

INTRODUCTION

Bureaucracy, insurance, home financing and weak local leadership that has allowed a Not-In-My-Backyard (NIMBY) mentality to drive critical decisions are among the primary obstacles to addressing the Mississippi Coast's critical housing needs, according to more than 50 participants in a special Sun Herald editorial board meeting held July 24.

A warning that more than one major employer may be faced with scaling back local operations or moving because of the lack of housing for their employees helped underscore the importance of addressing and solving this shortage of workforce housing. Gov. Haley Barbour, attending the meeting, reminded participants that under current guidelines, all FEMA trailers and FEMA cottages, provided to displaced residents as temporary housing, must be gone by March 2009. FEMA rental assistance also expires next March. This creates a major issue: where will the almost 4,000 families currently living in FEMA trailers or cottages or receiving FEMA rental assistance live after March 2009?

The group defined "reasonably priced" workforce housing as *apartments and rental houses costing less than \$800 a month and homes that can be purchased for less than \$185,000.*

Although the participants identified a variety of obstacles, they felt most could be overcome with streamlined permitting procedures, better communications and stronger local leadership. Working in small break-out teams, participants drawn from a cross-section of housing stakeholders were asked to identify and prioritize hurdles they see slowing our response to the Mississippi Coast's critical workforce housing shortage and offer possible solutions.

As a framework for the discussion, participants began with a report from developer Jim Wooten (Wooten Investment Management) and expanded upon his research and recommendations. Among the areas of difficulty identified by Wooten and other participants were:

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|--------------------------|-----------------------|-------------------------------|--|
| ▪ Insurance cost | ▪ Time limits | ▪ Credit availability | ▪ Public perceptions |
| ▪ Insurance availability | ▪ NIMBY mentality | ▪ Resistance to FEMA cottages | ▪ Unrealistic local expectations |
| ▪ Land prices | ▪ Home financing | ▪ Land size/ and density | ▪ MDA and HUD not present on the Coast |
| ▪ Wetlands | ▪ GO Zone limits | ▪ Permitting procedures | |
| ▪ Infrastructure | ▪ Rental availability | ▪ Elevation | |
| ▪ Bureaucracy | ▪ Local leadership | | |

Each of these issues will be discussed in this document. But the top four issues the groups felt need to be addressed immediately are:

1. **Insurance** (*All perils; affordability; availability*)
2. **NIMBY (Not-In-My-Back-Yard)** (*Multi-family and tax credit rejection; cities cannot move forward; allowing small groups to dictate policy*)
3. **Bureaucracy** (*time issues; conflicts in jurisdiction; inconsistent code interpretation; local issues between cities or counties; MDOT lack of responsiveness to public concerns*)
4. **Home financing** (*Credit crunch; construction costs; credit worthiness; ability to deliver products*)

1. INSURANCE

When available, insurance is frequently prohibitive, especially south of I-10. Current post-Katrina residential insurance rates can often be as much as the mortgage on the same house. The lack of “all-peril” insurance has allowed insurance companies to use the “wind vs. water” debate to avoid paying claims. By threatening to pull out of Mississippi, the large insurers have effectively reduced any leverage state officials have over the companies. And the insurers have arbitrarily refused to insure homes in some areas. So the availability of insurance, as well as the cost, has been the primary factor in reducing the ability to provide “affordable” housing. And the fight to get reimbursed for their losses has discouraged many homeowners from rebuilding. Complicating the insurance issue is the fact that non-wind/water coverage costs are also going up.

Recommendations:

- 1. Combine basic wind-water coverage into one “all perils” policy, which would be more expensive than the current federally-subsidized flood insurance, but will ensure homeowners that they will avoid the wind.-water debate in the future.*
- 2. Short of federally created “all peril” insurance, Mississippi should join a multi-state coalition with other coastal states (Texas, Louisiana, Alabama, Georgia, the Carolinas, but not Florida due to its problems with self-insurance) to spread the risk.*
- 3. Support the Travelers plan for regional combines. Congress must pass, then each state would have to decide to join.*
- 4. Exclusionary zoning for workforce housing could reduce costs.*
- 5. Mitigation measures can reduce insurance costs, but there are no provisions for that now. Local leadership should push for these provisions and use regulatory options to encourage mitigation measures in home building.*

