



Written Testimony of Mr. Alan Brown, COO Mississippi Methodist Senior Services

**Hearing Before the Senate Banking Committee
“Two Years After the Storm: Housing Needs in the Gulf Coast”
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Introduction

Chairman Dodd, Ranking Member Shelby and members of the Committee, I want to thank you for the opportunity to testify today. I am Alan Brown, the Vice President of Operations and Chief Operating Officer of Mississippi Methodist Senior Services (MMSS). Mississippi Methodist Senior Services has 11 campuses across the state of Mississippi and we serve 1,800 seniors on a daily basis. Our organization was one of the first in Mississippi to provide HUD housing for seniors and have been for 40 years. Currently, seven of our campuses have HUD subsidized housing communities, serving very low-income seniors.

Our organization is a member of the American Association of Homes and Services for the Aging (AAHSA), a 5,700 member association representing not-for-profit providers throughout the continuum of senior care: adult day services, home health, community services, senior housing, assisted living residences, continuing care retirement communities, and nursing homes. AAHSA members serve as many as two million people every day through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the place they call home.



Demographics and Need of Seniors in the Gulf

A Congressional Research Service report from November 2005 found that the "the aged may have been especially affected by Katrina" and estimated that 88,000 persons age 65 or older were displaced by the storm and of those, 45,000 were 75 and older. Almost 15% of all displaced seniors had incomes below the poverty line. Approximately 48% of the displaced seniors reported having at least one disability, and 26 % reported two or more types of disabilities, including those that require an array of supportive and health services.

An estimated 70% of seniors throughout the Gulf owned their own homes and most had lived in their homes for 20 or more years. Among the elderly renters that were living in unsubsidized housing, 55% had lived in their rental properties over 20 years. According to HUD there are 1,054 assisted properties, over 47,000 units, in the areas affected by the hurricanes. Of the assisted properties, 228 are Section 202 elderly housing communities with almost 11,000 units. Among those, one hundred properties, with 12,559 units suffered severe damage. Seniors need these affordable, supportive housing communities to be restored and functional before they can return to the Gulf.

Mississippi Methodist Senior Services' Experience

On August 29, 2005, five of our campuses were damaged by Hurricane Katrina. Our Seashore Retirement Community campus in Biloxi, MS received the most damage. Seashore was located on Beach Blvd. (Hwy 90) and consisted of 124 market rate apartments, 42 assisted living units



and a 65 unit HUD 202 project with project based Section 8 rental subsidies. All of the buildings had substantial damage but none more so than the HUD building, Gulf Oaks Manor. In addition to significant wind damage, Gulf Oaks had 2 feet of gulf water on the first floor. Fifty-five of our residents refused to leave the campus and rode out the storm with the campus Executive Director who refused to leave them. We were able to evacuate them on August 31, 2005 and provided housing on our other campuses in North Mississippi.

MMSS had what we considered to be good, comprehensive insurance coverage, including flood coverage. We immediately began the process of restoring the campus. We deployed resources from across the state and within three weeks had a complete damage assessment of the property. We were able to restore the market rate buildings and assisted living units by mid October. Little did we know that our challenges with our HUD 202 project were just beginning.

Inspections of the HUD building revealed that there was water damage on the upper floors in addition to the flood damage on the first floor. The heat and humidity following the hurricane coupled with days of no utilities and air flow had created a major mold problem. After weeks of inspections and professional opinions, our insurance carrier determined that the damage on the upper floors was pre-existing, not related to the hurricane and would not be a covered loss. Our insurance coverage would only cover the repairs to the first floor. MMSS was left with an uninhabitable building and a \$1 million dollar gap between what the insurance covered and what it would take to repair the building. In our initial conversations with HUD representatives about how we could solve this problem, we were told that:



- HUD would not loan MMSS the money to cover the insurance gap
- MMSS would not be permitted to borrow money from any other source
- HUD would not forgive any of the debt in our original Section 202 loan
- HUD would not allow MMSS to prepay the mortgage

In spite of these restrictions, HUD informed us that they did not want to lose the assisted housing units. The Department recommended that MMSS find a buyer for the damaged property and stated that any new buyer must continue the property as a 202 project.

In addition, to our discussions with HUD to save the property, MMSS researched additional resources to meet the funding gap to repair the property. Our FEMA request for help was denied because we were classified as a “non-essential service.” With that status, we were advised to seek a Small Business Administration loan, an option that was not available to us because of our HUD financing. Essentially, we had no options.

Eventually, we contacted the American Association of Homes and Services for the Aging (AAHSA) and asked for help. AAHSA immediately contacted senior HUD officials who made us aware of a provision in the FY2006 appropriations legislation, Section 318, which allowed for the relocation of project based Section 8 contracts from non-viable, obsolete HUD projects that had been damaged to new buildings. It seemed to us that the provision was tailor made for our situation and many other hurricane damaged properties. In March 2006, I met with Hank Williams, Deputy Assistant Secretary for Multifamily Housing and he encouraged us to apply for a Section 318 transfer.



