance rates are adding hundreds of dollars to monthly mortgage payments making the retention of rebuilt homes challenging or impossible; 3) Some Gulf Coast residents do not qualify for federal or state programs to rebuild.

In the midst of the challenges, nonprofit organizations have emerged as a beacon of hope for those who have fallen into the gaps. With far fewer resources, away from the public eye, the collective works of nonprofit organizations have built or repaired thousands of homes on the Mississippi Gulf Coast, oftentimes, for those who could not qualify for public disaster assistance.

Given the track record of the nonprofit response, ECD/HOPE recommends that a pool of hurricane relief funding be appropriated to strengthen the capacity of nonprofit organizations to sustain a long term response of those entities serving people who have no other option for assistance.

Responding to the Gaps – the MS Gulf Coast Nonprofit Sector

On the eve of the storm, the Gulf Region (defined as the Biloxi, Gulfport and Pascagoula MSA and the New Orleans MSA) was home to over 3,300 public charities that employed over 37,000 people.[1] As with other businesses, nonprofits experienced physical damage, business interruption and the loss of equity. According to survey conducted by the Mississippi Center for Nonprofits, nonprofit organizations in the Gulf region experienced the following losses:

- 67% experienced staff turnover losses;
- 77% experienced major building damage or complete loss of their facility;
- 93% of the nonprofits surveyed experienced program or services losses.[2]

[1] Center on Nonprofits and Philanthropy – National Center for Charitable Statistics. www.nccs.urban.org
[2] Mississippi Center for Nonprofits. "Katrina's Impact on the Service Sector in Mississippi

While many of the region's nonprofit organizations sustained crippling losses following the hurricane, many used their remaining capacity to clothe, feed and shelter residents. After the immediate relief efforts subsided, nonprofits undertook the role of rebuilding homes for the uninsured and underinsured. Rebuilding efforts were buttressed by the presence of national and international nonprofit organizations that made a long term investment in the recovery of the region. As a result of nonprofit efforts, a survey of 13 nonprofit organizations rebuilding homes on the MS Gulf Coast revealed that nonprofits have rebuilt or repaired 8,738 homes to date – all by stretching beyond their existing capacity to respond to a need – a need that has not been funded by the government.

A Case Study: The Enterprise Corporation of the Delta and Hope Community Credit Union (ECD/HOPE)

Shortly after the storm, ECD/HOPE received many inquiries from individuals, charities, faith based coalitions and corporations seeking to donate money and resources to a regionally based nonprofit organization. Most people were looking for an entity that could identify the needs of local people and deploy the resources in a timely manner while maintaining the financial integrity of their donation. As a well established community development intermediary, ECD/HOPE had systems and networks in place to efficiently bring resources into the region, connect to grass roots organizations on the front lines of response and appropriately manage resources designated for relief and recovery.

ECD/HOPE responded to the requests by using its community development expertise honed in the economically distressed areas of the MS Delta to assist individuals, homeowners and nonprofit organizations.

Assisting Individuals

ECD/HOPE also leveraged its existing financial service network through the credit union and collaborated with the Foundation for the Mid South (FMS) to implement the Power of Hope Program. Through the Power of Hope Program, hurricane victims received individual grants to relocate, return and rebuild. Recipients received recovery grants to be accessed through a savings account at Hope Community Credit Union. To date, 3,479 victims of the hurricane received $3.3 million dollars through the program.

For those who did not receive grant funds or required additional funds to meet their needs, ECD/HOPE partnered with national, state and local socially responsible investors to implement the Consumer Recovery Loan Program. The investors provided grant funds that were used to secure a no / low-interest loan product. Through the Consumer Recovery Loan Program, those affected by the storm could apply for a loan of up to $5,000 for relocation or rebuilding needs. The loan was an interest free loan for up to six months with the option to refinance the loan at the end of 6 months at 4.5% for a term of two years. Through 2006, 1,064 individuals received $2.8 million dollars in consumer recovery loans.

Assisting Homeowners

Following Hurricane Katrina, ECD/HOPE partnered with a number of nonprofit organizations and individual donors to launch Home Again, a nonprofit subsidiary of ECD/HOPE that works with Mississippi Gulf Coast residents to rebuild their homes that were lost during the storm. Home Again was developed as a pilot project to demonstrate how a combination of contract management assistance, access to rebuilding subsidies and modular housing technology could be deployed in concert to rapidly move people back into their homes.

In 2006, 35 families were assisted through the program. Of the first 15 assisted, 14 were minorities. The annual incomes ranged from $7,368 to $26,400. The initial 15 borrowers have received nearly $1.3 million in subsidies in the form of grants and loans to pay for the rebuilding of their homes.

As a result of the successful pilot, Home Again received funding to build an additional 35 homes across the Mississippi Gulf Coast. Through the strong partnerships established and a competitive bidding process, the next stage of the project has been designed to assist the next 35 families at a reduced construction cost of $75 per square foot, compared to prices in excess of $100 per square foot during the first round. These savings will be passed along to the homeowners.

The Home Again pilot also demonstrated a successful model for state-funded recovery efforts. As a result of Home Again's impact, ECD/HOPE was asked to comment on several aspects of the state's recovery plan for home ownership. By interacting with policy makers and nonprofit organizations, ECD/HOPE was able to use the lessons learned from its work in distressed markets to inform recovery efforts, including the second phase of the state's rebuilding strategy around homeownership.

Assisting Nonprofit Organizations

ECD/HOPE also raised $915,000 to re-grant to nonprofit organizations responding to the needs of the region's most distressed residents. Funds were used for a variety of purposes including initially:

- Providing down payment assistance for dislocated residents to relocate;
- Providing assistance to purchase rebuilding materials;
- Transportation assistance for families in FEMA trailers returning to work; and
- Legal assistance for residents who were wrongfully evicted.

The assistance was used – in all cases – by nonprofit organizations that were covering people who were living in the gaps between the government response and the cost of returning and rebuilding.

Moving Forward – Recommendations for Rebuilding the Region

ECD/HOPE is recommending that Congress appropriate a pool of funds to be administered by an intermediary to build the capacity of nonprofit organizations to sustain a long term response for those

residents who remain in the gaps. The program could be modeled after the Emerging Markets Partnership of ECD/HOPE. The Emerging Markets Partnership is a comprehensive effort to stimulate economic development in the Delta regions of Arkansas, Louisiana and Mississippi.

The main goals of the Emerging Markets Partnership are to:

- Promote job creation, retention and advancement;
- Stimulate entrepreneurship, and business development;
- Foster asset development among low- and moderate-income individuals and families;
- Strengthen infrastructure that enables Delta businesses and workers to compete

Since its inception in 2001, a $20 million investment by the W.K. Kellogg Foundation has been leveraged to achieve the following outcomes:

Table 1
Emerging Markets Partnership
Summary

Goals	Progress to Date
Small business loans and investments	$78,488,041
Develop Small Businesses	1,060 Firms and Entrepreneurs Assisted
Create and Retain Jobs	3,203 Jobs Assisted
Train workers	4,014 people trained
Expand Homeownership Opportunities	860 homebuyers assisted through $37 million in financing
Build Affordable Homes	226 Homes built

The investment was leveraged by contracting with local and regional nonprofit organizations with a track record of working in economically distressed communities.

A similar program could be structured to assist Gulf Coast residents. Funds could be made available through one of the agencies in the executive branch to be administered by a regional intermediary with a track record in distressed communities. The intermediary would be responsible for structuring contractual arrangements with nonprofit organizations to build their capacity while serving residents of the region. Ultimately, the intermediary would be accountable for all funds dispersed and timely accomplishment of nonprofit development goals.

Thank you very much for the opportunity to present this testimony.

GENERAL OVERVIEW OF DASH NEIGHBORHOOD REVITALIZATION ACTIVITIES AND PLANS IN MISSISSIPPI

DASH Neighborhood Revitalization, Inc. (DASH) supports its affiliate organizations DASH for LaGrange (LaGrange, GA) and DASH for the Gulf Coast (Mobile, AL) who are duly designated 501-c-3 non-profit corporations. With support from Neighborhood Reinvestment Corporation d/b/a NeighborWorks® America, a non-profit creation of Congress in 1978, DASH has begun work in the Gulf Coast region in response to Hurricane Katrina. This report will attempt to establish the Mission of DASH and report its activities and plans for permanent housing solutions for families displaced by Hurricane Katrina.

MISSION OF DASH NEIGHBORHOOD REVITALIZATION

To revitalize and make sustainable once vibrant neighborhoods by eliminating sub-standard housing, creating socio-economic diversity, encouraging homeownership, inviting economic development, and engaging residents in active community leadership.