2. NIMBY (Not-In-My-BackYard) or NIMT (Not-In-My-Town) AND WEAK LEADERSHIP

Almost every planning commission and approving authority is besieged by neighbors and interested people protesting new developments. Their mantra is usually predictable: inadequate schools, roads, water and sewer services, increased crime, invasion of wildlife habitats and decrease in their property values. The unstated and real reason is simply they do not want their neighborhood to change. The people on the planning commissions and approving boards are much more likely to consider the handful of protesters than they are to consider the many people who approved but did not show up to protest nor consider the public need for the development. Consequently, many worthy projects are denied because of the selfishness of a few protesters. This sad fact is especially predominant when workforce housing is involved. As a result, the workforce developments are often moved to more remote areas where transportation cost can be prohibitive for the new owner/renter. Also, manufactured homes - whether modular homes or those built on frames - are almost completely denied in incorporated areas. Still predominant is the prejudice and ignorance arising from the days before building code requirements governed their construction.

For most of us, our biggest investment is our home. None of us want to do anything to decrease the value of this major investment. We’re all familiar with the problems of “housing projects”: the “ghettos” full of overgrown yards filled with abandoned cars, graffiti-covered buildings, high crime, unruly children, etc. For homeowners, it is completely understandable that they would not want anything like this in their neighborhood. But does this stereotype accurately describe the kind of “workforce” or “affordable” or “reasonably priced” housing we need? It will until we change it.

“Katrina fatigue” is another factor affecting many residents. Once they complete their own repairs or rebuilding, their attention moves onto other issues. They feel if they can solve their own problems, others should, too. They’re tired of hearing about Katrina problems.

NIMBY may be the most solvable problem we have. It doesn't require funding and it's not affected by other factors like insurance, elevation, or rising costs. It's a PR problem, and one that can be addressed with strong leadership and education. The public's perception of "workforce housing" must be changed and they need to be able to visualize mixed-use communities to change their misconception and allay their fears. Showing them what other workforce housing or mixed-use communities look like – especially after a few years use – will help overcome the perception that unsafe and unsightly "ghettos" will be built in their neighborhood.

Mississippi cottages can be an important part of our workforce housing solution, yet most people already in homes have a low opinion of them. Because they fit on small lots, the perception is that these cottages will produce crowded streets (due to lack of yard) and junky neighborhoods. The image of MEMA cottages has to be upgraded, and the creation of Mississippi cottage communities should be explored, with well-designed rear-of-cottage alleys for parking and storage.

Once we have addressed the misconceptions, the second part is overcoming the influence of that minority that wields so much power because they are present at every city council or planning commission meeting. Public officials play to their audience and pro-housing voices (other than the developers') are not being heard.

Finally, workforce housing is looked at today just as tourism was before Katrina. It is considered an expense, not an investment. It took the temporary loss of the casino industry after Katrina for public officials to realize how much tax revenue comes from tourism. Now they're beginning to understand that a museum or attraction with 25 employees but which draws hundreds of thousands of visitors can produce as much revenue to the state/county/city as a new plant that employs 300 – and do it with a cleaner footprint. Workforce housing has the same impact: the housing not only creates homeowners and new taxes, but provides the workforce (and customers) that fuel our current industries. Without sufficient housing, we can lose some of these industries, and the tax revenues they produce. Local officials have to change the way they view workforce housing. Unlike fully-subsidized housing projects for the poor, workforce housing is an investment that pays off in increased revenue.

Recommendations:

- 1. Fighting the NIMBY syndrome is best done by education. Public misconceptions can only be corrected with information. People need to understand that "workforce" does not mean "low income" and "workforce housing" doesn't mean "cheap housing,"*
- 2. We need visualizations of well-planned mixed-use neighborhoods so voters can see that we're not talking about "housing projects" but real neighborhoods.*
- 3. The Sun Herald can help by visiting communities like Fairhope (AL) and others with good workforce housing and show readers (who are also voters) what it looks like.*
- 4. Need grassroots support at public hearings. Councilmen and Supervisors vote for the audience and those with the biggest turnout usually get their way.*
- 5. Local leadership is weak. Leaders who work for workforce housing should be recognized and those who don't should be held accountable.*
- 6. Counties should identify land and make it available for affordable housing sites. Infrastructure must be put in place to attract developments.*
- 7. Well-designed neighborhoods of Mississippi cottages should be explored.*
- 8. Public officials should address housing needs as they do other economic development issues: make them a priority, offer incentives, and realize that workforce housing is not an expense but an investment that will pay off in increase tax revenues. Unfortunately, the housing issue is not receiving the same priority emphasis that building a new plant would.*

3. BUREAUCRACY

Permitting a home or housing project is a frustrating exercise. Many jurisdictions have a shortage of inspectors to meet the post-Katrina volume of requests. With more than 70 percent of the Mississippi Coast's pre-K housing stock damaged (including minor damage) or destroyed and, therefore, needing repair or replacement, permit requests have obviously increased while the manpower to process those requests and provide inspections has not sufficiently increased.

