

**Statement by Bobby Rayburn  
President of Rayburn & Associates  
For the  
House Financial Services Committee  
Subcommittee on Housing & Community Opportunity**

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City Council Chambers  
Gulfport, Mississippi**

I would like to express my appreciation on behalf of the Mississippi home builders for the opportunity to share our viewpoint and recommendations on responding to and recovering from Hurricane Katrina. This disaster was of unprecedented magnitude, and we believe that it will take significant fortitude and commitment to ensure that all affected areas are able to fully and successfully recover. As you know, of the hundreds of thousands of victims, many were local homebuilders. They are struggling to get their businesses back up and running, and in spite of the difficulty of this task, are committed to playing a major role in the recovery effort.

I am currently the president of Rayburn & Associates in Jackson, Mississippi and have been in the business of home building and development for more than 33 years. I work in both the single-family and multifamily sectors and have constructed more than 3,300 homes during my career. I am also the 2004 Immediate Past President of the National Association of Home Builders (NAHB) and am leading NAHB's Katrina recovery efforts. We are striving to get our builder members on their feet and back to work rehabilitating and rebuilding homes damaged or destroyed by Hurricane Katrina.

My testimony touches upon the Mississippi builders' experience with the local, state and federal responses to Hurricane Katrina. In that regard, the focus of my testimony is upon those aspects of the government's response that directly impact the home building and housing construction industries and the short- and long-term housing and economic development needs in Mississippi.

### **Responses to the Hurricane**

The depth and breadth of the hurricane disaster caught all of us unprepared, including state and federal agencies tasked with responding to crises like Katrina. The responses by these agencies have caused some concerns among home builders in Mississippi and the Gulf Coast and illustrate some important lessons that should be applied to the Katrina recovery and future crises. There are four primary areas of concerns of builders in Mississippi:

- the overall strategy taken by the Federal Emergency Management Agency (FEMA) in responding to the crisis;
- access for builders to Small Business Administration (SBA) financing resources;
- the availability of temporary housing for construction workers; and

- communication and coordination between the state and federal governments and the home building community.

I also have addressed some general concerns with the recovery process not directly related to the response by federal, state and local governments, but still critical to the recovery.

### **The Overall FEMA Strategy**

FEMA's strategy in dealing with the hurricane disaster is taken from a "playbook" that is sorely mismatched to the unique nature of the disaster. FEMA has never faced a crisis on this scale, but has failed to adjust its approach accordingly. A primary example of this failure is the use of trailer "cities" to provide temporary housing for evacuees and those that have lost their homes because of the hurricane. This approach is short-sighted and has more negative than positive impacts on residents and the surrounding communities. Trailer cities in Florida created in recent years, for example, did more to isolate displaced residents than integrate them into the community as it was rebuilding. These cities were anything but temporary and evacuees are still living in them today, over one year later. Finally, many of these trailer communities have deteriorated into centers of economic despair and crime and are negatively impacting the surrounding community. Despite the lessons learned in places like Florida, FEMA continues to advocate for the concentration of trailer housing for displaced hurricane victims in "temporary" locations.

FEMA must adjust its thinking and strategy for dealing with the hurricane disaster. This is a new game and the old playbook does not work. New approaches must be crafted, especially in the area of temporary housing. Instead of concentrating displaced hurricane victims in trailer cities, FEMA should, where possible, step up delivery of trailers to sites where homeowners are repairing and rebuilding their homes. This approach ensures that trailer homes are temporary and allows the homeowner to return to their community and become invested in the reconstruction effort. There must be recognition by FEMA in this area and others that the old ways will not work and new thinking is critical to an effective response to the crisis.

## **Lack of Temporary Housing for Workers**

The work of repairing and rebuilding housing in the Gulf Coast demands a steady supply of workers. In order to attract and retain those workers, there must be sufficient housing for them. Unfortunately, the pace of delivery of trailers for temporary housing has been extremely slow since the disaster. This has hampered the ability of builders – who are still primarily focused on rehabilitation – to gather a critical mass of workers in the affected areas. When work shifts to rebuilding and new construction, the ability to draw workers to the region and provide them with housing will become an even more important issue.

FEMA must not only increase the pace of delivery of trailers for workers, it should engage the home building community in crafting creative ways to attract and house workers in the region. For example, workers could be housed temporarily on cruise ships or retired military vessels until more permanent housing can be built. The key point is to provide access to temporary housing for workers engaged in rebuilding work on the Gulf Coast.