On March 31, 2006, we notified our Mississippi HUD office that we would be requesting a Section 318 transfer of the project-based Section 8 contract and provided our initial responses to the Section 318 requirements. About this time, we received an unsolicited offer from a local developer to purchase the entire campus. We accepted, contingent upon our being able to obtain a relocation or release for the property from HUD. We believed it was in the best interest of our residents to build a new campus further inland that would not be affected by future hurricanes. This offer would also give us the opportunity to rebuild the HUD building in a safer location at no additional cost to HUD. We planned to have a new campus with a new HUD building and we could restore 65 subsidized apartments for seniors on the Gulf Coast which had been in existence since 1984.

On July 5, 2006, we submitted our formal Section 318 request to HUD headquarters, outlining our plan and asked HUD for dialogue on how we could make this happen. Weeks passed and we heard nothing from HUD. On August 8, 2006, we once again contacted AAHSA staff and asked for their help. On August 17, 2006 AAHSA had a series of conversations with a senior HUD staff member who assured them they were going to make this happen. On August 29, 2006, after no contact from HUD, we contacted Senator Thad Cochran's office and asked for help. Our business interruption insurance coverage was ending and financially we were fading fast. We needed to complete this process to save the HUD project as well as the entire campus. Senator Cochran's staff responded immediately and HUD assured them that we were a priority. Weeks passed with no response from HUD. At times when MMSS would request an update from HUD,



we were told that they were not sure what desk it was on. On one occasion we were told they were waiting because we did not send a hard copy of our paperwork and they only had an electronic copy. We had submitted a hard copy and it was electronically elevated by HUD staff according to their own protocol. Senator Cochran's staff intervened again in mid-September. They were assured our application was in process.

On October 2, 2007, more than six months after our notification of intent to pursue a Section 318 project based Section 8 transfer and almost three months after our formal request was submitted to HUD headquarters, we received a letter from HUD notifying us that our Section 318 request had been denied. I have attached correspondence outlining things that would have to be done for the request to be reconsidered. The items had not been communicated to us previously and were either economically infeasible or incapable of being completed for many months. At this point our request had been denied, our insurance coverage was exhausted and we were in jeopardy of losing the sale of the entire property.

Throughout this process the Jackson, Mississippi HUD office was very helpful. Thanks to that office we learned that our contract, a pre-1984 HUD 202 contract, could actually be pre-paid with 30 days notice and without HUD approval. After much consideration, we felt this was our only option to continue providing senior housing on the Gulf Coast. However, we wanted to make one last effort to save the 65 Section 8 rent subsidies and transfer them to a new building. We notified HUD of our intent to pay-off the 202 mortgage and they gave us the process to follow, including the notification letter that we needed to send former residents to notify them of



the sale. In numerous phone conversations with HUD officials in Washington, D.C., we repeatedly asked for permission to transfer the Section 8 rental subsidies to a new building so we could preserve those subsidies and continue serving low-income residents at the new property. HUD informed us that it had never been done before and despite having the legal authority, they would have to get a legal opinion and call us back. The next day they called back and told us the Section 8 subsidies could be moved and they would let us know the process. We were ecstatic that this would allow us to restore the low income units on the Gulf Coast and most importantly, offer our previous residents a chance to return to MMSS on the new campus.

As we got closer to closing on the sale, HUD notified us that the letter used to notify residents of the property sale did not use the correct language. We reminded HUD that we had used the exact letter that they had provided. Just before closing, we inquired again about the process for moving the Section 8 subsidies to a new building as HUD had said we could do. We were told that HUD never agreed to that and that the subsidies had to stay with the damaged building. In the end, despite their insistence that HUD was committed to preserving units and having the authority to transfer the contract to a new, safer building, HUD essentially forced USSM to give up project based Section 8 contract to complete the sale of the campus. More disturbing, HUD had done what the hurricane had not even been able to do, permanently displace those residents that rode out the storm in their homes.



The Impact of S. 1668, the “Gulf Coast Recovery Act of 2007”

The “Gulf Coast Housing Recovery Act of 2007”, S.1688, is an important step in rebuilding the Gulf for low income seniors. There are several provisions within this legislation that would benefit seniors and the not-for-profit housing providers that serve them. This bill will provide much needed direction to HUD on the transfer of existing contracts and more supportive housing options for seniors. Seniors rely disproportionately on federally assisted housing. The state of HUD programming and funding are essential to addressing their needs and to prevent premature institutionalization. Seniors make up one half of the Section 8 voucher holders, one third of public housing residents and there are over 300,000 seniors living in Section 202 supportive elderly housing throughout the country. Under S.1668 the existing federal housing programs will be strengthened and housing options for the Gulf’s displaced senior population will increased.