Complicating the shortage of trained inspectors and permitting officials is the inconsistent interpretation of building codes. Moreover, participants expressed the view that many city and county permitting officials fail to grasp the "big picture" of our housing crisis. Unnecessary time delays, arbitrary denials and generally slow response in some jurisdictions result in unnecessary costs and project delays. There was a belief expressed that some officials see their role as "obstructionists" who must be satisfied rather than "facilitators" who help find solutions. Inspectors seem not to understand that additional costs incurred by developers resulting from delays have to be passed on to home buyers, thus adding to rising housing prices.

Participants were careful to point out that some jurisdictions like Harrison County seem to "get it" and can be very helpful in the permitting process; others, like the City of Gulfport, can be very difficult to work with.

The State provided municipalities funds to hire permitting and code enforcement support, but not for professional assistance in designing projects. There is a capacity issue with those engineering firms the cities have to work with to get projects moving forward. And the cities are competing for the FEMA and MEMA to hire the best engineers, appraisers, legal staff and other professionals, leaving many municipalities short of staff and unable to take advantage of the funding that was available.

Participants said the bureaucratic problems begin at the federal level and are complicated at the local level by the lack of capacity. Inconsistent communication and code interpretation seems to begin at the top and is exacerbated by local officials inexperienced at dealing with federal guidelines. An example of the inconsistency is the unrealistic prohibitions against propane tanks and the archeological issues in the HUD process. [See comment following #10, below] Moreover, Mississippi Department of Transportation is an independent agency which has demonstrated little regard for the needs or wishes of Mississippi Coast residents or public officials and that independence affects housing because they can expedite or delay infrastructure.

Bureaucratic delays waste time, and "time is money." The longer a project takes, the more it costs in (a) increased interest paid, (b) a stalled workforce, and (c) a decreased number of projects a developer or builder can handle at one time, thus decreasing efficiency. Moreover, economic conditions and prices change and long delays in permitting can adversely affect the budget for a project as prices for manpower and material increase during the waiting period.

Production of workforce housing is investor driven, whether that housing is being built by public or private-sector developers. As economic conditions deteriorate, or prices rise – due to national economic conditions or local delays – investment interest slows dramatically.

Finally, delays counter the GO Zone incentives. GO Zone benefits were created to promote investment and the GO Zone should be an incentive to build affordable housing. But the deadline to qualify for GO Zone benefits is rapidly approaching, and if investors can't be certain their project can be completed on time, they don't want to take the investment risk [See Addendum 2].

Recommendations:

1. We need a “housing guru” or “housing czar” – someone authorized to deal with federal, state and local officials. This “guru” can help create an understanding at all levels of the seriousness of our workforce housing crises and the consequences of failure.
2. Governor’s housing “guru” and staff should be headquartered in an office on the Coast to facilitate communications and gain a better understanding of the public and political climate. HUD officials should also be located here.
3. A regional government panel should be established to facilitate more efficient spending of federal and state recovery dollars.
4. The Homebuilders Association or similar group could address the monthly Building Officials Conference to discuss costs of development and their impact on development;
5. HUD can provide waivers of some “red tape” and should be able to provide access to their database to help expedite progress.
6. Coast cities and counties could “pool” their permitting resources so that attention can be given where it’s needed. By pooling all inspectors/permit officials into “pool” would also facilitate a more consistent interpretation of codes.
7. “Outsource” or contract with outside inspectors to supplement the existing staff.
8. Identify any financial incentives or disincentives which can be leveraged to increase cooperation.
9. Review current city/county regulations. Many are antiquated and only slow down the permitting process at a time when shortcuts are needed.
10. We need a master list of all deadlines (FEMA trailers, CDGB funding, etc.) so we know what program benefits we’ll lose by delays.
11. MDA is slow to respond to requests for feedback on applications for its small rental program. Many available properties are still sitting vacant waiting for MDA permission to rent.

RE: Item 10, above. Why the delays in MDA’s Small Rental Program:

The Small Rental Program is a prototype and, as such, has encountered delays in its evolving implementation. Since joining Disaster Recovery several months ago, we’ve all worked very hard to address and eliminate as many of the applicant barriers as possible. I am confident that Round II, which will be announced in August, will be simpler and more efficient.

