

Council for Affordable and Rural Housing

Serving the Affordable Housing Needs of Rural America

Testimony of Karen “Kay” Miller

Representative from the Council for Affordable and Rural
Housing
Before

The U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

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On behalf of the Council for Affordable and Rural Housing (“CARH”), I would like to thank the Committee for this opportunity to discuss housing needs in the aftermath of Hurricane Katrina.

I have been asked to testify before the Committee because of my twenty-plus years as an affordable housing developer in the Gulf Coast and in the southeastern United States and because I serve on CARH’s Board of Directors. I am the President and 100% stockholder of T.A. Miller, Inc. and Tra-Dor, Inc. Management, both based in Shreveport, Louisiana. T.A. Miller, Inc. has developed over 47 properties representing over 1700 units; all properties are managed by Tra-Dor, Inc. Approximately 40% of these properties are U.S. Department of Agriculture (“USDA”) Rural Development (“RD”) properties, and almost all of these properties utilize Low Income Housing Tax Credits.

Katrina has created a new emergency need for a housing response, but it also exposed the shortages in our national supply of affordable housing. Basically, we need to divide housing efforts and resources into three categories: emergency, intermediate, and long term. I have seen the needs for each kind of housing in my own business. Over the last two weeks, our management company has placed Katrina victims in all of our vacant units across the State of Louisiana. We have provided temporary shelter in our community rooms, purchased temporary beds, cooked meals, and have given guidance to the dislocated on who and where they should go for additional assistance. We have also been in contact with organizations to provide furniture for some of these victims. We have taken our personal vehicles to pick up and deliver furniture. We have provided financial assistance in the form of waivers of security deposit requirements, first months rent free, as well as providing electrical and water deposits in those areas where the utility companies would not waive their deposits. Additionally, we made a donation to the Red Cross the day after Hurricane Katrina struck. We are in constant contact with both RD and the Louisiana Housing Finance Agency to update them regarding new vacancies in our properties, as they become available.

Emergency efforts are now underway, and this will require significant spending. As a nation, we must provide temporary housing facilities; but we should also take care to ensure that this temporary housing is quality housing. To identify emergency housing opportunities, the U.S. Department of Housing and Urban Development (“HUD”) and USDA staffs are working with private groups like CARH to assemble information about housing vacancies in assisted housing all over the country. An increased allotment of Section 8 vouchers, and immediately funding a special allotment of rural housing vouchers will help move lower income persons from shelters into available housing units, both in affordable housing and in conventional housing. I have seen many news articles about the individual acts of kindness, but it is difficult to find and coordinate enough resources and housing needed for something as large as the Katrina displacement, which, as of September 8th, the federal government reported that 246,834 evacuees were living in 774 shelters.

As for intermediate housing, to house people near their homes while they begin the long term-rebuilding, we will need additional manufactured housing. We will also need to quickly access FEMA funds and insurance funds for those properties with moderate damage that can be repaired over the next several months. We also need to hire additional staff at HUD and USDA so that their career staffs can focus back on the existing development pipeline. Our State Housing Finance Agencies may need additional assistance as well so that they can continue to

process the Low Income Housing Tax Credit applications. Since allocations of these credits are issued on a per capita basis, the states affected by Katrina may also need additional credits to fill the demand. Some projects were ready to proceed with development but seem to now be on hold; it is imperative that they proceed immediately, as this housing is desperately needed. In sum, any intermediate and long term strategy calls for enhancing our housing efforts because our existing housing infrastructure was in the process of slowly being dismantled. The reality is that housing is an essential, basic need. We must re-focus our efforts to provide this basic need.

On the topic of intermediate housing, there is one final important point that needs to be stated. People from the South will want to return to the South. That is their home, and where their roots are. In undertaking these worthwhile efforts to re-house the displaced victims of Katrina in emergency and intermediate housing, we should recognize this fact, and not attempt to move families who are unwilling to leave their home regions.

As for long term housing needs, we have to recognize that in this country we have a large class of people lacking decent affordable housing. These Americans are not only the homeless, aged and infirm (groups that remain a focus of federal housing efforts). A significant number of Americans are barely housed – people near minimum wage or on fixed incomes who are productive enough so that they do not show up in poverty statistics, but still live from one paycheck to the next. These folks live in less desirable neighborhoods, and while they often may be homeowners, they may lack basic insurance (such as flood insurance). The barely housed often cannot weather a storm – a figurative phrase that has become a literal one in Katrina's wake.

In my industry of rural housing, the longer term solutions were already slowly coming into focus. The Rural Housing Service ("RHS") at the USDA has submitted proposed legislation to revitalize the rural housing portfolio, and the housing industry has been working to provide suggestions in this endeavor. This process needs to be accelerated. In addition, Representatives Jim Ramstad and Ben Cardin have introduced legislation for exit tax relief. This legislation, H.R. 3715, was just introduced on September 8th. While this legislation is under the jurisdiction of the Ways and Means Committee, I would urge all members of this Committee to cosponsor it and also to push for expedited passage. Many apartment complex owners, such as Section 515 owners, are "locked-in" by exit tax liability, much of which was created by retroactive changes in the 1986 IRS tax code. Eliminating that impediment to sale and refinancing will help to refurbish housing stock and make it more available over the long term. While these are ongoing efforts, Hurricane Katrina has placed an added sense of urgency, and long-term solutions must be rigorously sought.

We must move beyond the consideration of emergency, intermediate and long term housing needs. In continuing this dialogue and the relief efforts, we must consider all of the factors that affect providing housing. Hurricane Katrina did not merely destroy residents' housing, but it also damaged their communities' physical and economic infrastructure. In the wake of the storm, higher energy costs will certainly make it more difficult to provide and manage housing for the evacuees. The Committee should also consider that the storm displaced much of the work force that would normally perform construction repair on the damaged properties, as well as construction on the new intermediate and long term housing. Higher gasoline prices will complicate work force issues further, and make fulfilling the housing needs

in the southeastern U.S. more difficult. As gasoline and travel costs for our work force escalate, they will play into higher construction costs. Already, the prices for construction materials such as dry wall and lumber are reported to be increasing in all areas of the country.

Finally, Hurricane Katrina diverted HUD and USDA resources that would otherwise be utilized in connection with ongoing housing developments. We must take the full picture into account in order to provide comprehensive housing solutions to those victims of Hurricane Katrina that so desperately need our assistance.

In conclusion, if any good is to come out of Katrina, then let the hurricane serve as a reminder that there is much work to do in this nation, and particularly in the Gulf Coast region, before we can say that we are providing decent housing for all Americans. We need to take this calamity and turn it into an opportunity to fix systematic problems created in our nation's housing programs because of budget costs and changing priorities. Within the housing industry, we have seen a renewed emphasis on homeownership, but homeownership is not a blanket solution for all citizens.

Communities need vibrant housing markets that offer choices to consumers with different incomes and different needs. We do need to strengthen homeownership, but we also need to provide deeper infrastructure for the elderly and others that may have special needs. We also need rental housing for persons not yet ready for homeownership, who need to move periodically, or who need to sell their home in exchange for financial liquidity and eldercare housing. We must renew the public-private partnership that combines public and private efforts and investment, a partnership that built much of the affordable housing in this country.

My thoughts go out to my friends, neighbors, and family that have suffered through the Katrina calamity. I know from years of successful affordable housing efforts, that with combined public and private efforts, we can address immediate needs while we begin to reinvest resources to build long term solutions.