IT'S VISION TO ADDRESS HURRICANE KATRINA REBUILDING

In October, 2005, NeighborWorks® America engaged the Executive Directors of its Southern District in a conference call to determine a meaningful response to the devastation of Hurricane Katrina. As President & CEO of a NeighborWorks affiliate, DASH for LaGrange, I was asked by Don Phoenix, Southern District Director, to go to the region and to develop a business plan strategy to address a meaningful permanent housing plan of action. After several trips into the Mississippi and Alabama Gulf Coast areas, I reported back a plan that recommended the following three points:

1. **Create several Homeownership Centers** across the Gulf Coast regions of Louisiana, Mississippi, and Alabama. The number that was recommended was 7 centers to help families determine individual action plans for recovery, rebuilding, and/or building new housing. This number has now been expanded to 10 centers.
2. **Establish a supply of modular housing.** The volume of new and rebuilt housing needed could not be provided by the construction labor workforce remaining in the region in any reasonable amount of time. The design and construction of a modular housing supply stream through existing and new modular plants was needed.
3. **Acquisition and assembly of buildable properties.** We would need to acquire large tracts of land to develop into communities or to assemble properties in rebuilding efforts.

DASH ACTIVITIES IN THE GULF COAST REGION

MOBILE, ALABAMA: With the above outlined plan, Neighborworks agreed to fund a start-up non-profit in Mobile, Alabama. That location was chosen because of the intact infrastructure to support such an effort. The operation has been staffed since June, 2006 and has purchased **244 lots and houses** in a traditional African-American neighborhood in Mobile. The first homes 4 homes are being rebuilt, the first 3 modular homes are being completed within the next 10 days, and a Grand Opening is planned for mid-March.

BAYOU LA BATRE, ALABAMA: FEMA developed an "Alternative Housing" program to replace the FEMA trailer program. The City of Bayou La Batre, AL asked DASH to participate in writing a grant request to be able to build a part of these housing units in Bayou La Batre. We (Bayou La Batre and DASH) were awarded the only grant in Alabama. The grant amount was **$15,667,000**. We are currently working with FEMA to plan all aspects of this grant.

PASCAGOULA, MISSISSIPPI: In 2006, Fannie Mae introduced DASH to the City officials of Pascagoula and to the devastation there. During Katrina, reportedly 95% of the City was covered in water. Working with the City of Pascagoula, using NeighborWorks and Fannie Mae funding, DASH identified the Chipley neighborhood where 230 homes were destroyed and now 230 slabs exist, developed a Master Plan for rebuilding, held a Town Hall meeting to present to the residents, and began assembly of properties. The problems that existed that made this assembly and rebuilding a daunting task were:

- Amended FEMA flood elevations impacted rebuilding costs by approximately $30,000.
- Investor acquisitions and speculation was raising the acquisition costs by a large amount.
- Legal issues associated with the property disruption.

Along with the City Manager and the Mayor, DASH visited the Governor and his staff in September, 2006. We were asked to develop a "replicable model" for creation of housing solutions to the lower 6 counties of Mississippi.

SOUTHERN MISSISSIPPI: With this request from the Governor, we convened a "think tank" session by 16 very talented people from:

- NeighborWorks® America
- Fannie Mae
- Neighborhood Housing Services of America
- Whitney National Bank
- The City of Pascagoula
- DASH Neighborhood Revitalization

A plan was agreed upon and was prepared and delivered to the Governor and his staff on October 8, 2006. The plan proposed the following:

That the State for Mississippi approve a funding of $48 million to be used in the following manner:

- $27 million to be used to offset the additional foundation cost created by the new FEMA flood elevations.
- $7 million to be used for land acquisition in excess of fair market value.
- $7 million to provide down payment assistance for families below 80% AMI.
- $7 million in a revolving fund to be used to "table fund" loans prior to mortgage sale. Most of these funds would be secured for recovery to the State at "point of sale" or from "soft second" amortizations.

  With this funding approval, DASH agreed to build 1,000 housing units within the 6 counties, to create 3 Homeownership Centers with funding from NeighborWorks and Fannie Mae, one each in Gulfport, Pascagoula, and Pass Christian.

  This proposal is still under consideration as we look for other ways to address the problems.

OTHER PLANNING TO ADDRESS THE PROBLEMS:

In an attempt to find a way to mitigate the additional insurance costs, we have engaged some of the best financial minds to develop a plan that uses New Market Tax Credits and reduced traditional debt to "drive down" the cost of money. This could then be reused to make market rate loans and to use the reduced "cost of money" gap created to mitigate the increased insurance costs. As a result of this study, we have partnered with Hampton Roads Ventures of Norfolk, VA to apply for a NMTC allocation to use in this way.

The State of Mississippi has assigned to Enterprise Corporation of the Delta the management of $750 million in Phase II recovery funds. DASH is working with ECD to provide a major portion of its housing recovery and homeownership counseling through its three planned Homeownership Centers.

NeighborWorks, Habitat for Humanity, and DASH have ongoing discussions that could create a partnership to build a modular housing factory and acquire property to build together. This could use our collective skills to make a significant difference in the region.

OUR REBUILDING PARTNERS IN THE GULF COAST REGION:

- NeighborWorks® America
- Fannie Mae
- Neighborhood Housing Services of America
- Whitney National Bank
- Whitney Community Development Corporation
- Gulf Coast Business Council
- Renaissance Corporation
- City of Pascagoula
- Habitat for Humanity International

We thank you for this opportunity to present our activities and plans for the Gulf Coast region. We hope your hearing can facilitate a more expedited response.

Respectfully submitted,
Walter O. Hendrix
President & CEO
DASH Neighborhood Revitalization, Inc.
DASH for the Gulf Coast, Inc.
DASH for LaGrange, Inc

Testimony of Bobby Hensley
Executive Director
Biloxi Housing Authority

Before the House Committee on Financial Services
Subcommittee on Housing and Community Opportunity
Gulfport, MS
February 23, 2007

Thank you Chairwoman Waters, Ranking Member Biggert and distinguished members of the Subcommittee on Housing and Community Opportunity. My name is Bobby Hensley and I am Executive Director of the Biloxi Housing Authority. On behalf of our Chairman Delmar Robinson and dedicated board and staff, I appreciate the opportunity to share with you the Housing Authority's work to date to rebuild following Hurricane Katrina and our plans and policy recommendations for building back stronger and healthier neighborhoods in Biloxi.

Prior to Hurricane Katrina, the Biloxi Housing Authority housed approximately 1500 people in 700 affordable homes and apartments. In addition, we were nearing completion on our 384-unit HOPE VI development. Katrina destroyed or severely damaged all but 180 of our units, including significant damage to the HOPE VI development that was only days away from completion. Two of our developments on the water were washed away completely.

Our first priority after the storm was to make sure that our residents had safe and affordable places to live. We reached out to our network of housing authorities across the country to help our residents find temporary housing and remain in contact with many of these residents today. With the help of thousands of volunteers from organizations such as Americorps and Hands On, we began the task of cleaning out and gutting our apartments. After many months of sorting out issues with insurance, our construction lenders and HUD, I am proud to say that we expect to bring back nearly 400 units by the end of this summer so that many of our residents can return home. In spite of these efforts, the supply of affordable housing is minimal. The lack of housing has driven up the prices in the real estate market as well as the rental market. Those persons in lower income categories have suffered the greatest negative impact.

The Biloxi Housing Authority is not only committed to building back the housing that we lost, but building back better than before. This past fall, Mayor Holloway released the City's *Reviving the Renaissance* recovery plan for Biloxi, which was the product of hundreds of volunteer citizens. The Mayor's plan calls for the Biloxi Housing Authority to take the lead in addressing the city's shortage of affordable housing. The Biloxi Housing Authority is well-positioned to take on this challenge. With the help of Enterprise Community Partners and other national and local partners, we recently unveiled our 5-year plan for development of over 1500 affordable and mixed-income homes. Over the next five years we will replace what remains of our WWII-era barracks-style housing with healthier mixed-income communities similar to our HOPE VI

development. We are also aggressively identifying properties to purchase for new mixed-income housing development. Our HOPE VI, which was modeled after award-winning HOPE VI developments in places such as Seattle and Atlanta, provides a range of rental and homeownership opportunities in a much safer and more attractive environment than typically found in public housing. We hope you will have a chance to see it during your visit to the Mississippi Coast.

Our ability to meet our ambitious goals is dependent on both the public and private sectors. HUD has provided us with $7.8 million in emergency funding towards the repairs of damaged apartments. Through Enterprise Community Partners and Fannie Mae, we have received capacity building grants and low interest lines of credit for acquisition and predevelopment of new properties. After almost 12 months of waiting, we recently learned that we would be receiving $41 million in CDBG recovery funds through Governor Barbour and the State of Mississippi that we will use for acquisition and development of new affordable housing. We have identified several underutilized publicly-owned sites that would be ideal for new mixed-income housing developments that could be financed in part utilizing Gulf Opportunity Zone Low Income Housing Tax Credits. All of these sites are described in the City's *Reviving the Renaissance* plan.

One key site is Harrison Court, a currently vacant 44-acre parcel located adjacent to our Oakwood Village development. Harrison Court is a part of Keesler Air Force Base, though it is outside the boundaries of the base. This site was previously used for military family housing. The base is not rebuilding housing on this site. We have been told that the base proposes to put an RV park on the site. We could build approximately 350 units of badly needed homeownership, rental and elderly affordable housing at this location. With the support of Senator Lott, Mayor Holloway and retired General Clark Griffith, **we are eagerly pursuing the transfer of this site from the Air Force to the Housing Authority**. Our concern is that the transfer will not occur in time for us to utilize GO Zone tax credits for development. We would appreciate any assistance from Congress in facilitating the transfer of this site so that we can utilize the federal and state resources available for affordable housing development.