Unfortunately, virtually all of the delays applicants are experiencing now are related to the multiple environmental reviews required for each site. Several of these reviews, once completed, must be submitted to outside agencies and to the Mississippi Band of Choctaw Indians and the Choctaw Nation of Oklahoma for consideration. These entities are given, by law or regulation, prescribed time periods in which to approve or reject a finding. Up to eleven environmental reviews may be required for a single site. The most troubling of the required reviews now is the AST (above ground storage tank). To date, 783 applicant sites have been identified for AST review. This means that the review team must drive each public right of way within a one mile radius of an applicant site, identify all above ground storage tanks of 100 gallons or more, enter the location of those sites into a data base and calculate a blast zone. If the applicant site falls within the zone, it is disqualified. Obviously, this regulation has the potential for disqualifying many applicants, particularly those in established residential neighborhoods. There are thousands of such small tanks used for home heating and cooking located in neighborhoods throughout the four target counties for the Small Rental Assistance Program. The environmental teams are on the ground, identifying the tanks and calculating the blast zones. However, the only real relief for the applicants would be a decision by HUD to grant a full or partial waiver of the requirement and we have submitted requests and documentation of the regulation’s harmful impact.

In order to move all environmental review topics forward as quickly as possible, multiple resources have been assigned to the task: MDA/Disaster Recovery and the Small Rental Program have full-time staff on the Gulf Coast and the environmental contractor has nearly 250 staff working on the environmental reviews. There are more than 100 field scientists on the Gulf Coast, with the majority assigned to the AST, archaeology and historical and ecological reviews.

[NELL ROGERS, MISSISSIPPI DEVELOPMENT AUTHORITY]

4. COSTS/FINANCING

In the present economic climate, it is very difficult for someone in the “workforce” income class to secure financing for a home, especially if he or she has any bad credit history. And this is especially significant on the Mississippi Coast because this is a service market and the bulk of our workforce falls into this income class.

Moreover, insurance and elevation requirements have raised the price of housing (building a new home or renting one) beyond the reach of too many working-class families – a big problem in a service market like the Mississippi Coast where the largest part of our workforce is low- to middle income, but without whom our largest industries would not be able to operate.

Nationwide, non-profits generally serve citizens whose incomes are at or below 80% AMI (average median income) and this figure is supported by HUD, CDBG and other programs. The problem on the Mississippi Coast is that our actual cost of living here (which has risen markedly since Katrina, compounded by insurance and other costs) squeezes the “below 80% AMI” families struggling to meet the payments and provides little or no relief for those in the 80-120% AMI category.

The Mississippi Coast’s rental market was especially devastated by Hurricane Katrina. While the apartment inventory is coming back (about 80 percent of the Mississippi Coast’s pre-K market rent apartment inventory) rental homes are in short supply. Many young families with multiple children and pets find apartment living unacceptable or unavailable. Rental houses that are available are often overpriced as the landlords pass much of their increased insurance and construction costs on to the renter.

There are programs available to help build or rent homes, but there seems to be a lack of understanding of those programs.

Recommendations:

- 1. Government-backed loans are the most logical assistance.*
- 2. The Gulf Coast Renaissance Corporation and other sources can provide financial assistance to potential homeowners, but insurance costs added to the mortgage puts home ownership out of reach for too many of the Mississippi Coast’s workers.*
- 3. Some grant or loans should be made available to offset the increased rental costs.*
- 4. There should be adjustments in grants and/or loans based on our inflated insurance premiums if we want to see more people qualify for loans and grants.*
- 5. Mississippi could join Louisiana in a unified voice to petition Congress to extend the GO Zone deadline to at least 12/31/2012.*
- 6. Both the federal government and the Governors Commission on Recovery, Rebuilding and Renewal recommended the creation of a Housing Resource Center, but no funding was made available to create one. Such an organization, with proper funding, could help walk applicants through the ‘maze’ of housing programs, grants, options, etc.*
- 7. The Long Term Work Force housing grants do not encourage developers to continue working on their projects while waiting for approval because any work done prior to approval is NOT reimbursable even if the project is deemed qualified. If some pre-development work could be reimbursed if approved, it is likely some developers might take a change and keep working/*

OTHER ISSUES

The four issues discussed above are, the group agreed, the most critical obstacles to building workforce housing in time to meet the March 2009 deadline for FEMA trailer and Mississippi Cottage residents to leave that temporary housing. They also lead the list of reasons why it has been so difficult to spend the millions of federal CGDB funds available for housing. But other issues contribute to our problems, including:

- € **Elevation.** It took two and a half years for FEMA to finalize the minimum flood elevations above which new housing could be built. That, along with slow insurance payments, dragged out the start of most rebuilding for more than two years. Those FEMA flood elevation requirements dictate that homes must be elevated from 4 to 18+ feet, depending upon where the home is located. Obviously, elevating these homes greatly increases the cost of building them. Combined with the more than doubling of insurance costs, “affordable” housing takes on a whole new meaning.

