

# Mississippi Gulf Coast Regional Housing Assessment

Prepared By the Gulf Coast Community Design Studio

August 2012

## ***The Plan for Opportunity***

The *Plan for Opportunity* is a collaborative planning project intended to guide the economic growth and development of the Mississippi Gulf Coast and to improve housing, employment and transportation opportunities throughout the region. The three year planning process will be guided by a group of stakeholder committees which will be organized and expanded over the course of the plan to include city and county leadership, key community and public partners, and residents of the region.

The Mississippi Gulf Coast was one of 45 regions nationwide to receive grant funding from the federal Partnership for Sustainable Communities to develop a regional sustainability plan. The Partnership for Sustainable Communities is an agreement between the U.S. Department of Housing and Urban Development, the U.S. Department of Transportation, and the U.S. Environmental Protection Agency to take a more holistic approach to better respond to the regional needs. Guided by six “Livability Principles,” the Partner agencies are coordinating investments, restructuring funding programs, and aligning policies to support local efforts to provide more housing choices, make transportation systems more efficient and reliable, reinforce existing investments, and support vibrant and healthy neighborhoods that attract businesses.

The *Plan for Opportunity* is bringing the 3 coastal counties and 12 municipalities together in a comprehensive regional planning process that aims to:

- Lower transportation and housing costs by creating better connections between where people live and work.
- Develop in ways that value the natural environment, understanding that regional prosperity is dependent on our many environmental assets.
- Improve air quality by making buildings more energy efficient and reducing vehicle miles traveled.
- Create a broad range of employment and business opportunities by coordinating land-use, transportation and infrastructure planning.
- Improve regional health by ensuring that all communities have access to fresh food, safe recreation, open space, medical care, and clean air and water.

The planning process is a broad-based effort, understanding that the success of the final Plan rests on the extent of stakeholder input and decision-making. The *Plan for Opportunity* is key to strengthening the economy, improving quality of life for residents, and creating a more sustainable future for the region.

The Housing Subcommittee is tasked with analyzing residents’ current level of access to affordable, quality housing in the region; existing barriers to housing choice; and areas of opportunity where local and regional efforts can potentially improve housing access.

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Charmel Gaulden	Gulf Coast Fair Housing Center
Monica Gonzalez	Enterprise Community Partners
Cassie Hicks	USM Institute for Disability Studies
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Sarah Landry	Mercy Housing & Human Development
Janine Lee	Bay Waveland Housing Authority
Everett Lewis	Back Bay Mission
Jerrie Magruder	HUD Office of Fair Housing and Equal Opportunity
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Reilly Morse	Mississippi Center for Justice
Steve Nettles	Lemon-Mohler Insurance
Rhonda Rhodes	Hancock Housing Resources Center
Camille Schafer	Gulf Coast Renaissance Corporation
Demetria Simpson	South Mississippi Housing and Development Corporation
Greg Smith	Mississippi Home Builders Association
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Helen Werby	Biloxi Housing Authority
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## LIST OF ACRONYMS

ACS	American Community Survey
ADA	Americans with Disabilities Act
AFFH	Affirmatively Further Fair Housing
AI	Analysis of Impediments
AMI	Area Media Income
ASHRAE	American Society of Heating, Refrigerating and Air-Conditioning Engineers
BCEGS	Building Code Effectiveness Grading Schedule
BHA	Biloxi Housing Authority
BWHA	Bay Waveland Housing Authority
CDBG	Community Development Block Grant
CRS	Community Rating System
CSA	Combined Statistical Area
CU	Credit Union
DOE	U.S. Department of Energy
DOT	U.S. Department of Transportation
ECOA	Equal Credit Opportunity Act
EEM	Energy Efficient Mortgages
EPA	U.S. Environmental Protection Agency
ESG	Emergency Shelter Grant
FAIR	Fair Access to Insurance Requirements
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration
FHEA	Fair Housing Equity Assessment



FHIP	Fair Housing and Initiatives Program
FHP	Fair Housing Planning
FIRMs	Flood Insurance Rate Maps
GCCAA	Gulf Coast Community Action Agency
GCFHC	Gulf Coast Fair Housing Center
HERS	Home Energy Rating System
HFH	Habitat for Humanity
HMDA	Home Mortgage Disclosure Act
HOME	Home Investment Partnership
HOPWA	Housing Opportunities for Persons with AIDS
HUD	U.S. Department of Housing and Urban Development
IBC	International Building Code
IDA	Individual Development Account
IECC	International Energy Conservation Code
IRD	International Relief and Development
LIHEAP	Low Income Home Energy Assistance Program
LITHC	Low Income Housing Tax Credits
LISC	Local Initiatives Support Corporation
MHC	Mississippi Home Corporation
MDA	Mississippi Development Authority
MEMA	Mississippi Emergency Management Agency
MEPI	Mississippi Energy Policy Institute
MSA	Metropolitan Statistical Area
MWUA	Mississippi Windstorm Underwriting Association
MHMC	My Home My Coast

NFIP	National Flood Insurance Program
PRVO	Pearl River Valley Opportunities, Inc.
PSC	Mississippi Public Services Commission
SEP	State Energy Program
SMEPA	South Mississippi Electric Power Association
WAP	Weatherization Assistance Program