We encourage Congress to **continue funding many of the proven community development programs that have been crucial in our ability to provide housing to and address the needs of Biloxi residents**. Specifically, we have benefited from the Section 8 housing voucher program, Section 4 capacity building, the Low Income Housing Tax Credit program and HOPE VI.

We also urge Congress to **extend the placed-in-service deadline for projects funded with Gulf Opportunity Zone Low Income Housing Tax Credits**. The Mississippi Home Corporation's final round of GO Zone tax credits will be July 2007. We will need at least two years from that date in order to get units placed in service. We also encourage the Mississippi Home Corporation to continue to prioritize heavily damaged coastal areas for these tax credits.

Finally, we urge Congress and the State of Mississippi to help **address the exorbitant cost of insurance** that threatens to prohibit not only the development of affordable housing but also market-rate housing. To provide one specific example, our 76 unit senior village that is nearly complete, may end up sitting empty despite the intense demand for senior housing because we simply cannot afford to insure the building. Because all 76 units are under one roof, we are only eligible for $250,000 in coverage through the National Flood Insurance Program and $1,000,000 through the State of Mississippi Wind Pool. To date, estimates for the needed excess private insurance have come in over $8000 per unit per year, though our rental income and HUD subsidy for one unit is only $5400. Exacerbating this situation is that the FY 07 subsidy proposed by HUD is approximately 76 % of estimated need. Whether through an expansion of the national insurance pool or new regulations on the insurance industry, we must find a solution to the prohibitively high cost of insurance. We also encourage the **adoption of final FEMA flood elevations** so that insurance companies and developers can move forward with more certainty.

The Biloxi Housing Authority appreciates the support we have received from our elected officials: Senators Lott and Cochran, Representative Taylor, Governor Barbour and Mayor Holloway. With your continued support and action on the items we have outlined, we will be able to not only replace the housing that Hurricane Katrina washed away, but we will be able to make Biloxi a more vibrant and healthy city with housing opportunities for residents of all income ranges.

Statement of

Gil Jamieson

Deputy Director for Gulf Coast Recovery

Federal Emergency Management Agency

Department of Homeland Security

Before the

Subcommittee on Housing and Community Opportunity

House Financial Services Committee

U.S. House of Representatives

Mississippi and New Orleans, Louisiana

February 22 and 23, 2007

Good Morning Chairman Waters, Ranking Member Biggert, and Members of the Subcommittee.

My name is Gil Jamieson, and I am the Deputy Director for Gulf Coast Recovery in the Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS). It is my pleasure to be here with you today to discuss FEMA's involvement in the Federal housing response to Hurricane Katrina.

On January 26, 2006, I was appointed FEMA's Deputy Director for Gulf Coast Recovery under Director R. David Paulison. Reporting directly to Director Paulison, I lead and coordinate FEMA's Gulf Coast recovery efforts and serve as the principal point of contact between FEMA and Donald Powell, the President's Coordinator for the Recovery and Rebuilding of the Gulf Coast Region. My position was established in order to ensure that FEMA's programs are consistently and effectively administered throughout the Gulf Coast Region. Prior to this appointment, I served under Admiral Thad Allen as his Deputy Principal Federal Official (PFO) during the response to Hurricanes Katrina and Rita. I am a long-time FEMA civil servant, having worked in the Agency since its inception.

We at the Department of Homeland Security and FEMA appreciate your interest in the housing challenges presented by the scope and scale of Hurricane Katrina that we continue to face. Hurricane Katrina, in conjunction with several other devastating storms of the 2004 and 2005 Hurricane Seasons, thoroughly tested the capabilities of FEMA, the Department, and the Nation, including the many States and communities across the country who hosted displaced evacuees from the affected Gulf Region. The magnitude of devastation from Hurricanes Katrina and Rita was overwhelming; it taxed and strained assistance resources and capabilities at all levels. Yet, while these disasters tested our plans and processes as never before, FEMA, working closely and collaboratively with our Federal and State partners, has provided more assistance, and provided that assistance faster, than ever before.

- 44 States and the District of Columbia received Emergency Declarations and have been reimbursed for over $750 million in sheltering expenses.
- Approximately $6.3 billion has been provided to over 1 million households through FEMA's Individual and Households Program (IHP).
- More than 120,000 households have been provided temporary housing units (travel trailers and mobile homes) through FEMA's Direct Housing Mission.
- Over $6 billion of Public Assistance funding has been provided to LA, MS and AL to reimburse expenses for Emergency Protective Measures, Debris Removal and Infrastructure Repair.

While much work remains, and years of rebuilding lie ahead, we have made tremendous progress, and will continue to do so.

I recognize the Committee's focus today is centered on the ongoing efforts to rebuild housing in the Gulf Coast Region, so I will focus my comments on the FEMA Recovery Programs and initiatives that directly relate to this important and continuing effort.

Under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, FEMA is authorized to provide housing assistance via our individuals and households program, which includes: rental assistance, home repair assistance, home replacement assistance, and direct housing. I'll discuss each briefly, but before doing so would like to note that FEMA's temporary housing assistance programs and authorities were not designed to provide long-term housing solutions. FEMA Temporary Housing Assistance, as authorized by Section 408 of the Stafford Act, was instead designed to provide a safety net, allowing FEMA to support eligible victims with timely but temporary accommodations while they work to find a permanent housing solution as part of their individual road to recovery. Nevertheless, FEMA will continue to work closely with those agencies and organizations that are able to assist those remaining victims with continuing long-term housing needs.

Let me begin with Financial Assistance: FEMA may provide financial assistance to eligible individuals whose homes have been made uninhabitable or inaccessible due to the disaster and whose insurance benefits do not cover alternative living expenses in order to rent housing accommodations. In the case of Hurricane Katrina, the majority of this assistance has been provided to evacuees residing outside of the damaged area. In total, $2.1 billion of rental assistance has been distributed to over 700,000 households. Currently 35,000 households continue to receive a form of rental assistance payment.

Home Repair Assistance. For eligible applicants from Hurricanes Katrina and Rita, FEMA is authorized to provide up to $5,200 in home repair assistance. Repairing a home to make it livable, where that option exists, is a preferred remedy, as it is a cost effective way to keep people in their homes and in their communities. In an event as massive and destructive as Hurricane Katrina, however, this is not always a viable option as many families suffered major damage to, or total destruction of, their homes. For the many families that sustained moderate or minor damage to their homes on the other hand, this is often the fastest and best housing assistance remedy. To date, FEMA has provided over $318 million in home repair payments, helping make more than 129,000 homes habitable across the Gulf Region following Katrina.

Home Replacement Assistance. FEMA is authorized to provide up to $10,500 in home replacement assistance to eligible victims of Hurricanes Katrina and Rita. Thus far, in the four Gulf States most heavily impacted by Katrina and Rita (Alabama, Louisiana, Mississippi, and Texas), FEMA has provided more than $300 million to over 30,000 households to assist them towards the purchase of replacement housing. It is important to note that neither the repair nor replacement assistance that FEMA provides is intended to substitute for insurance, nor can FEMA assistance duplicate any insurance benefits.

In most disaster settings, temporary housing needs can be adequately addressed by FEMA financial, repair, or replacement assistance as disaster victims return home quickly or have housing stock available. However, as we are all acutely aware, Katrina was no typical disaster. Katrina destroyed or significantly damaged tens of thousands of housing resources, greatly limiting our standard temporary housing options. In such a situation, where traditional fixed housing resources are not available, FEMA can provide direct housing assistance, in the form of temporary housing units, to eligible applicants.

Direct Housing Assistance can be acquired from the Federal government by purchase or lease, (such as apartments), but, most often, through the provision of manufactured housing (travel trailers and mobile homes). Following Katrina, both options were employed. Direct leases were secured to house evacuees outside the impacted area and manufactured housing was provided within the most heavily damaged areas of Louisiana, Mississippi, and Alabama, providing the option for many disaster victims to remain in their communities and close to their jobs, families, friends, ands schools. In some cases, families were able to remain on their own property.

- Over the course of the last 17 months, FEMA has housed more than 120,000 households in temporary housing units (travel trailers and mobile homes).
- In a sign of progress, the total number of households currently living in temporary housing has decreased to 91,000.
- 83 percent of temporary housing units are on private sites where individuals are rebuilding their homes.
- For pre-disaster renters or those without a private site, FEMA has constructed over 115 group sites in order to house individuals in Louisiana.

Direct housing is initially authorized by the Stafford Act for up to 18 months from the date of the disaster declaration, but President Bush directed FEMA to provide an extension of both the direct housing and the financial housing assistance programs because of the extraordinary circumstances; the new extension allows FEMA to continue to provide housing assistance through August 31, 2007. This extension gives us additional time to continue our work with disaster victims, federal, state and local partners, and volunteer organizations, to transition victims to more permanent housing solutions.

Many disaster victims are reaching the $26,200 limit on financial assistance under FEMA's Individuals and Households Program (IHP). For those who have reached the cap but still have a need for housing assistance, FEMA is continuing to provide temporary housing through direct housing assistance options.