Other than simply accepting elevation as a new cost of building, cities and counties should seek to designate certain areas of higher elevation land as “enterprise” zones to encourage workforce housing sites.

- € **Water, Sewerage, Drainage | Infrastructure.** The \$640 million grant for improvement of water and sewer services has yet to produce significant results except for updating some existing systems. Gov. Barbour expressed his concern that failure to act quickly could cause us to lose that \$600+ million.

A five-county authority has been formed and a master plan is being developed. But the engineering firm has yet to make public the map of areas to receive new water and/or sewer services.

Deferred drainage problems cause local residents to speak out against density and further development when their pre-existing draining problems are ignored/

Quick-take legislation should get money moving, and it may be possible to tie receiving W+S improvement funds to accepting workforce housing. Select a qualified engineering firm to oversee the planning, contracting and administration of the new systems. If public grant monies are used to build these new systems, jurisdictions should not be charging developers “impaction and/or tap fees” to use the system to build workforce housing.

- € **Land prices/Wetlands.** A shortage of land at suitable elevation in desirable areas has raised the price of land. While greed forced land prices up immediately after the storm, prices have begun to drop to a more realistic price range, but because of low elevation and the large amount of wetlands, land is in short supply in areas close to highways, hospitals, shopping centers, schools and other amenities that would make living there attractive.

Because so much available land is – or can be defined as – wetlands, it reduces even further the land available for development. There remains great debate over the definition of “wetlands and its jurisdiction,” with local developers arguing that the Corps of Engineers definition differs from that of the Supreme Court. The State of Mississippi caused the Corps to create the General Permit #20 (GP20) process to fast-track processing time from 6-8 months to as little as 30 days. Unfortunately, the Corps has yet to approve a single application from this area because they claim none of the applications qualified.

For GP20 permits, the Corps of Engineers' plan to increase wetlands impact from a half acre to 5 acres is going to the public comment phase; the CoE impact plan is now at 3 acres. Since most property affordable and available for workforce housing development is in or near wetlands, we need a "regional" approach to permitting rather than a lot-by-lot approach. Mississippi's Department of Marine Resources (DMR) is looking at creating Special Management Areas, looking at large undeveloped areas to determine what parts regulators want to avoid to maintain wetlands and what parts can be permitted. DMR Director Bill Walker said mitigation credits can be addressed and more credits are becoming available, although they will be more expensive.

DMR director Bill Walker (228-216-5010) offered to assist with the CoE. The Supreme Court should be petitioned to require the CoE to enforce the Court's description of wetlands and whether it is jurisdictional. Approval of higher density projects will reduce the impact of land prices and providing infrastructure (water, sewerage, power, roads) now will make undeveloped areas more attractive to developers. Smaller parcels are needed for housing; many available parcels are too big and, therefore, too expensive for small developments. More infill projects are needed. There is a shortage of available (developable) land south of I-10 where most people want to live because of the amenities and proximity to jobs and north of I-10 the land owners want to sell only large, undeveloped lots. The lack of a good regional plan is causing land purchases (and housing developments) to be done lot-by-lot rather than in large projects.

- € **GO Zone.** The Gulf Opportunity Zone provides tax relief to investors/builders/ developers who repair present structures or create new buildings/housing that could be rented. The intent was to have it effective until 12/31/2010. However, due to an oversight, no new projects will qualify after 12/31/2007, which has already passed. So far Congress has failed to correct this error; consequently, enthusiasm to invest in the GO Zone has diminished. [NOTE: See Addendum 2: President signed legislation extending the start date for GO Zone eligibility. This action, taken after our meeting corrects part of the problem described here.] Unfortunately with all the delays and problems cited above, the needs of the Coast will probably not be met by that time. Extension of the GO Zone till 12/31/2012 is highly desirable.

Mississippi officials should join with Louisiana officials to petition Congress to extend the GO Zone deadline to 12/31/2012.

SUMMARY

The Mississippi Coast's workforce housing crisis is worse than many people realize because the clock is ticking on funding and the availability of FEMA/MEMA housing. We are in danger of losing more than \$600 million designated for water and sewerage because we have not yet acted and some 4,000 families living in FEMA trailers and MEMA Mississippi cottages will be forced out of those temporary homes in March 2009.