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## **INTRODUCTION**

### **The Plan for Opportunity**

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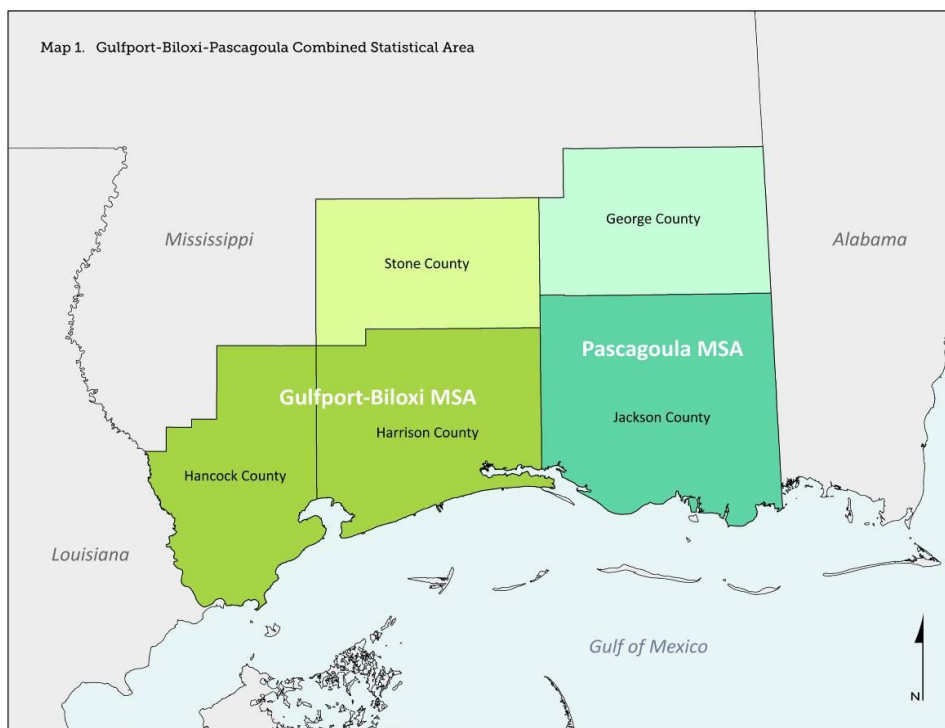
### **Mississippi Gulf Coast Regional Housing Assessment**

This housing assessment is the first step in understanding the complex story of housing on the Mississippi Gulf Coast. This report examines the current conditions of housing, taking into account the affects of Hurricane Katrina, the BP Oil Spill and the national recession. It looks at issues related to

housing that stakeholders have identified as regional priorities, including residential vacancy, housing finance, insurance costs, energy efficiency, and fair housing compliance. The regional perspective of the assessment allows for the sharing of resources and a more efficient use of funding to address issues that affect all of the communities on the coast. In addition, regional coordination has the potential to resolve challenges that cannot be overcome by individual jurisdictions on their own.

Housing markets are regional, and the most effective housing policies are those that act on a regional scale.<sup>1</sup> The decentralization of communities in past years means that many people live, work, shop, and go to church in separate neighborhoods and jurisdictions. Thus, housing policies in one community can affect the region as a whole. This housing assessment looks at housing policies within each of the 14 jurisdictions on the coast, the two housing market areas (HMAs), and the region as a whole, as well as the state and federal-level policies that impact housing in our region.

### Mississippi Gulf Coast Housing Market Areas



Source: *Gulf Coast Community Design Studio. (2012).*

Following the completion of this assessment, a stakeholder analysis will be conducted. Through interviews and focus groups, the stakeholder analysis will provide important insight into the challenges and opportunities residents face in regards to housing. From the quantitative and anecdotal information gathered in both the housing assessment and stakeholder analysis, the housing subcommittee will develop recommendations to inform future housing efforts in the region.

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<sup>1</sup> Katz, Bruce. et. al. (2003). *Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice*. The Brookings Institution Center on Urban and Metropolitan Policy and the Urban Institute. December 2003. Page xii

## **HISTORY**

### **Mississippi Gulf Coast: Hurricane Katrina, National Recession, and Flood Maps**

In recent years, the challenges of affordable housing along the Gulf Coast have been exacerbated in the aftermath of Hurricane Katrina. In a matter of days, nearly 20% of the coast's buildings were destroyed. The Biloxi Housing Authority alone incurred \$57 million in damages to its properties.<sup>1</sup> The storm brought a 30-foot surge that washed over the coast, and rain combined with heavy winds caused additional damages.

Katrina created many lasting consequences for coastal communities. Flood maps had to be re-drawn, expanding the designated floodplain area. Many additional properties not previously designated in the floodplain are now considered to be at risk. As a result, insurance rates were increased, and new building codes were implemented that require houses in the floodplain to be elevated. Many hardworking Mississippi Gulf Coast residents are now unable or unwilling to rebuild their homes, resulting in large swaths of vacant land.

Further complicating rebuilding efforts, the BP Oil Spill in 2010 hurt the local economy by temporarily shutting down the local fishing and shrimping industries and significantly harming the tourism industry. These are the two top industries in the region, so the damages from the oil spill were far-reaching.

Complicating these obstacles, the country went into a national recession just a few years after the storm. Employment opportunities, already limited, have dwindled even more. Foreclosures have increased, and new construction has stalled. These concerns plague much of the country, but they are felt much more acutely along the Mississippi Gulf Coast where the population was already recovering from disaster. Today, federal programs, local politics, and community support all affect the availability of affordable housing for all income levels. Along the Mississippi Gulf Coast, Hurricane Katrina, a national recession, and changes in flood maps and insurance rates have further complicated the affordability and accessibility of housing.

### **Federal Programs, Local Politics, and Community Support**

The U.S. has a relatively brief history of publicly-supported affordable housing. Prior to the industrial revolution, most people lived and worked in rural communities. During this time, religious organizations and charity programs were responsible for providing housing to those unable to attain it. Due to the widespread discriminatory practices of the times, many minority, disabled, and low-income people struggled to attain housing assistance.

