UNITED STATE HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES

TESTIMONY SUBMITTED BY:
DERRICK JOHNSON, STATE PRESIDENT
MISSISSIPPI STATE CONFERENCE NAACP

February 6, 2007

Good afternoon and thank you for the opportunity for the Mississippi State Conference of the NAACP to participate in this hearing. My name is Derrick Johnson and I am the State President of Mississippi NAACP.

Founded in 1909, the National Association for the Advancement of Colored People (NAACP) is the nation's oldest and largest civil rights organization. The Mississippi State Conference of the NAACP has been active in providing civil rights advocacy for over 62 years with a mission to ensure the political, educational, social, and economic equality of rights of all persons and to eliminate hatred and discrimination.

The day following Hurricane Katrina stuck the Mississippi Gulf Coast, I received a call from our Branch President Mr. James Crowell, a resident of East Biloxi, seeking emergency assistance for the residence of East Biloxi. East Biloxi is a working class community which consists of mainly working class and poor residents and is about 40% African-American, 40% Vietnamese, and poor whites. However, it was days before any governmental or relief agencies established a presence in the area following the hurricane to provide any assistance or relief. In responds, MS-NAACP, with support from our regional office in Atlanta, GA, coordinated and loaded three truck loads of food, water, clothes, and other items within five days of the Hurricane.

Our East Biloxi office was completely damaged as we setup a distribution center at a local Baptist Church. After surveying the Gulf Coast and rural communities affected by Katrina, we identified a pattern where African-American and low-income communities were not receiving aid from FEMA, the American Red Cross, and other relief agencies. As a result, MS-NAACP setup 22 distribution centers across the affected area serving an estimate of 50,000 victims of the Hurricane within two weeks of the storm.

With over 134,112 homes receiving damage and 65,000 completely destroyed, more than 50,000 received flood damage and 35,000 of those homeowners having no flood insurance[1]. Hurricane Katrina was by far the worst natural disaster in Mississippi's history. Shortly after Hurricane Katrina made landfall, the Governor of Mississippi announced the formation of the Governor's Commission on Recovery, Rebuilding and Renewal, of which I was later invited to serve as a vice-chair. In the Commission's final report to the Governor it found that:

> "While the hurricane's winds and waters affected everyone in its path, some were affected more dramatically than others. The role of personal assets in enabling people to survive and recover is important, and the presence or absence of assets, and insurance on those assets, will determine who can participate in the long-term rebuilding of South Mississippi."

However, the commission's finding, as were most of their recommendations, would go on deaf ears with Mississippi's Executive Branch.

The Federal Government appropriated Mississippi just under $5.1 billion in Community Development Block Grant (CDBG) funds an amount that is greater than Mississippi total state budget. These funds were completely administered by the

[1] Benjamin Mokry "Estimate of Destoryed Damaged by Hurricane Katrina in Mississippi" Mississippi Home Corporation: Jackson, MS. October 2005; and Mark Bernstein, et al. Rebuilding Housing Along the Mississippi Coast Ideas for Ensuring an Adequate Supply of Affordable Housing Rand Corporation: Santa Monica, CA 2006.

executive branch with no provision under state or federal law for the state legislator to have any input or oversight on how funds would be dispersed. As a result, there have been numerous concerns raised about contracts awarded to private companies to administer CDBG funds including questions about a locative contract awarded to current sitting state senator.

With the requirements that 70% of CDBG funds be used to benefit primarily low and moderate income persons being WAIVED by the federal government, Mississippi initially instituted a plan that provided no provisions for home renters and other low income victims of the storm[2]. The Executive Branch designed the "Hurricane Katrina Grant Program" exclusively for Gulf Coast homeowners. The program was highly undersubscribed and only about half of those expected (17,639) applied. To date, approximately 10,000 people have received checks amounting to $677,969,715.

Through ongoing community pressure and over year after Katrina, the state announced in December 2006, a second phase for the use of CDBG funds for low income homeowners. Unlike the first phase, which was developed largely in isolation from community input, the second phase incorporated many recommendations from people living and working on the MS Gulf Coast to expand the reach to the recovery money. As

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[2] Mississippi Hurricane Katrina Grant Program Phase I required residents to meeting the following criteria to be awarded a CDBG grant:

1. You owned and occupied your home,
2. Your home was located on one of the three coastal counties
3. Your primary resident
4. Maintained homeowner insurance
5. Your home was outside the pre-Katrina designated flood zone

Homeowners who qualified could receive the up to $150,000 or the insured value of their home.

a result of the collaborative process between the executive branch and community groups, the second phase will be much more inclusive of low-income, elderly and disabled people than the first phase and will reduce the need to borrow money to rebuild. We are in support of the second phase and the process that was used to develop it.

Affordability has emerged as one of the most prominent threats to rebuilding efforts on the Mississippi Gulf Coast. While affordability issues affect homeowners and renters in different ways, the issues have the same effect of pricing long time residents out of Gulf Coast housing market. Increases monthly insurance payments for homeowners have become extremely expensive and increased premiums for rental units are passed down in the form of higher rents.

Insurance scenarios have greatly affected housing affordability. Insurance policies issued since the hurricane have increased monthly payments by $200-$300. Property values have also risen significantly since the storm making homeownership less attainable than prior to the storm. All policies renewed and new policies written by the Mississippi Windstorm Underwriting Association have experienced a 90% increase as of Oct. 2, 2006. A home valued at $100,000 with $40,000 in contents will jump from $1017 to $1924 per year in insurance premium payments. Additionally, homeowners are expected to have a hazard insurance policy (currently valued at about $500 per year) and a flood insurance policy (currently valued at $200 a month).

Rising property values have also raised affordability challenges. The following table illustrates property value trends in Harrison County:

Harrison County Neighborhoods **Home Prices Pre and Post Hurricane**			
Neighborhood	**Pre Hurricane** **Home Prices**	**Post Hurricane** **Prices**	**Increase**
Low-income	$53,400 - $63,000	$111,000 - $127,500	93% - 98%
Moderate	$110,000 - $115,290	$152,500 - $165,000	39% - 43%
High	$158,000 - $187,000	$223,000 - $240,000	28% - 41%
Source: Residential Real Estate Comps: Harrison County			

Renters also face a unique set of circumstances in that affordable rental units may not be replaced 1 for 1 as this requirement was WAIVED in the 2005 Federal Supplemental Bill passed by congress. According to FEMA estimates, nearly 6,000 rental units were either severely damaged or destroyed. The following characteristics are contributing to increase in market rents:

- Storm damage to existing units has created a scarcity in an economy driven by service sector employment which contributes to a high number of employees in low-wage jobs that require an affordable place to live;
- Influx of government, private sector and nonprofit workers / volunteers from outside the Gulf Coast has increased competition for existing units.

According to a 2004 apartment survey conducted by Gulf Regional Planning Committee, the average rent for a two-bedroom apartment in Gulfport was $561 and the average rent in Biloxi was $581. Recent information collected by the GRPC puts those figures currently at close to $700.

Additionally, there are few incentives to rebuild affordable rental units for developers. While significant levels of Low Income Housing Tax Credits have been made available there are limited efforts to create units that are affordable for a family of four with annual incomes below $37,500. During the first round of Tax Credit Allocations, credits were allocated to build 1,006 units. At least 120 of the units will be built for families of four with annual incomes at $23,450 and 20 will be built for families of four with annual incomes of around $19,000. At least three other projects will include units at 50% and 60% of the area median income; however I do not have information on those units at this time.