FEMA elevation requirements, insurance costs and availability, high land prices and the lack of available non-wetland lots of suitable size, the lack of infrastructure in upland areas, poor credit quality of those in need of housing, a bureaucracy that often obstructs more than facilitates permitting and a misperception of "workforce housing" all contribute to the delays.

While a number of possible solutions are listed above, the SunHerald's role can be important to facilitating better communications to reduce the bureaucratic delays and better understanding by the public. The Not-In-My-BackYard syndrome, more than anything else, is thought to be the biggest problem and is allowed to continue due to weak local leadership and lack of informed, forceful advocacy.

The Back Bay Mission is going to launch a public service campaign to address the stereotypes people have and that campaign could be expanded by the Sun Herald. At the same time, public officials need to develop a more comprehensive, coast-wide workforce housing plan that addresses the issue on a regional basis, promotes large-scale projects – neighborhoods – and provides the incentives to develop them. If the public can see a vision of what good workforce housing CAN be, it will help overcome their fears of what they EXPECT it to become.

ADDENDUM 1:

An alternative view of our housing situation.

At the editorial board meeting, we identified many individual issues that have proven to be barriers to rebuilding the housing stock that Katrina destroyed. Although finding solutions to these issues is important to expedite our recovery, what effect will it have on the housing stock?

It is easy to predict that new units would be built and the housing stock will be replenished. But is this the answer to addressing our housing market needs?

Housing markets are extremely complex and difficult to understand but generally speaking it comes down to supply and demand. Since the storm, the housing market has been inefficient due to the imbalance in market forces. An examination of our current market conditions will illustrate this point.

Analyzing the three coastal counties collectively, **there are over 4,000 housing units available** according to the Multiply Listing Service (MLS). Of these, 48% (or 1,990 houses) have a list price below \$185,000. Although this is a blind assumption, **there is a healthy supply of affordable housing currently in the market.** In addition to the 1,990 units available today, most if not all housing initiatives still focus on providing housing units at or below the \$185,000 price. **If there is such a need for housing, where are the buyers?**

The buyers represent the demand in the market. Months Supply of Inventory is a quick assessment of current market demand. MLS statistics in June 2008 revealed a total of 302 housing units sold in the three coastal counties. With the existing housing stock in excess of 4,000 units, **there is currently over 13 months of inventory available.** This staggering number suggests there is very low demand for the housing units available. It is obvious that with people's immediate need for housing after the storm, our recovery effort has been focused on adding supply to the housing market. Now that we have transitioned to the rebuilding and renewal phase, **we must turn our focus to the demand function of the housing market.**

Demand in a housing market can be affected by many factors such as consumer purchasing power, consumer preferences, investors preferences and alternative purchasing options, to name a few. However, the factor that affects demand the most is area demographics. While demographics is a broad category, in our case change in population has had the biggest impact on our housing market. Most population estimates show the three coastal counties at 80% of pre-Katrina population numbers. Recent US Census information has shown that the Mississippi Gulf Coast population has been relatively flat since 2006. Some areas show a negative migration and the Census bureau is unable to estimate the population for several areas of Hancock County. History will show that a quantifiable measure of Katrina recovery will be population migration. **Simply stated, our recovery efforts will not be successful until people choose to move to the three Coast counties and our population increases.**

As we move forward in our rebuilding efforts, more focus should be on projects that enhance quality of life and reflect consumer preferences. We are not only struggling to recover from Katrina but we are also failing to compete for workforce labor with other markets in our region. The Governor warned us that if we do not solve this issue, we will lose a significant number of jobs. It is my opinion that instead of asking the question: "What are the obstacles to providing affordable housing?" we should be asking: "How do we attract the necessary workforce to live on the Mississippi Gulf Coast?" Of course affordable housing is arguably the single major factor but sheer housing numbers alone will not get people to move here, as illustrated above.

Housing strategies should be retooled from simply providing rooftops to providing communities that will be attractive to buyers relocating from other areas. Enhanced quality of new construction and long term investment value is key and should be the focus of new workforce housing initiatives. All workforce housing programs should be weighted heavily on community design center principles. These principles should reflect acute design details focused on maximizing homebuyer's value, minimizing environmental impacts and providing an overall positive impact to the community.

If we are effective in building affordable housing that is tuned to match the preferences of potential buyers and increase the net population of the Gulf Coast, the results will drive demand and precipitate more of a balance in our housing market.