As the country industrialized in the late nineteenth century, a growing number of people moved from their rural homes to the cities in search of work. Most people who relocated had little income with which to buy a home and instead rented property in cities. By the turn of the twentieth century, America had become a country of primarily renters.<sup>2</sup> However, there were few regulations or requirements on landlords to provide safe, healthy homes to their tenants. The lack of regulation frequently caused crowded, slum-like conditions. As these deplorable conditions became a trend throughout the country, social activists began questioning how the federal government could help to improve housing conditions.

The first half of the twentieth century saw the federal government having greater involvement in housing issues, with various degrees of success. Federal programs have tried several approaches to address the availability of affordable housing, ranging from direct involvement in housing construction to the provision of affordable mortgages and housing vouchers.

### ***Government-Built Affordable Housing***

America's first attempt at providing housing on the federal level occurred with the passing of the **U.S. Shipping Act of 1917**. This Act appropriated \$100 million to address the lack of workforce housing associated with the shipping industry during World War I. The goals of the housing program were to reduce labor turnover, increase productivity, and promote social harmony; family income was not a factor in eligibility for this housing.<sup>3</sup> Though this program ended prematurely with the end of the war, it set the stage for future federal housing programs.

Continuing the federal housing agenda, President Roosevelt's administration created the **Public Works Administration (PWA) housing program in 1933**. In four years this program built 25,000 units in 58 locations. Public opinion of the program was favorable: the units were "well built, neighborhood-friendly, and families didn't have to be eligible based on income."<sup>4</sup> These factors made the housing demographically diverse; however, in 1936 Congress altered the program to make the housing available to only low income families.<sup>5</sup> This change dramatically altered the localities' perception and acceptance of affordable housing initiatives.

Both the U.S. Shipping Act of 1917 and the PWA housing program were designed as short-term solutions to housing shortages. Seeking a lasting housing program, the **U.S. Housing Act of 1937** created the first permanent public housing program, the **U.S. Housing Authority (USHA)**. The Act created a two-tiered system in which the USHA "helped finance local public housing commissions, which then built and managed the projects."<sup>6</sup>

While the intention of the USHA was to ensure availability of housing nationally, critics of the program were concerned that the program would undermine the private housing market. To prevent such a situation, three key restraints were put on the USHA: that only low-income families be eligible for public housing, that costs associated with public housing development be limited, and that new housing construction could occur only with the clearance of existing "blighted properties."<sup>7</sup>

From the start, the USHA encountered opposition from rival agencies, Congressional conservatives, and poor administration; however, the biggest opposition came from local politics in the areas where public housing was planned. In these localities,

*"Public housing was never popular. Although the government-built row houses and apartment buildings were considered improvements over shacks and tenements, neither their architecture nor their low-income occupants were considered desirable."*<sup>8</sup>

Business owners, politicians, and concerned homeowners frequently united against planned public housing developments. Catherine Bauer, a public housing advocate in the 1940s, noted that the top-down approach to public housing largely failed without corresponding grass roots support on the local level to counteract the opposition.<sup>9</sup> In response, federal programs began exploring programs that would spur private sector investment in affordable housing.

As large numbers of people continued to migrate to the cities in search of work after World War II and as the baby boom increased the country's population, urban housing shortages became a national emergency. The **Housing Act of 1949** renewed attempts to provide public housing and federal financing for urban redevelopment, which usually included clearing slums and building public housing. This act was refined just five years later to promote urban renewal, which advocated for rehabilitation instead of demolition and private as opposed to public housing.<sup>10</sup>

### ***Privately-Built Affordable Housing***

The Roosevelt Administration saw homeownership as the optimal solution to the housing crisis. This policy continues to the present day. While the PWA housing program of the early thirties provided worker housing to people in need, the Roosevelt administration also created the **Federal Housing Administration (FHA) in 1934** to boost the private housing market by making home mortgages more affordable for the middle class. The FHA insured residential mortgages, giving lenders confidence to accept longer loan periods and smaller down payments.<sup>11</sup> While the program was largely successful in promoting homeownership, until the 1950s the FHA underwriting manual "recommended racial restrictions on property deeds.... Not surprisingly, most FHA mortgages went to White buyers for single-family houses in the suburbs" while inner-city and minority neighborhoods were neglected.<sup>12</sup> These discriminatory practices kept minority would-be homebuyers from entering the housing market and may have contributed to decreased economic opportunities for these individuals as well.<sup>13</sup>

Congress created several post-World War II programs in addition to the FHA to stimulate the private housing market. The **Veteran's Administration (VA)** guaranteed low-interest loans to returning soldiers. Additionally, the **Federal National Mortgage Association (Fannie Mae)**, created in 1938, the **Government National Mortgage Association (Ginnie Mae)**, created in 1968, and the **Federal Home Loan Mortgage Corporation (Freddie Mac)**, created in 1970, were all federal programs intended to fuel the private housing market.

### ***Local Politics***

The **Housing Act of 1954** permitted 10% of federal housing financing to fund nonresidential projects. This created the opportunity for local elites to further their personal agendas through the use of housing program funding. Across the country, many low-income communities were evicted to make way for so-called "urban renewal" projects and highway construction. While the 1954 Act had intended for economic development to occur in partnership with public housing development, central business districts received the majority of the redevelopment funding while the low-income housing projects remained in low-income, racially segregated inner-city neighborhoods.<sup>14</sup>

The civil rights movement of the 1960s battled these and other inequalities, transforming the national perspective of what public housing should be. President Lyndon Johnson created the **Community Action Agencies of the Office of Economic Opportunity**, and the **Model Cities program** promoted "maximum feasible" or "widespread" citizen participation from urban dwellers to help formulate their neighborhood plans.<sup>15</sup> Planners nationwide began to favor renovation projects and pedestrian-friendly, mixed-use centers over the previous monolithic structures that characterized 1950s public housing.