The primary challenge for the Individual Assistance Program going forward is to work with the remaining 91,000 families who are still being housed by FEMA. Travel trailers and mobile homes are intended only as short-term solutions to fill the need for emergency housing. As we progress from the response phase to recovery, FEMA and the States face a challenge in transitioning individuals into permanent housing solutions. While the National Flood Insurance Program insurance, Small Business Administration loans, and State homeowner grant programs help address the needs of homeowners, renters are experiencing difficulties in finding solutions to their long-term housing requirements. This population is significant, as the proportion of renters in pre-Katrina New Orleans was reported to be 53 percent of residents. However, FEMA is acting on other alternatives, including:

- Creating a Rental Resource team that assists households by researching available rental resources in the affected areas. Lists of properties are made available to households and the Disaster Recovery Center staff so that as properties become available, households have more alternatives in reaching their permanent housing solution. In the last month alone, the team

identified more than 3,000 available houses, apartments, and condos in Orleans, Jefferson and St. Tammany parishes in Louisiana.

- Using recertification teams that visit families living in travel trailers and mobile homes to discuss their permanent housing plans, provide information about available rental resources, and identify mobile homes and travel trailers that may no longer be needed.
- Opening a Welcome Home Center for individuals in the New Orleans area. In addition to providing FEMA, the Small Business Administration, and case management services through the City of New Orleans, the center serves as a resource for mitigation specialists, crisis counselors, and voluntary agencies working to help households recover.

Building Back Better

FEMA's primary mitigation efforts over the last year have focused on working with local communities to rebuild better and safer communities.

- FEMA's Hazard Mitigation funding is available for individuals and public entities to prevent future losses of lives and property due to disasters; to implement State or local hazard mitigation plans; to enable mitigation measures to be implemented during recovery from a disaster; and to provide funding for previously identified mitigation measures to benefit the disaster area. Grants are administered through the State and may be used for both pre- and post-incident mitigation activities.
- FEMA is also re-evaluating its floodplain maps, many of which have not been updated since 1985. While those flood maps are being modernized, FEMA provided local communities with the Advisory Base Flood Elevations (ABFE) as interim guides on rebuilding. The ABFEs are guidance for minimum elevation levels.

Hazard Mitigation Grant Program (HMGP)

Authorized under the Stafford Act, HMGP funding is available to States following a disaster to fund cost-effective mitigation projects. Funds available under HMGP may be used to flood-proof existing properties; acquire and relocate homes from hazard-prone areas; and develop State and local standards to protect new and substantially improved structures from future disaster damage. Potential projects submitted by applicants must conform to the State Hazard Mitigation Plan, Local Hazard Mitigation Plan, and meet environmental/historic preservation requirements. By statute, FEMA may only contribute up to 75 percent of the costs of the projects. This program is not designed for immediate response, but as a long-term future-looking solution to flooding and other hazards. The amount of HMGP funds made available to the State is formula-driven, based on a percentage of the total amount of disaster grants provided. It is 7.5 percent for Hurricanes Katrina and Rita.

Louisiana HMGP

For Louisiana, over $1.47 billion is expected to be available under the HMGP for Hurricanes Katrina and Rita. The State has until March 2008 to submit its proposals to FEMA.

- To date, FEMA has formally received eight HMGP project applications. One of the projects has been approved, one has been denied, and the remaining six are under review.

- The State has also provided an additional 150 project applications to FEMA for a preliminary, informal review and we have completed those reviews and returned them to the State.
- Due to the extraordinary circumstances resulting from Katrina and Rita, FEMA worked with the State Emergency Management agencies affected by the Hurricanes in Louisiana and Mississippi to develop the Katrina/Rita Reconstruction Pilot. This Pilot policy will provide a 75 percent Federal cost share of up to $150,000 to eligible homeowners to demolish and rebuild their homes, provided the reconstruction does not exceed 110 percent of the structure's original footprint.

HMGP and Louisiana's Road Home Program
Although some HMGP funds are available to local governments in a typical manner, Louisiana proposed to administer the majority of HMGP funds through the state's Road Home Program. FEMA continues to work with Louisiana to try to facilitate the implementation of the HMGP in a manner that meets objectives of *The Road Home* and also meets the statutory and regulatory requirements of the HMGP. The HMGP, which is authorized by the Stafford Act, is FEMA's traditional post-disaster mitigation program designed to help States and communities reduce the loss of life and property during future disasters. Under *The Road Home,* HMGP would be used to acquire properties, and provide homeowners with the funds to relocate out of harm's way. Land acquired using HMGP funds would be dedicated to open-space, or green space, in perpetuity to eliminate all future risk. *The Road Home,* which is funded primarily by the Department of Housing and Urban Development's Community Development Block Grant program (CDBG), is designed to provide individual homeowners with the resources to stay in their homes if they choose and to restore communities through community redevelopment.

FEMA and the State have worked collaboratively, and have addressed many of the differences in requirements between *The Road Home* and the HMGP programs; however, legal barriers remain concerning equitable treatment in the distribution of HMGP funds. These barriers cannot be overcome without some changes in the implementation of *The Road Home*, including the involvement of local communities in making land-use decisions about redevelopment and open-space or changes in the way the state determines how much to offer a property owner to buy his or her home.

Specifically, the State has established a 40% reduction in funds for homeowners leaving the state, or staying in state but not committing to owning property for 3 years. Recently the state exempted seniors from the 40% reduction if they choose to leave the State. Therefore the purchase offer amount will vary based on age of applicant and ability to own 3 years in-state, which conflicts with provisions of Federal law, including the Stafford Act.

FEMA advised the State in writing of these issues and potential solutions on December 13, 2006, and has offered to continue to meet with the State to identify options for moving forward. The Louisiana Redevelopment Authority continues to question the rationale for the requirements, to push back with reasons why they cannot meet HMGP program requirements, and to suggest options that FEMA cannot agree to because of the discrimination issues. When Louisiana signed the FEMA-State agreement for Hurricanes Katrina and Rita, as States do for all disasters, it agreed to comply with the Stafford Act and FEMA regulations.

A significant factor contributing to the conflict of program requirements is that FEMA was not involved in the design of the Road Home program until after critical decisions on program requirements had been made, and those requirements are in conflict with the HMPG program legal requirements. In a letter dated February 6th, FEMA notified the State that the *Road Home* application cannot be approved as submitted, provided specific information concerning the deficiencies, and extended a commitment to continue to work with the State in resolving the issues and supporting the State's recovery activities. The Application Submission deadline for all HMGP projects is March 1, 2008. Until that time, the State may submit another project or modify the existing project such that it meets FEMA's eligibility criteria. A copy of that letter is attached to this testimony.

Mississippi HMGP
FEMA continues to support the State of Mississippi on the implementation of the HMGP. The current amount available to Mississippi under the HMGP is expected to be $433 million. FEMA has extended the application submission deadline for all HMGP projects to March 1, 2008. Until that time, the State may submit project applications for the use of HMGP funds.

The use of HMGP funds does require a 25% non-federal match, which is typically provided by state or local governments. Mississippi is still in the process of finalizing a strategy, but has indicated it intends to meet this requirement through global match. Global match occurs when the 25% non-Federal share is derived from several non-Federally funded mitigation actions or properties that are included in the HMGP project, in this case CDBG funds, which are aggregated to make up the non-Federal commitment to the HMGP grant award. Global Match will require that mitigation actions funded with CDBG that are used to meet the non-federal match meet all HMGP requirements. FEMA is continuing to coordinate with the State as needed to assist in finalizing a strategy to meet HMGP match requirements.

Flood Insurance
FEMA is actively involved in two areas regarding flood insurance: disbursement of the National Flood Insurance funds and flood insurance rate maps (FIRMs). The National Flood Insurance Program has paid out over $16 billion in NFIP claims in the Gulf Coast, including $13 billion on over 187,000 claims in Louisiana alone. To date, over 99 % of all claims filed have been closed. We see that as a significant step towards recovery as individuals are able to make choices about long-term housing plans.

Advisory Base Flood Elevations (ABFEs) and Flood Insurance Rate Maps (FIRMs)
In the aftermath of Hurricane Katrina, FEMA responded quickly to State and local officials' requests for updated flood hazard information to help them make smart rebuilding decisions. FEMA responded by issuing advisory base flood elevations, or ABFEs, for areas of Louisiana and Mississippi where the effects of the storm had significantly altered the floodplain, or demonstrated that current base flood elevations were outdated.

The post-Katrina ABFEs, for 15 affected Louisiana parishes and 3 Mississippi counties, are generally higher than the base flood elevations shown on the current effective Flood Insurance Rate Maps. The ABFEs are advisory for purposes of the NFIP, and have no impact on the

availability of flood insurance. Existing flood insurance policies continue to be rated based on current effective FIRMs, and if a structure is built to ABFE standards, flood insurance premiums may be much lower.