To paraphrase the Governor, "If we don't build back better than we were (before Katrina), we will have failed." He is correct. We must transition from recovery to rebuilding and renewal. We must raise the bar in nearly every perspective to leverage the opportunity presented to us through the remaining federal dollars. As I drive around the Coast and look at what has been built since the storm, we are failing this mandate.

I do not want to minimize the importance to correct the obstacles identified in the editorial board meeting. All of the issues noted have contributed to addressing our housing needs. The intent of this response letter is to approach our future housing needs from a regional perspective supported by the market principles of supply and demand.

Scott DeLano

(EDITOR'S NOTE)

Unemployment levels holding steadily at more than 5% for over a year may be another reason the population return in the three Coast counties has slowed. That unemployment number reflects the inability of residents already in the labor force (meaning they have a place to live) who have searched for but not found a job. The unemployment rate in jumped to 6% in Harrison and Hancock and 7% in Jackson County in June. Without jobs to attract them, we could expect a slow return of population to purchase the homes already on the market.

ADDENDUM 2:

President signs H.R. 3221 (Housing and Economic Recovery Act of 2008)

On July 30 President Bush signed H.R. Bill 3221 (Housing and Economic Recovery Act of 2008, also referred to as Foreclosure Prevention Act) intended to provide mortgage relief and to stabilize financial markets across the nation. This measure is considered to be one of the most significant housing related bills signed in decades and is intended to help hundreds of thousands of homeowners who need mortgage relief as well as incent first time homebuyers to get into the market. Below are a few highlights from the bill and attached are summary documents. **Note that this bill also contained very important Go Zone legislation that eliminates the deadline for beginning construction in order to be eligible for Go Zone depreciation.**

- **First-Time Homebuyer \$7500 Tax Credit** - Single households with incomes of up to \$75,000 and married households with incomes up to \$150,000 qualify (incomes up to \$95K and \$170K, respectively, can receive partial credits). The credit is available for 10% of the home purchase price (up to \$7500) and can result in actual cash back from the IRS (if overall tax liability is less than that amount). For example, if a person receives the \$7500 tax credit and only owes \$5000 in taxes at the end of the year, that person would get a check for \$2500. Note that after two years, the credit must be paid back at \$500 per year (no interest), so effectively it is an interest free loan. Home financing done with Mortgage Revenue Bond programs is not eligible for this program. The window for this program is retroactive from April 9, 2008 until July 1, 2009. At this point in time (July 30) it is not known whether this program can be used in conjunction with Mississippi down payment assistance programs or other Katrina related programs.
- **FHA Modernization and Expansion** – Changes to existing FHA loan programs (such as the maximum amount to \$625K and eligibility to 115% of AMI) will make this type of home financing more competitive with conventional loans. The ability to expand the term to 40 years is also a change.
- **Foreclosure Relief** – Beginning October 1st, homeowners struggling to make payments will have the ability to refinance their loans using FHA programs. This program is entitled the FHA Housing Stabilization and Homeownership Retention Act and might help as many as 400,000 households. Of note is that the Mississippi Home Corporation has been holding “Foreclosure Prevention Workshops” – folks wanting to know more about foreclosures in Mississippi might contact that group.
- **Mortgage Revenue Bonds** – This is another way of avoiding foreclosure by refinancing subprime loans.
- **Government Sponsored Enterprises** – Aside from establishing a regulator to strengthen GSEs, (such as Fannie Mae) GSEs will be better equipped to finance affordable housing projects.
- **Low Income Housing Tax Credits (LIHTC)** – These will be enhanced, with affordable rental housing being one of the beneficiaries.
- **Community Development Block Grants** – Nationally there is almost \$4billion available for the purchase of foreclosed homes or rehabilitation of residential property (not much else info available on this).
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ADDENDUM 3:

Where do we go from here? Suggested action steps:

1) Instead of trying to reform the international insurance industry and FEMA, let's focus on what we can do locally and regionally, given the continuing likelihood that insurance prices will be high in low-lying areas and that FEMA flood elevations will require building off the ground, if at all, in many places where building on grade was once allowable. Let's commit to unilaterally reducing some of the uncertainty in the marketplace by accepting as fact many of the barriers to rebuilding in old ways and in old settlement patterns and by getting about the business of embracing the opportunities of a future that won't be exactly like the past.

2) Using the best information currently available, no matter how unsatisfying, let's agree on certain site limitations and plan accordingly. That means accepting the range of options at different FEMA elevations. To achieve mixed-use affordability at median HH incomes in lower lying areas, for instance, there will likely have to be a mix of high-priced single-family with more moderately priced, multi-floored apartment and condo buildings.