### ***Community Support***

Local community and non-profit organizations received support to work on low-income housing in the **1974 Housing and Community Development Act** and in the **Affordable Housing Act of 1990**. These organizations raised support for local neighborhood improvement, using their local political influence to address housing needs ignored by private sector developers.<sup>16</sup> Rather than promoting segregated



communities that frequently became ghettos, planners and community developers started supporting mixed-income neighborhoods that combined housing, businesses, and community spaces.<sup>17</sup> In response to community's fears of public housing, planners worked to de-concentrate poverty and to provide services such as neighborhood safety, accessibility, and social interaction in addition to affordable housing in an effort to promote economic advancement.<sup>18</sup>

### ***Increasing Affordable Housing Opportunities***

In addition to providing mixed-income public housing, the **1974 Housing and Community Development Act** developed a rental certificate program. Those holding rental vouchers could rent anywhere, which theoretically should have reduced poverty concentrations; however, in practice a "significant proportion of such minority households found homes in low-income or predominantly minority neighborhoods."<sup>19</sup>

Nonetheless, the 1980s were a time of privatizing and decentralizing public housing. President Reagan slashed all federal programs for new construction of subsidized housing, and his administration expanded the Section 8 certificate program and housing vouchers.<sup>20</sup> The **McKinney Act of 1987** gave HUD the ability to provide emergency shelters and other assistance to the homeless. The **National Affordable Housing Act of 1990** created a block grant for states and localities to implement housing strategies. In addition, the **HOPE program**, which allowed a certain number of public housing occupants to purchase their homes, was also created at this time.<sup>21</sup>

The late 1980s and 1990s also saw the federal government take a stronger interest in enforcing the **Fair Housing Act of 1968**, which was designed to end discrimination within housing programs. Despite this act, HUD had been documenting racial discrimination in both rental and sales in federal housing programs since 1979, but it wasn't until the **Fair Housing Amendments Act of 1988** that the federal government gained substantial powers to enforce the act.<sup>22</sup>

Taking a stronger approach in 1992, Congress required Fannie Mae and Freddie Mac to ensure adequate financing to first-time homebuyers in low-income and minority neighborhoods. Congress also created the **HOPE VI program**, which replaced severely stressed public housing with mixed-income developments.<sup>23</sup> During the 1990s planners supported the "growing movement... to focus on housing as one of the life circumstances that allow or impede economic opportunity....," which led to the creation of the **Moving to Opportunity** and **Jobs Plus** programs, each "designed to transform assisted housing into a vehicle for economic advancement."<sup>24</sup>

### **Learning from our Past and Moving Forward**

The bipartisan **Millennial Housing Commission** was created in 2000 to analyze affordable housing opportunities in the U.S. The Commission found that "housing affordability problems were getting worse, especially for low-income renters and minorities, and that the supply of affordable units was dwindling."<sup>25</sup> The **Housing and Discrimination Study of 2000** found "no change" in instances of housing discrimination against Hispanic renters and a "worrisome increase in the steering of both Blacks and Hispanics to perpetuate segregation."<sup>26</sup> Likewise, the recent mortgage meltdown that began in 2006 highlighted the weaknesses in pushing homeownership to high-risk homebuyers. George C. Galster, Professor of Urban Affairs at Wayne State University, sums up the situation saying, "We may have pushed attaining homeownership too far ahead of sustaining homeownership."<sup>27</sup>

Considering the history of national affordable housing programs and recent regional hardships as a result of Hurricane Katrina, the BP Oil Spill, and the economic downturn, there is still room for improvement at both the federal and regional levels of housing administration to create sustainable and affordable housing choices for all the residents of the Mississippi Gulf Coast.

## Notes

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- <sup>2</sup> U.S. Department of Housing and Urban Development. (n.d.) *The Federal Housing Administration (FHA)*. Retrieved January 31, 2012. Web.
- <sup>3</sup> Martens, B. (2009). A Political History of Affordable Housing. *Journal of Housing & Community Development*, 66(1), 6-12. Page 8.
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- <sup>6</sup> von Hoffman, A. (2009). Housing and Planning: A Century of Social Reform and Local Power. *Journal Of The American Planning Association*, 75(2), 231-244. doi:10.1080/01944360902774087. Page 234.
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- <sup>9</sup> von Hoffman, A. (2009). Housing and Planning: A Century of Social Reform and Local Power. *Journal Of The American Planning Association*, 75(2), 231-244. doi:10.1080/01944360902774087. Page 235.
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- <sup>12</sup> von Hoffman, A. (2009). Housing and Planning: A Century of Social Reform and Local Power. *Journal Of The American Planning Association*, 75(2), 231-244. doi:10.1080/01944360902774087. Page 236.
- <sup>13</sup> Galster, G. (2008). U.S. housing scholarship, planning and policy since 1968: an introduction to the special issue. *Journal of the American Planning Association*, 74(1), 5-16. Retrieved from Avery Index database. Page 6.
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- <sup>20</sup> Galster, G. (2008). U.S. housing scholarship, planning and policy since 1968: an introduction to the special issue. *Journal of the American Planning Association*, 74(1), 5-16. Retrieved from Avery Index database. Page 9.
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- <sup>24</sup> Galster, G. (2008). U.S. housing scholarship, planning and policy since 1968: an introduction to the special issue. *Journal of the American Planning Association*, 74(1), 5-16. Retrieved from Avery Index database. Page 11.
- <sup>25</sup> Galster, G. (2008). U.S. housing scholarship, planning and policy since 1968: an introduction to the special issue. *Journal of the American Planning Association*, 74(1), 5-16. Retrieved from Avery Index database. Page 12.
- <sup>26</sup> Galster, G. (2008). U.S. housing scholarship, planning and policy since 1968: an introduction to the special issue. *Journal of the American Planning Association*, 74(1), 5-16. Retrieved from Avery Index database. Page 12.