From a recovery standpoint, ABFEs represent the best available data on flood risk and FEMA encourages property owners and building officials to consider them when making decisions about rebuilding. As such, FEMA has issued a policy requiring Mississippi and Louisiana communities to use the ABFEs for reconstruction and mitigation activities paid for through FEMA grant programs, including Public Assistance, HMGP, the PreDisaster Mitigation grant program, and the Flood Mitigation Assistance program.

FEMA's work with the FIRMs will also provide more accurate estimates of risk and potential flood hazard areas. FEMA provides the maps to communities that participate in the National Flood Insurance Program, and FEMA plans to release updated maps this year. The first step in this process was the release of the ABFEs and this will be followed by the preliminary maps, which will be released this year.

Legislative Improvements

Congress recently took some important legislative steps to help us address the challenges of disaster housing, both for those affected by Hurricane Katrina, and those who may be faced with similar housing needs in future disasters.

In the June 2006 Emergency Supplemental bill, Congress appropriated $400 million to FEMA for a pilot program that could identify and evaluate new alternatives for housing victims in the aftermath of a disaster. That legislation required that FEMA target the funding and assistance to those States most affected by the hurricanes of 2005. Accordingly, Alabama, Florida, Louisiana, Mississippi, and Texas were invited to submit applications as part of a competitive process to identify the most innovative and promising alternative disaster housing solutions. This competitive grant process was designed to ensure that those proposed projects that met the greatest number of selection criteria received first consideration. The Alternative Housing Pilot Program (AHPP) grant guidance was released September 15, 2006, and applications from the five eligible gulf coast states were due October 20, 2006. Each of the five eligible states submitted applications, which collectively contained 29 discrete project proposals. The 29 proposals totaled almost $1.2 billion in requested grant money, well in excess of the $388 million made available for award, with the remaining $12 million (three percent of the total) reserved for necessary administrative costs, management costs, the pilot evaluations, and any needed amendments. The Department of Housing and Urban Development (HUD), a key partner of ours in this pilot program, will lead a formal evaluation of all approved pilot projects. Five projects were selected for potential grants across the states that submitted competitive applications. Each project is being reviewed to ensure viability, and, upon successful completion of that review, will move forward to funding.

The FY 07 Homeland Security Appropriations Bill also made broad changes to the Stafford Act, many designed to allow FEMA greater flexibility in meeting future disaster housing needs. Key changes include the requirement for a pilot program that will allow for the repair of pre-existing

rental units under FEMA housing assistance, as well as a requirement to develop a national disaster housing strategy. There are other changes, and work on all of them is well underway.

While finding housing for the many displaced households of Hurricane Katrina has been, and will continue to be a challenge, FEMA remains committed to providing or coordinating continued assistance to these victims. Together, with our federal, state, local, private, and voluntary agency partners, we will continue to pursue assistance solutions that will effectively and compassionately help individuals and households recover and re-establish their lives in the gulf coast region.

Thank you. I am prepared to answer any questions you may have.

MS Region Housing Authority VIII: Current Tenants' Homes

Charles Warner Homes, Ladnier Homes, L.C. Jones Homes, Village Apartments & Baywood Apartments

Provided By:

The Mississippi Center For Justice

mscenterforjustice.org

The Affordable Housing Crisis on the Gulf Coast

- The Mississippi Regional Housing Authority for Region VIII is seeking approval from HUD to sell approximately nine public housing complexes at a time that this area is experiencing the worst housing crisis in its history.
- Moreover, many of the housing complexes they seek to sell are habitable with significant numbers of tenants currently living there. This presentation is designed to show the good condition of this housing.
- It is astounding that the MRHA VIII would choose to implement this major shift away from decent public housing at a time when there is such a major crisis.

MRHA VIII Proposal

- MRHA VIII has indicated that it wants to repair or redevelop the properties to provide "mixed use" without any details of what options existing public housing tenants have if the redevelopment goes forward.
- MRHA VIII has failed to provide clear answers as to what it plans to do with the current residents.
- While MHRA VIII has made statements to the effect that existing tenants are not going to be evicted or displaced, it has sent letters and representatives to residents of several of the complexes informing them that they need to prepare to voluntarily move out. This has created great dismay for the tenants who fear they may be displaced and are unsure of where they will be able to find a place to live.

Why Are Tenants Being Displaced?

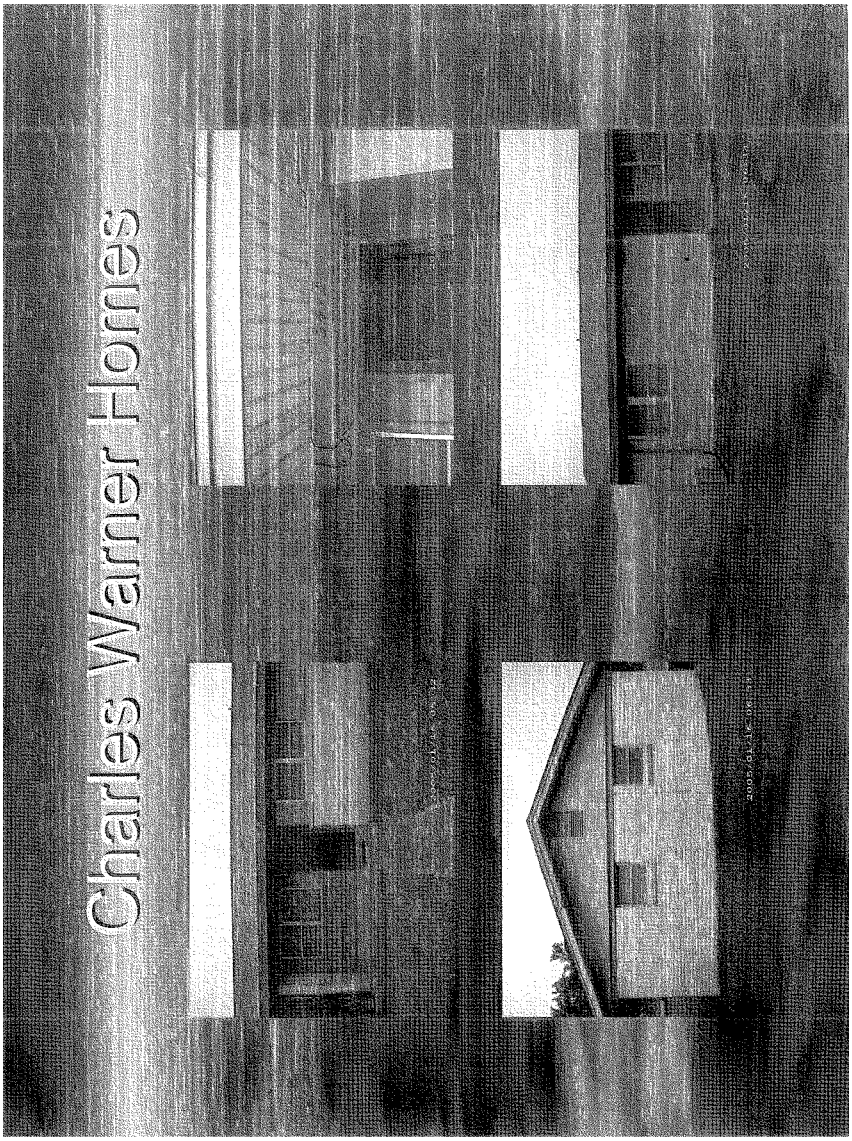
- Over 400 units at Charles Warner Homes, L.C. Jones Homes and W.M. Ladnier Homes are habitable and occupied. While there is extensive damage at Baywood and Village, some of the units at thes complexes are habitable and presently have tenants.
- Our random inspection of the units shows that the units are very much habitable. In light of the lack of affordable housing, these units should not be sold or redeveloped for the forseeable future. If repairs are necessary, all efforts should be made to permit those presently living in the habitable units to remain during the repairs.
- If people must be moved for safety reasons during repair, they should be provided another public housing unit and be guaranteed the right to return. Section 8 vouchers are not a viable alternative given lack of such housing due to the extensive damage during the storm.

Welcome to our homes…

- The following slides will provide you with a virtual tour of Charles Warner Homes, W.M. Ladnier Homes, L.C. Jones Homes, Village Apartments & Baywood Apartments communities.
- These pictures were all taken on February 21, 2007 and were randomly selected with no more than 30 minutes notice.
- Our inspection of these units showed that ALL of these units were very much habitable and that ALL of the tenants interviewed desired to stay in their current homes.