3) Instead of assuming insurance rates are stopping rebuilding, let's get some facts. Where on the Coast (and this could be in some areas north of I-10) are insurance companies likely to be more open to lowering premiums? Let's work with insurance companies to identify those spots and the specific kinds of structures that will be more insurable. Then, let's plan neighborhoods with safety and insurability in mind and look for ways to incentivize that kind of planning and fast-tracked permitting.

4) Given the realities of new site limitations, rising construction costs, the current credit crunch, and low HH incomes in South Mississippi, the post-Katrina market on the Coast will demand more rental apartment options than before the storm. That's a good thing; because more people will have more choices for decent housing -- but only if communities set the bar high enough to get safe, appealing rental properties that will reward investors and the surrounding communities with all the advantages of an appreciating asset. Bad planning or no planning will create future ghetto complexes away from town centers, schools, and basic services, complicating affordability and the chances for healthy communities to grow. Unincorporated areas of the coastal counties are going to need political will and a lot of planning help to avoid becoming the receiving areas for shoddy housing and unsustainable sprawl. State and regional funding help should go to those who can set good examples.

5) The strong demand for housing should be integrated into local and regional economic development strategies. The need for skilled workers and construction managers will continue to be acute for years to come. State resources should support community college programs that train and certify folks to meet the demand, to increase earning potential of workers, and to raise the bar for safe, community-worthy housing on the Coast.

6) By the same token, let's embrace the opportunities implicit in the challenges of producing so much housing so quickly. Conventional construction methods will not deliver the number of needed housing units on the Coast. This sense of urgency for creating safe, appealing housing on a large scale should accelerate South Mississippi's leadership in helping the manufactured housing industry reinvent itself. Inspired by the Katrina Cottage movement that began on the Coast in the wake of the storm, the national modular housing sector is beginning to demonstrate a willingness to develop new units that achieve levels of design and construction quality comparable to stick-built custom homes. What's more, by applying architectural approaches usually seen only on far more expensive homes, new-generation modular construction makes

possible units that offer high efficiencies and livable amenities in smaller packages. So they can achieve affordability by reducing volume instead of by cheapening design and construction. The problem is, even though some manufactured housing companies are beginning to demonstrate they can deliver this new generation of custom-quality homes and even though national building code templates provide for the integration of modular housing and stick-built units in the same neighborhoods, old prejudices about "trailers" persist; and many communities refuse to permit modular homes in existing neighborhoods. Given the sense of urgency for housing in South Mississippi, we have to accelerate the learning curves for elected officials and staffers. That's likely to take a carrot and stick approach. Communities willing to pioneer the integration of high-quality modular housing into existing neighborhoods should be rewarded with priority treatment for state infrastructure funding and for other support that speeds demonstration projects like cottage clusters and bungalow squares. Where possible, there should be incentives for developers willing to take on the financial risk of developing such projects at both market-rate price points and as workforce housing. Communities that refuse to change local zoning rules that block such housing should receive lower priorities for infrastructure support.

7) This new generation of manufactured housing will multiply opportunities for communities that host state-of-the-art manufacturing facilities. To satisfy sustainability goals that require reducing transportation costs, these manufacturing facilities will need to be located in regions where the housing will eventually be placed. So here's another economic development opportunity. State and regional economic development money should be used to incentivize communities and companies to locate these plants in the South Mississippi region, where local workers can be trained and employed and where it's a short haul from factory to house site.

8) The carrot and stick approach will also have to be used to encourage fast-tracking of permitting processes in Coastal communities. Old habits of endless public meetings and pass-the-buck processes among planning and inspection staffs were merely annoying when there was no sense of housing urgency. Post-Katrina, those slow-track traditions in local government, complicated further by the uncertain market and new federal rules, account for much of the frustration of builders, developers, and property owners who might otherwise lead the reconstruction effort. Local government officials in many of these communities have taken part in workshops and planning charrettes where they learned about regulatory approaches that offer developers fast-tracked permitting for projects that fulfill to the letter a code that explicitly states (and illustrates) the community's expectations. But many officials, pressured by vocal groups in their communities who want a say in each new project, are reluctant to let go of old ways. This lack of leadership is paralyzing rebuilding efforts in communities that most need housing, and it's pushing new development into unregulated areas amenable not only to responsible building practices but also to anything-goes approaches that are likely to become depreciating burdens on communities in the future. There have to be meaningful incentives for communities to change the way they do business and meaningful penalties for refusing to do so.

Ben Brown and Bruce Tolar