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<sup>27</sup> Galster, G. (2008). U.S. housing scholarship, planning and policy since 1968: an introduction to the special issue. *Journal of the American Planning Association*, 74(1), 5-16. Retrieved from Avery Index database. Page 12.

## AFFORDABILITY

Households paying more than 30% of household income for housing are considered “cost burdened” and have a housing affordability problem. The Department of Housing and Urban Development (HUD) defines affordable housing as housing for which occupants pay no more than 30% of household income, including direct payments on rent and mortgage, utilities, taxes, and insurance.<sup>1</sup> According to the American Housing Survey for the United States, approximately 38.4% of households nationally allocated 30% or more of their income on housing cost in 2009 and approximately 18.6% of individuals nationally allocated 50% or more of their income on housing cost in 2009.<sup>2</sup>

Though housing prices have dropped in recent years for both renters and homebuyers, housing remains unaffordable to many households on the Mississippi Gulf Coast. This suggests that housing prices do not fully reflect housing costs in the region. The fair market rent in the Gulfport-Biloxi Metropolitan Statistical Area (MSA) has decreased by 11% over the past three years; in the Pascagoula MSA by 17%.<sup>3</sup> Home sales prices have declined year-on-year between 2007 and 2011, with a 31% overall decrease for the five year period.<sup>4</sup> According to the Gulf Coast Renaissance Corporation, “Raw land and vacant houses are affordable, but families are unable to purchase them due to poor credit, lack of down payments, and the high cost of insurance.”<sup>5</sup>

Affordability is also significantly determined by income. Indeed, the Brookings Institution Center on Urban and Metropolitan Policy contends that *income policy is housing policy*.<sup>6</sup> Expanding the supply of affordable housing is not an effective strategy on its own, when the lack of income remains a major impediment to obtaining housing. The housing wage, or wage needed to afford a 2-bedroom fair market rent apartment in the Gulfport-Biloxi MSA is \$17.42.<sup>7</sup> In the Pascagoula MSA the wage is \$16.60.<sup>8</sup> More than 54,000 households in the Combined Statistical Area (CSA) earn below the housing wage.<sup>9</sup>

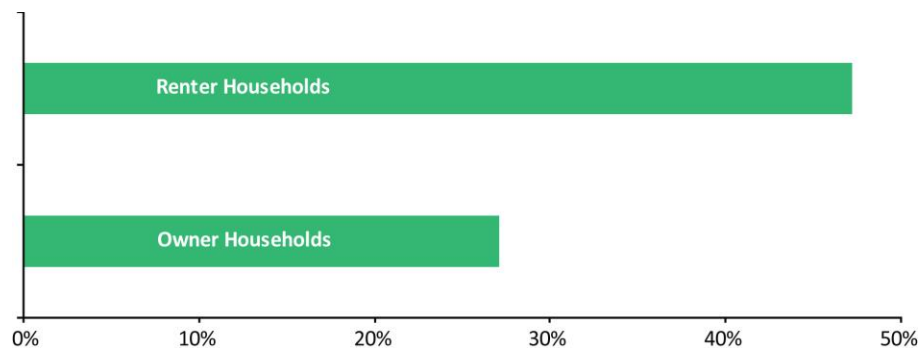
Similarly, the income needed to purchase an affordable home in the region is higher than what many households currently earn. An affordable home, as defined by HUD, is one that does not exceed 95% of the area median purchase price.<sup>10</sup> The median purchase price for the three coastal counties is \$109,500.<sup>11</sup> Assuming typical insurance and interest rates and a 30-year mortgage, the income needed to afford a mortgage at 95% of this level is about \$37,620. More than 61,000 households in the CSA earn below this level of household income.<sup>12</sup>

This section examines data from the 2010 American Community Survey (ACS) for the two coastal MSAs to gain a general understanding of housing affordability on the coast. Special attention is given to the income side of the affordability equation. The income distribution between different demographics and geographies brings attention to the populations that are most in need of affordable housing opportunities. Later sections of this assessment will focus more on specific housing costs and their impact on housing affordability.

### Tenure and Affordability

In the 2010 Gulfport-Biloxi-Pascagoula CSA, median housing costs were \$819 per month for renters (compared with \$855 nationally) and \$1,212 per month for homeowners with a mortgage (compared with \$1,496 nationally). As shown in the chart below, approximately 27% of homeowners in the CSA paid more than 30% of their income for housing, compared to nearly 50% of renters.

### Percent of Cost Burdened Households by Tenure



Source: American Community Survey. (2010). ACS 1-Year Estimates. Gulfport-Biloxi-Pascagoula CSA. Table B25106. Tenure By Housing Costs As A Percentage Of Household Income In The Past 12 Months.

This does not indicate that renter households would be better off purchasing a home. Rather, it suggests that tenure is related to income and, as a result, to affordability. The median income of renters in the CSA was \$30,001 in 2010, compared with \$51,892 for homeowners.<sup>13</sup> The median income of renters is less than 80% of area median income (AMI). It is not surprising that, at this aggregate level of analysis, renters are paying much more toward housing as a percentage of their income than homeowners, since homeowners tend to have higher incomes.

### Income and Affordability

Median household income in the Gulfport-Biloxi MSA was \$41,875 in 2010.<sup>14</sup> In the same year, median household income was slightly higher in the Pascagoula MSA at \$44,878.<sup>15</sup> The distribution of income is determined in relation to area median income (AMI) such that moderate incomes are between 80% and 120% of AMI, low incomes are between 50% and 80% of AMI, very low incomes are between 30% and 50% of AMI, and extremely low incomes are those below 30% AMI. Households earning more than 120% of AMI are considered high income.