Charles Warner Homes

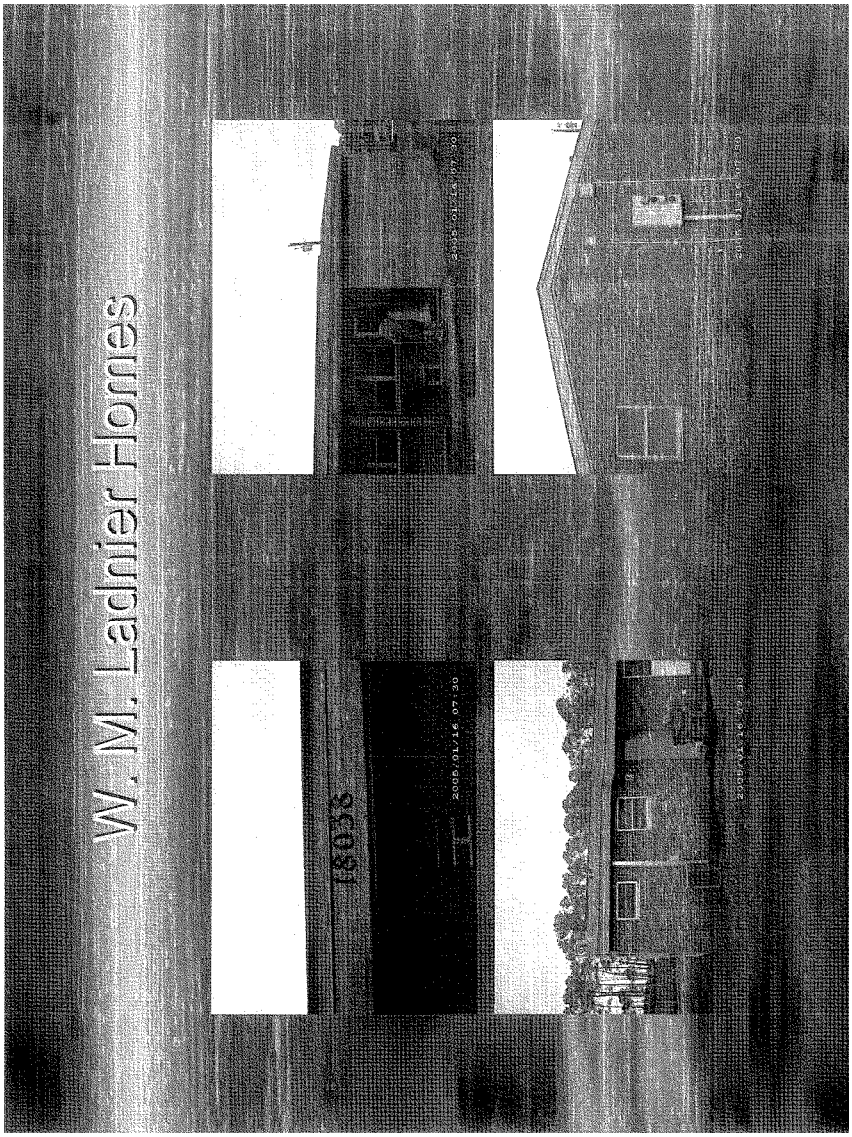
- Charles Warner Homes (210 unit)
  3705 Lexington Avenue
  Pascagoula, MS 39567
- Charles Warner Homes consists of one to five bedroom multi-family affordable housing units.
- The unit we surveyed was occupied my a single mother with three children.

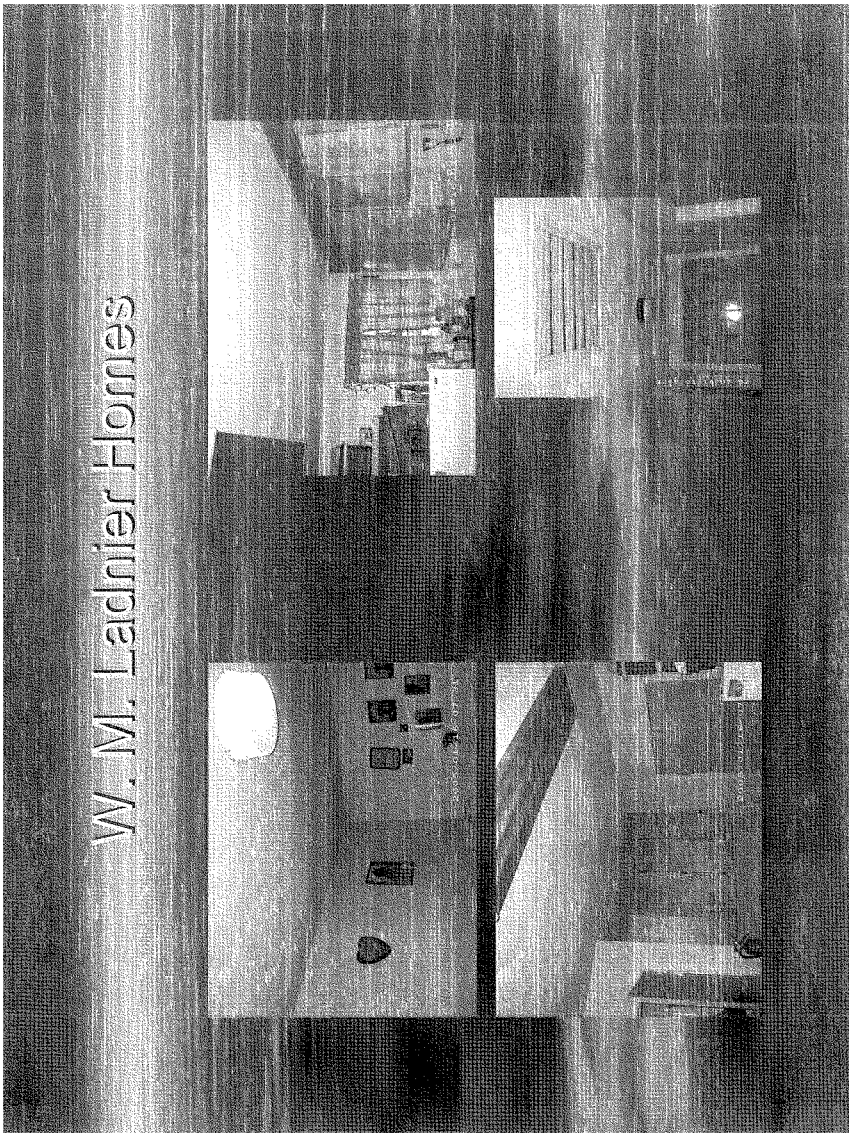

Charles Warner Homes

Charles Warner Homes

W. M. Ladnier Homes

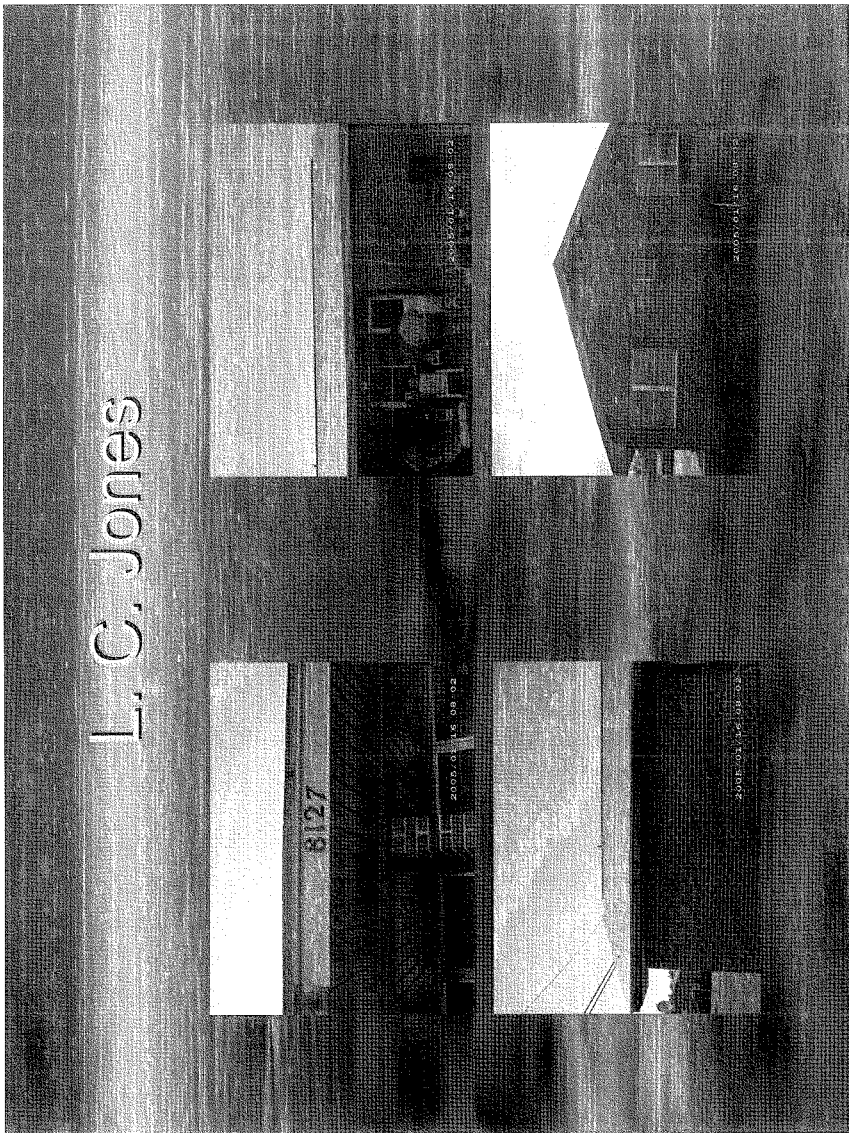
- W. M. Ladnier Homes (64 units)
  18072 29th Street
  Long Beach, MS 39560
- W. M .Ladnier Homes consist of 64 affordable housing units which received roof and wall damage that has since been repaired.
- The unit we surveyed was occupied by a single elderly occupant who has lived in this community for over six years.