## **Processing of Small Business Administration Loans**

Like the overwhelming challenge faced by FEMA in dealing with the crisis on the Gulf Coast, the SBA has similarly been overwhelmed by the number of requests for assistance. Limited SBA staff resources is slowing the response time to loan applications and delaying the delivery of critical financial resources for small businesses like builders. Without these dollars, there is great danger that many builders will go out of business. Not only does this mean lost economic activity in the state, but also fewer “hands” to do the work of repairing and rebuilding housing in the region.

SBA must come up with alternative strategies for delivery these much needed resources to builders and other small businesses in the region. One alternative could be to engage other, private-sector entities as contractors to assist in the delivery of SBA loans and other resources.

## **Communication/Coordination with State and Federal Governments**

### *Federal Government*

Builders in Mississippi also have concerns with the lack of communication and coordination between federal and state governments and the home building community. The state and local home builder associations (HBAs) have had to initiate all contact with relevant federal agencies, like FEMA, the U.S. Department of Housing and Urban Development (HUD) and others. Further, it has been difficult to find the right person within those agencies to answer questions and provide information. Once engaged, FEMA representatives have been fairly responsive and have attended some meetings. However, greater communication between these entities and the home builder community would only improve the overall response to the Katrina crisis.

A related issue is the failure of state and federal government agencies to actively engage home builders in the planning process for recovery and rebuilding efforts on the Gulf Coast. This is discouraging as home builders will be key private sector partners in responding to this crisis in both the short and the long terms. One exception is the Rural Development office within the U.S. Department of Agriculture. Staff from this office have been very responsive to inquiries and have engaged the building community in discussing ways to address the impacts of Katrina in rural areas of Mississippi.

### *State Government*

At the state level, the experience has been the same. Neither state agencies nor the Governor's office have reached out to state or local home builders for input or advice. Just this week, the Governor stated that he will ask the state legislature to authorize local governments to assess impact fees on new development. The stated goal of this proposal is to advance revenue so local governments can provide services. However, impact fees only add to the cost of housing and seem ill-advised at a time when access to affordable housing will be critical to families whose homes, businesses or both were destroyed by the hurricanes. Moreover, impact fees effectively

price entire segments of the workforce, including construction workers, police officers, firefighters and others, out of the housing market. These workers will fulfill the most critical needs during the recovery and rebuilding on the Gulf Coast. A more open dialogue between state officials and the home building community surely would result in more creative strategies to help local communities meet their revenue needs, provide critical services and still protect housing affordability.

## **Other Needs**

### *Supply of Skilled Labor*

Skilled labor was in short supply across the country before Hurricane Katrina struck the Gulf Coast. Carpenters, brick layers and other skilled trades will now be in higher demand during the rebuilding effort. Federal and state governments must think of ways to increase the pool of skilled workers to respond to this demand, such as engaging the Home Builders Institute (HBI) the workforce development arm of the National Association of Home Builders. HBI focuses on meeting the education and training requirements of the housing industry.

### *Cost and Supply of Building Materials*

The cost and supply of building materials has been a significant, nationwide problem for several years, particularly framing lumber, OSB plywood and cement. This problem will only worsen as demand spikes from rebuilding activities in Mississippi and the Gulf Coast. While most builders are still in the repair phase of work, we hope rebuilding will begin in earnest soon. When this phase of intense construction begins, builders need a constant, reliable supply of key building materials.

Contributing to the higher cost and constrained supplies of critical building materials are the excessive and unjustified tariffs and duties on these products from Canada, Brazil and Mexico. These tariffs and duties only serve to increase the cost of housing at a time when housing affordability will be critical to the recovery of Mississippi. While I recognize that this issue is

not directly tied to the emergency response to Katrina by state or federal agencies, it is still a crucial piece of the repair and rebuilding effort that will take place in Mississippi and on the Gulf Coast. The U.S. Congress should encourage the removal of these tariffs and duties to ensure the adequate flow of materials into the area.

### *Housing Program Regulations*

I applaud the work already done by this Subcommittee and the Congress to pass legislation allowing for waivers in several federal housing programs. This is critical to maximizing the value and impact of these programs to the recovery and rebuilding process. I encourage the Congress to review and correct other technical aspects of federal housing programs that could hamper rebuilding in the Gulf Coast. For example, in the Rural Development Section 503 Direct Loan Program, there is a technical anomaly that actually penalizes homebuyers who live in areas of the state where home prices exceed the program's loan limit and who use HOME program dollars to cover downpayment and closing costs. Correcting issues like these will ensure that those displaced by the hurricane have greatest access to homeownership opportunities.

### **Conclusion**

Thank you for the opportunity to share some my experiences with the local, state and federal responses to hurricane Katrina. The road to full recovery from this crisis is a long one and will require the combined efforts of the public and private sectors. I hope some of the lessons learned by builders in Mississippi will help hasten that recovery.