There are approximately 155,208 households in the Gulfport-Biloxi-Pascagoula CSA.<sup>16</sup> As of 2010, 141,061 of those households lived in the three coastal counties.<sup>17</sup> The distribution of incomes on the Mississippi Gulf Coast is significant in that a majority of households in the CSA earn less than area median income.<sup>18</sup>

### Distribution of Household Income

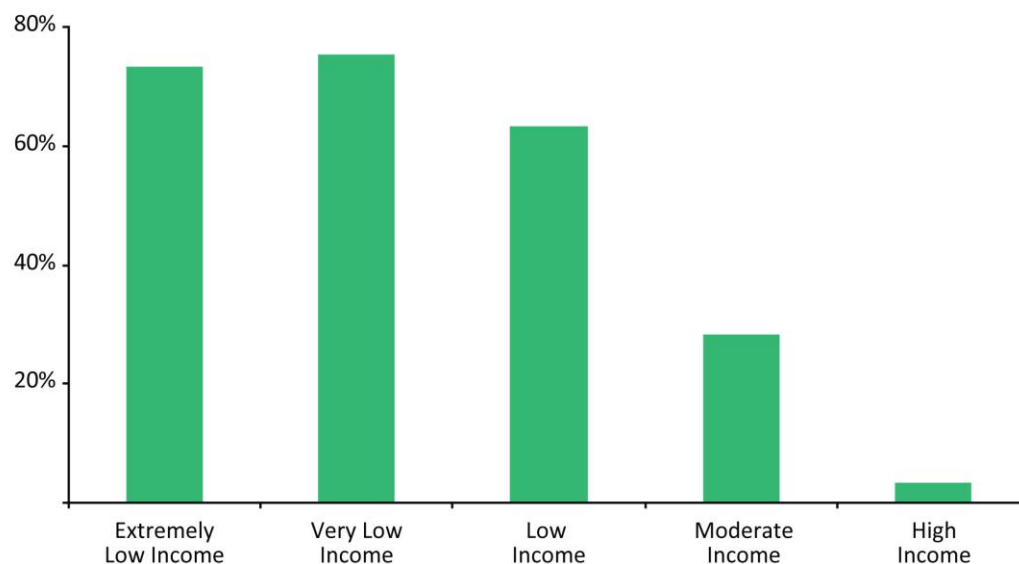
	Extremely Low Income	Very Low Income	Low Income	Moderate Income	High Income
Gulfport-Biloxi MSA	14.7%	5.4%	20.9%	16.8%	42.2%
Pascagoula MSA	13.7%	6.8%	18.5%	25.5%	35.4%
Gulfport-Biloxi-Pascagoula CSA	14.3%	6.0%	20.0%	16.5%	43.2%

Source: American Community Survey. (2010). ACS 1-Year Estimates. Gulfport-Biloxi-Pascagoula CSA. Table B25106. Tenure By Housing Costs As A Percentage Of Household Income In The Past 12 Months.

As shown in the chart above, 17% of households are moderate income, 20% of households are low income, 6% of households are very low income, and 14% of households are extremely low income. This means that over 21,000 households in the CSA earn less than \$13,000 per year. For these households, adhering to the 30% affordability rule would mean spending only \$360 per month on rent and utilities – a challenge in an area where the fair market rent is more than \$550 for a one-bedroom apartment.<sup>19</sup>

Looking at renter households by income group confirms the suspicion that more renter households are cost burdened because they tend to have lower incomes than owner households. The income distribution below shows that a minimal portion of high income renters are cost burdened, while about 30% of moderate income renters are cost burdened and the vast majority of renters with low incomes are cost burdened.

### Percent of Cost Burdened Renter Households by Household Income

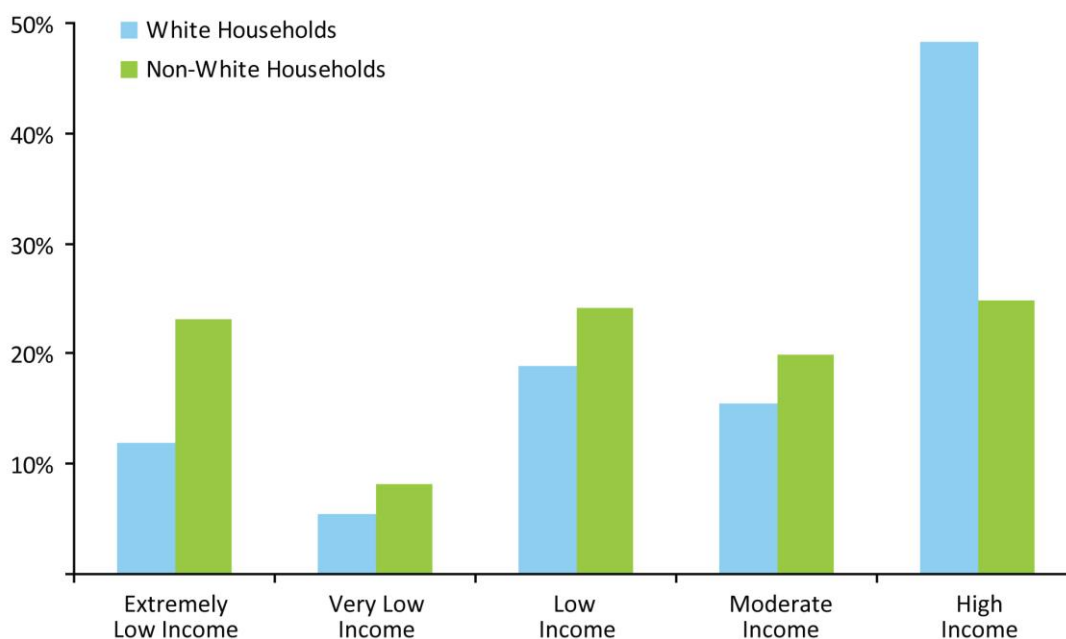


Source: American Community Survey. (2010). ACS 1-Year Estimates. Gulfport-Biloxi-Pascagoula CSA. Table B25074. Household Income By Gross Rent As A Percentage Of Household Income In The Past 12 Months.