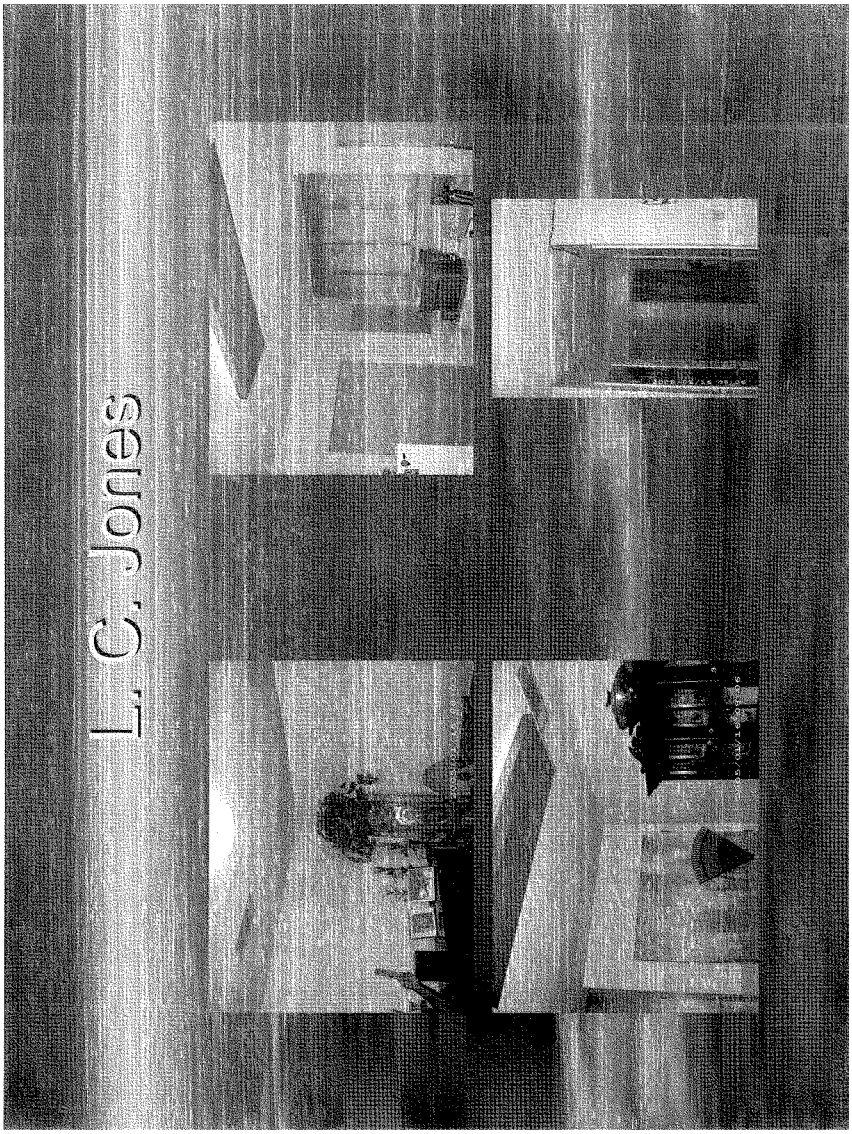

W. M. Ladmier Homes
18035
2008.01.16 07:20


W. M. Ladnier Homes

L. C. Jones

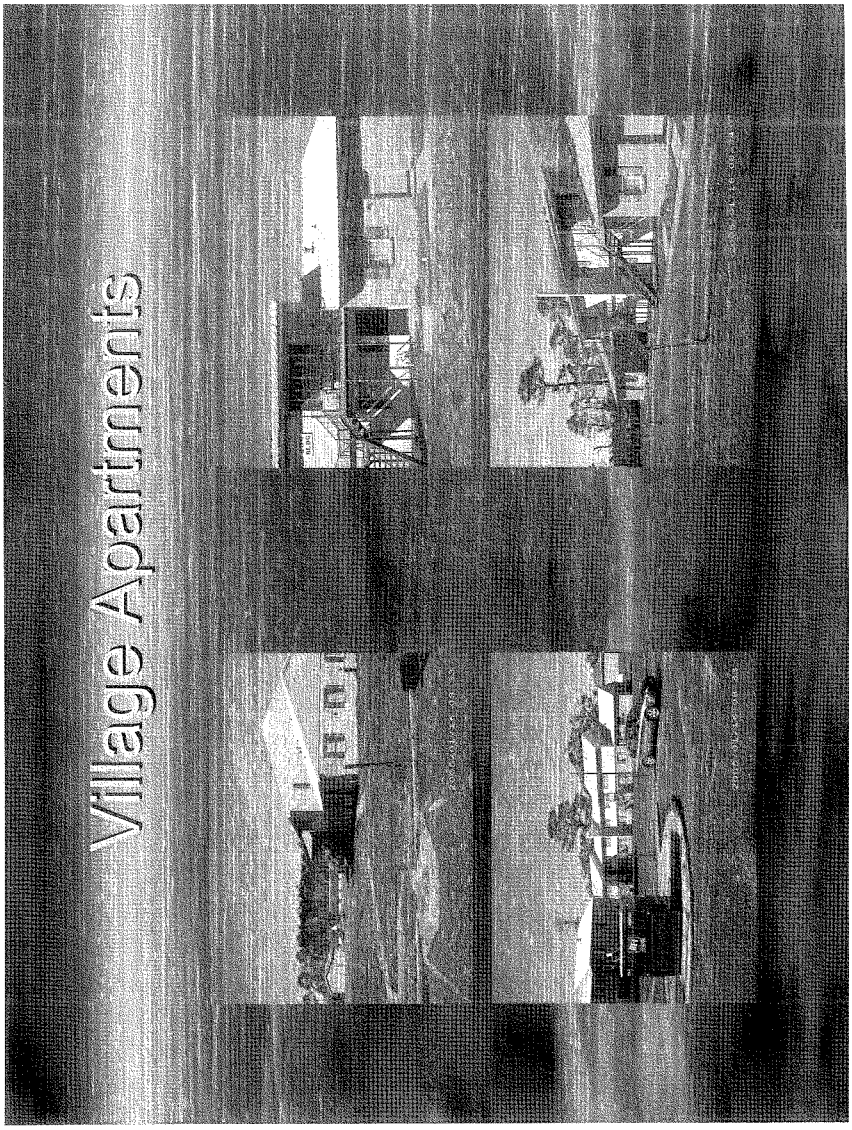
- L. C. Jones Homes (124 units)
  1601 Center Street
  Gulfport, MS 39501
- L. C. Jones Homes consist of 124 affordable housing units which received roof and wall damage that has since been repaired.
- The unit we surveyed was occupied by a single elderly occupant who has lived in this community for over thirty years.


L. C. Jones
8127


L. C. Jones

Village Apartments

- Village Apartments (68 units)
  1000 34th Street
  Gulfport, MS 39501
- Village Apartments consist of 48 one-bedroom and 20 two-bedroom apartments for a total of 68 affordable housing units and received severe flooding to downstairs units.
- While the downstairs units have been vacated several of the upstairs units which received roof and wall damage that has since been repaired and are occupied.
- The unit we surveyed was occupied by a single elderly occupant who has lived in this community for over twenty two years.


Village Apartments

Village Apartments

Baywood Apartments

- Baywood Apartments (72 units)
  1900 Switzer Street
  Gulfport, MS 39507
- Baywood Apartments consist of 44 one- bedroom and 28 two-bedroom apartments for a total of 72 affordable housing units the actual numbers units on the property was not available.
- These units received roof and wall damage that has since been repaired and currently twenty three are occupied.
- Two units were surveyed and each unit was occupied by a single elderly occupant who has lived in this community for seven years and 6 years respectively.

Baywood Apartments

Baywood Apartments

MS Center for Justice Recommendations

- Require HUD to impose a moratorium on consideration of the MRHA VIII Disposition Application;
- Require HUD to work directly with MRHA, public housing tenants representatives in developing comprehensive redevelopment and rehabilitation plans for public housing that is agreeable to all parties.
- Prioritize Affordable Rental Housing Restoration
- Address Financing Barriers Facing Low-Income Homeowners
- Prevent Public Housing Displacement
- Provide Support for Non-Profit Development
- Make Insurance a Feasible Option for Homeowners and Landlords
- Enforce Regular Reporting to Allow for Midcourse Corrections

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Panel III –Financial Services Committee, Subcommittee on Housing and Community Opportunity, United States House of Representatives
February 22, 2007
Good Deeds Community Center, Gulfport, Mississippi

Chairwoman Waters, Ms. Biggert, members of the subcommittee, and Mr. Taylor; good morning and welcome back to the Mississippi Gulf Coast. My name is Brian Sanderson, and on behalf of the Gulf Coast Business Council, I thank you for your continued attention and assistance to the people of Mississippi.