Transfer Authority for Project Based Section 8 Contracts

First and foremost, based on our experience, I strongly encourage this committee, and Congress to approve Section 306, to make sure that HUD is not able to allow the loss of another project based Section 8 contract. While it may not seem necessary to require HUD preserve affordable housing, it is clear that despite having the existing authority to transfer existing project based Section 8 contracts to new sites, they are unable to do so.

Under this provision, Congress can promote flexibility in transfers by permitting contracts to be divided between new buildings, and making it clear that contracts do not



need to be transferred to buildings that are identical to the old buildings, an all but impossible task. In addition this provision tolls the expiration dates of contracts on damaged properties and imposes a deadline for HUD to authorize the requested transfers.

While I have provided you with one example of how difficult it is to try to work with the Department on project based Section 8 contract transfers, I assure you that MMSS is not alone. Providers throughout the Gulf Coast have had similarly difficult times getting their properties rebuilt and re-housing their residents. Mississippi Methodist and others are committed to rebuild our communities, maintaining our missions and maximizing efficiency by using existing assistance contracts to assist seniors in new buildings where the original building is destroyed. But we need Congress' and HUD's help.

Waiver of Limitation on Project Basing Section 8 Vouchers

Under Section 305 of this legislation, the existing limit on the authority of public housing agencies (PHAs), to increase the number of Section 8 vouchers committed to specific projects that serve the elderly or disabled is waived. This would provide another resource to housing providers that have lost project based Section 8 properties and been unable to successfully transfer assistance contracts them to new buildings. MMSS strongly supports this provision.



Creation of New Project Based Vouchers for Supportive Housing

Under Section 304 of this bill, 4,500 new vouchers would be made available for project-based rental assistance for supportive housing in the Gulf area. This would help organizations such as ours serve those displaced seniors still struggling to find adequate, affordable, supportive housing. It would also provide MMSS an option for recovering those units that were lost due to HUD's refusal to transfer our existing contract. In addition, the authorization for 1,000 additional Shelter Plus Care units, under the McKinney-Vento Homeless Assistance Act will help serve those low-income frail seniors, to include those that lost their homes in the disaster. Many of these seniors were left homeless, without the resources or ability to rebuild their homes. I encourage you to support this important provision.

GAO Report and Replacement of Erroneously Lost Project Based Section 8 Contracts

I realize that Congress often requests studies to inform their decision making. I also realize that many times these studies can end up on a back shelf somewhere with little value in shaping meaningful, useful policy. I strongly encourage you to request from GAO a study of erroneously terminated federal assistance, outlined in Section 307, to include any and all project based assistance lost in the Gulf. This committee's responsibility for oversight and housing policy must identify any departmental errors made during hurricanes Katrina and Rita. Our federal agencies and programs must operate efficiently before the next disaster strikes, whether it's a hurricane in the Gulf, a tornado in the Midwest, a flood in the East or an earthquake on the West Coast. Our

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residents and assisted housing providers will certainly fall victim to the same impenetrable barriers of confusing procedures, unclear goals and ineffective policies. Furthermore, I urge you to hold a hearing next year on the results of this study and restore those project-based contracts found to be wrongfully terminated.

Conclusion

The Section 318 transfer provision seemed perfect for addressing the plight of hurricane damaged properties. Legislation to restore these units became hopelessly entangled in HUD rules and regulations and no one seemed to have the authority to overcome the bureaucracy to meet the needs of our seniors in real time. Still, despite the best intentions of local officials and our Congressional delegation, low income senior housing units have been forever lost on the Mississippi Gulf Coast. S. 1668 offers us a chance to stream line the process in order that senior housing can be restored and I am certain that we would have succeeded in our efforts had the transfer requirements laid out in Section 306 been in place.

Mississippi Methodist Senior Services is committed to continuing our 40-year old mission of providing housing to seniors regardless of their financial resources. We are disheartened those 65 low income apartments have been lost in our community, that the Gulf Oaks residents have permanently lost their homes and that the 20 seniors that were on the waitlist for that building will never have the option to move into that community. MMSS is committed to restoring these units through private funding sources if possible but that remains a long term endeavor. We appreciate that the Jackson, Mississippi HUD office understood the plight of our residents and



did everything within their power to help them and make the preservation of the community happen. Once again, on behalf of Mississippi Methodist Senior Services, our communities and the residents we serve, I thank you for the opportunity to provide testimony on this critical problem. The restoration of housing in the Gulf area must be a comprehensive solution, excluding no one and returning as many seniors as possible to safe, decent, supportive housing.