## Race and Affordability

Looking at the distribution of household income between races highlights even wider income disparities. As shown in the chart below, nearly half of all white households are high income households. In contrast, less than a quarter of non-white households are high income households. There are twice as many non-white extremely low-income households than white. Because of the direct relationship between income and housing affordability, this means non-white households are more likely to lack ready access to affordable housing than white households.

**Household Income Distribution by Race**

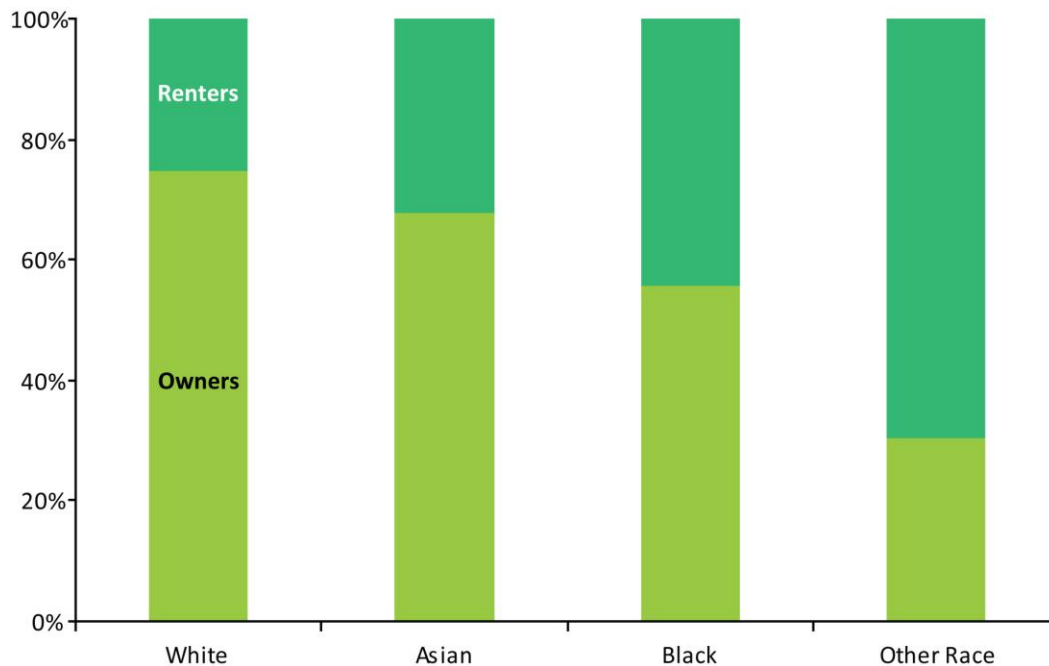


*Source: 2010 ACS 1-Year Estimates. Table B19001. Gulfport-Biloxi-Pascagoula CSA.*

Additionally, there are differences in the distribution of housing tenure by household race across the Gulfport-Biloxi-Pascagoula CSA. According to the 2010 ACS 1-Year Estimates, 75% of white households own their home, while only 68% of Asian households and 56% of African American households own their homes. A majority of households of other races or more than one race are renters, rather than homeowners. Because non-white households are more likely to be renters than white households, they are also more likely to face the higher housing cost burden associated with renting as compared to owning a home.



### Tenure by Household Race

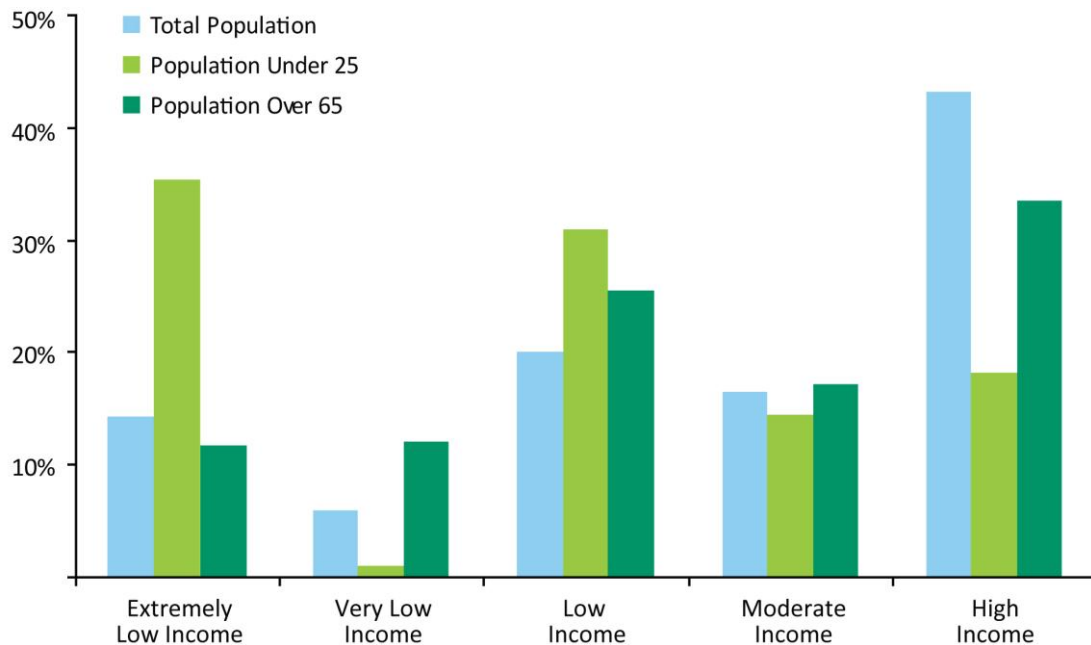


Source: 2010 ACS 1-Year Estimates. Table B25003. Gulfport-Biloxi-Pascagoula CSA.