I work as president of the Gulf Coast Business Council, an organization comprised of over 170 of the top business and economic leaders in the three coastal counties of Mississippi. Most of our members are small business owners. Our mayors and presidents of the county boards of supervisors serve as ex-officio members of the organization along with our military base commanders, economic development professionals, chambers of commerce executives, regional planning directors, and port and airport directors. The Gulf Coast Business Council was formed in the wake of Hurricane Katrina to provide a unified, regional voice of business on important matters of public policy which affect the economic vitality and quality of life of our region.

No issue is more important to our region than affordable housing. It is a foundational issue and has been the priority issue for the Gulf Coast Business Council. In response to this unprecedented need, we have formed the Gulf Coast Renaissance Corporation, the mission of which I will explain in a moment.

Hurricane Katrina destroyed over 60,000 homes in our state and certainly the majority of those were here in the three Coast counties. Almost half of the rental units that existed in this area before the hurricane were completely destroyed or are now uninhabitable. Affordable housing is integral to any inclusive, sustainable community, and it is absolutely essential for the economic recovery of the Gulf Coast. Without affordable, safe, housing close to the major centers of employment, our projected economic growth will not be realized. The demand for skilled workers has never been greater, and their short supply is most often due to the lack of affordable housing within reasonable distances of work. Many of the over 10,000 workers who build the most advanced ships for our Navy and Coast Guard have limited or no housing options in the wake of Hurricane Katrina. Similarly, employees in the hospitality and gaming industry, oil and chemical industry, construction trades, first year school teachers, and emergency responders are facing unsustainable circumstances. While we are thankful for the temporary shelter provided by FEMA trailers, more permanent initiatives must be enacted.

The title of this hearing asks the question "why no progress". I could not disagree more with your implication. Certainly you do not mean to suggest that the thousands of volunteers, faith-based and community action groups, and local, state, and federal officials have made no meaningful steps in rebuilding affordable housing in Mississippi. Thanks to Congress and the American people, our Governor has been able to give direct assistance to thousands of our residents to rebuild their homes in Phase I of the Homeowners Assistance Grant Program. Over 11,000 have received grants under this program and 84% have indicated that they plan to rebuild and remain on the Coast. Phase II of this program is limited solely to residents with household incomes below, on average, $55,000. Over 2,000 rental units are being rebuilt in Mississippi with housing tax credits awarded by the Mississippi Home Corporation. These apartments will be available for families making 60% or less of the Area Median Income. Countless community organizations have also made significant investments in affordable housing: Enterprise Corporation of the Delta, the North Gulfport Community Land Trust, DASH, and grassroots efforts led by Bill Stallworth in east Biloxi and Wendy McDonald and Herb Dubuisson in Hancock County. These are tireless examples of the progress made in Mississippi.

The fairer question you pose today is "what are the obstacles to success". The obstacles are significant. They can and will be overcome. The lack of affordable housing does not stem from lack of will or attention placed on it. Components which make housing affordable have been obstacles to developing it with the needed speed and scale. Four factors are most prominent: elevated land price, insurance costs and availability, increased construction material costs, and a shortage of construction labor. We have begun to see a retreat of material costs and are working on various efforts to increase the supply of construction labor. Continued federal funding and support for workforce training programs are crucial to meeting this need. Unless the property is owned by a public entity, land prices must be stabilized by market forces. The most significant increases in real estate prices have been in multi-family lots, multi-family developments, and lots of 10 or more acres.

The skyrocketing cost of insurance and its decreasing availability, however, are the most critical impediments. Standard property and casualty insurance is becoming more limited on the Mississippi Coast, and, in fact, statewide. Last week, State Farm, the largest insurer in our state, announced that it is suspending the writing of new property and casualty policies in the entire state. Plenty of debate exists on the merit of that decision, but the reality is that the Mississippi insurance market represents one-sixth of one-percent of all the property coverage written in the United States. We must create a stable environment which will attract good insurance companies to provide coverage in all parts of our state.

The Mississippi Windstorm Underwriters Association, commonly referred to as the "windpool" is designed to be the insurer of last resort for property owners in the six southern counties. For too many residents and businesses, it has become the insurer of only resort. Total insured value in the windpool was under two billion dollars before Hurricane Katrina. Today it totals over six billion dollars and is growing. As a result reinsurance costs and the losses paid after the storm, residential rates tripled, but have been decreased to a 90% spike thanks to the cooperation of our state and federal officials. Rates for small businesses,

however, have almost tripled with a 268% increase for commercial properties. Many small businesses simply cannot reopen with these prevailing rates. Multi-family developers have to charge on average an additional $300 per month, per unit to cover the increases in their insurance rates. In a region with Area Median Incomes at around $47,000, such increases are unbearable and unaffordable. The Gulf Coast Business Council drafted state legislation to stabilize the windpool, build its reserves, and affect greater stability in the standard market. While our state leaders are committed to passing this legislation, the only permanent solution lies with a federal insurance program for all catastrophic disasters. Congressman Taylor is working on important legislation to provide multi-peril coverage as part of the National Flood Insurance Act. We are supportive of these concepts and urge you to work with your colleagues in developing a national insurance program which offers some basic level of coverage in the event of a major catastrophe. Without it, our individual efforts will be stop-gap and dependent on the forces of the private market.

These are the major obstacles to developing affordable housing. Leadership, political will, and public attention are not the obstacles. Progress has been and continues to be made. If you are one of the thousands of Mississippians living in a FEMA trailer or driving three hours a day to work, however, progress is not fast enough.

I will conclude by telling you about the direct effort the Gulf Coast Business Council has undertaken to develop affordable, safe, attractive housing for the workforce of our area. As you understand, many faith-based organizations, national foundations, government programs, and community-based development corporations have begun important work in building affordable housing. A comprehensive, collaborative initiative, however, is necessary to build the significant numbers of homes in the three-county area at a much more rapid pace. To date, the efforts have been well-intentioned but piecemeal. The most housing construction starts in annual period for this region is just over 2,000. With the demand for tens of thousands of homes in this 2,400 square-mile area, the solution must be unprecedented in the history of our nation.

The Business Council has formed an independent, not-for-profit, private corporation named the Gulf Coast Renaissance Corporation. The Renaissance Corporation will create and implement a broad-based approach to land acquisition and development and redevelopment of single-family and multi-family housing units on the Coast, with a particular emphasis on work-force housing. It will develop strategic partnerships with national foundations, community-based organizations, corporations, financing institutions, governments, builders, land developers, and other stakeholders.

A large portion of the workforce in desperate need of affordable housing is households at 80% to 120% of the Area Median Income. This need is not being effectively met by existing state and federal programs and will be the focus of the Renaissance Corporation.

The Renaissance Corporation will marshal capital to bridge the gaps in financing land acquisition and construction costs so new units will be affordable to this population. Although we plan to raise capital from private donors, corporations, foundations and through

creative partnerships with local and state governments, the rebuilding effort will require an unparalled commitment from the Department of Housing and Urban Development ("HUD") in order to have any level of impact on this unprecedented market failure. A commitment of this nature will require flexibility within the HUD guidelines for the use of Community Development Block Grants ("CDBG") or a new program tailored to this period of recovery. A historical parallel is found in the Reconstruction Finance Corporation established during the Great Depression and its similar use in the 1980s to solve the national savings and loan institutional crisis. The Marshall Plan for European recovery is another illustration of our nation developing a targeted program that ceases once the recovery is complete. In summary, private enterprise, even at little or no profit, cannot assemble land and build housing at a price affordable to this population group.

The Renaissance Corporation is developing a formula and framework for the use of public and private funds in an effort to maximize the number of workforce housing units produced and to ensure that the development of these units reflect responsible land use practices in the creation of sustainable communities. It will engage other entities to ensure complementary efforts by strengthening existing programs and offering programs that are not currently in place. Developments will adhere to mixed-income principles and seek to leverage public funds with private funds. Above all, the Renaissance Corporation will ensure fairness in housing and transparency in the process and structure.

The Renaissance Corporation will be led by an experienced President and CEO, Laura Davis. After March 2, she may be reached at 228-896-3386. The Renaissance Corporation will be supported by an advisory board that will bring together for regular forums non-profit groups, advocacy groups, housing authorities, policy and research organizations, government stakeholders, business and civic groups, and interested individuals. We expect the advisory board will include representatives from the entities such as public housing agencies, the Mississippi Center for Justice, Back Bay Mission, United Way, SOS Boat People, Oxfam America, Enterprise Corporation of the Delta, NAACP, and local financial and mortgage institutions.

I leave you with one specific request that, if granted, will provide greater housing options for workers in the 80% to 120% of Area Median Income. My request is that more flexibility be authorized for the use of public funds, namely CDBG, to serve the needs of the households which are above 80% of Area Median Income. Currently, they are limited to income levels below this target and are not available to meet the housing demands of thousands of workers in this population. Over the next two months as we develop our framework for the Renaissance Corporation, we will be proposing to you a creative and fiscally-sound approach to delivering workforce housing to the Mississippi Gulf Coast. It is our challenge to you to create today's Marshall Plan by considering nontraditional approaches to the use of public funds. Your efforts are the critical piece in restoring hope to the families of the Mississippi Gulf Coast.

I thank you for being with us again and inviting me to share these thoughts with you, and I thank the American people for their continued support.

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