### Age and Affordability

The income distribution by householder age highlights a different disparity. Young households – those headed by someone age 25 or younger – are far more likely to be extremely low income than any other age group. Senior households – those headed by someone age 65 or older – are far more likely to be very low income. Both seniors and youth are more likely to be low income and less likely to be high income than all other households.

### Household Income Distribution by Age



Source: 2010 ACS 1-Year Estimates. Table B19037. Gulfport-Biloxi-Pascagoula CSA.

This distribution indicates that young households, which may be headed by a student or an entry-level worker, have lower incomes overall and are more likely to experience difficulty accessing affordable housing. Those youth who head extremely low income households will face special difficulty because of a lack of credit and minimum age restrictions on public housing and housing vouchers.

The distribution also indicates that about half of seniors, who may be retired and/or living on social security, earn less than 80% of area median income. Over 3,000 seniors in the region live below the poverty line.<sup>20</sup> This population may face additional difficulties accessing affordable housing because of the need to accommodate for aging and disability. According to the 2010 ACS 1-Year Estimates, more than half of seniors in the region who live below the poverty line are disabled.<sup>21</sup>

### Hidden Housing Costs

Traditional measures of housing affordability are evolving. The assumption that housing costing less than 30% of household income is affordable has proven to be false; HUD now acknowledges that less expensive housing is often associated with longer distances from employment and activity centers, which translate into higher transportation costs. A new measure of housing affordability considers both housing and transportation costs, and suggests that the combined costs should not exceed 45% of household income.<sup>22</sup>

The Mississippi Gulf Coast has a dispersed, low-density population, and housing tends to be located in residential zones far from employment centers. This condition has been exacerbated by development trends since Hurricane Katrina, which have encouraged residential development further inland, while major employment centers remain near the water. According to the Center for Neighborhood

Technology H+T Affordability Index, transportation costs are more than 28% of income in the vast majority of communities on the Mississippi Gulf Coast.<sup>23</sup> This suggests that higher transportation costs are a hidden cost of housing on the coast. The combined costs of housing and transportation are potentially unaffordable for many households in the region.

To better address the true cost of housing, Fannie Mae began exploring location efficient mortgages that recognize the savings available to households living near to employment centers, services, and entertainment. Fannie Mae authorized lenders to issue location efficient mortgages in limited metropolitan areas in 2003.<sup>24</sup> However, at this time location efficient mortgages are not a federally insured loan product, and are not available in the Gulfport-Biloxi-Pascagoula CSA.

Other hidden housing costs include property insurance, for both renters and homeowners, and energy costs. Both of these costs will be explored in greater detail in later sections of this assessment.

## Notes

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- <sup>1</sup> U.S. Department of Housing and Urban Development. (2011). "Glossary of HUD Terms." Web.
- <sup>2</sup> U.S. Department of Housing and Urban Development and U.S. Census Bureau (2009). "American Housing Survey for the United States: 2009." March 2011. Pg. 35.
- <sup>3</sup> U.S. Department of Housing and Urban Development. (2011). "The Final FY 2011 Gulfport-Biloxi, MS MSA FMRs for All Bedroom Sizes." Final FY 2011 Fair Market Rent Documentation System. Web. November 2011; Department of Housing and Urban Development. (2011). "The Final FY 2011 Pascagoula, MS MSA FMRs for All Bedroom Sizes." Final FY 2011 Fair Market Rent Documentation System. Web. November 2011.
- <sup>4</sup> Multiple Listing Service. (2012). 2011 Average Sale Price, Closed, Residential Properties between 1/1/2011 and 12/31/2011.
- <sup>5</sup> Quattrucci & Company. (2011). Market Study and Analysis. Gulf Coast Renaissance Corporation. April 2011. Page 11.
- <sup>6</sup> Katz, Bruce. et. al. (2003). Rethinking Local Affordable Housing Strategies: Lessons from 70 Years of Policy and Practice. The Brookings Institution Center on Urban and Metropolitan Policy and the Urban Institute. December 2003. Page xii.
- <sup>7</sup> National Low Income Housing Coalition. (2011). Out of Reach. Renters Await the Recovery. Mississippi. Page 102.
- <sup>8</sup> Ibid. Page 102.
- <sup>9</sup> U.S. Census Bureau. (2010). 2010 Decennial Census. Table DP03. Select Economic Characteristics. Gulfport-Biloxi MSA; and U.S. Census Bureau. (2010). 2010 Decennial Census Table DP03. Select Economic Characteristics. Pascagoula MSA.
- <sup>10</sup> "...the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the area median purchase price for the area." U.S. Department of Housing and Urban Development. (2007). § 92.254 Qualification as affordable housing: Homeownership. Last Amended April 2007. Page 600.
- <sup>11</sup> Multiple Listing Service. (2012). 2011 Average Sale Price, Closed, Residential Properties between 1/1/2011 and 12/31/2011.
- <sup>12</sup> U.S. Census Bureau. (2010). 2010 Decennial Census. Table DP03. Select Economic Characteristics. Gulfport-Biloxi-Pascagoula CSA.
- <sup>13</sup> American Community Survey. (2010). ACS 1-Year Estimates. Gulfport-Biloxi-Pascagoula CSA. Table B25119. Median Household Income In The Past 12 Months by Tenure.
- <sup>14</sup> U.S. Census Bureau. (2010). 2010 Decennial Census. Table DP03. Select Economic Characteristics. Gulfport-Biloxi MSA.
- <sup>15</sup> U.S. Census Bureau. (2010). 2010 Decennial Census. Table DP03. Select Economic Characteristics. Pascagoula MSA.
- <sup>16</sup> U.S. Census Bureau. (2010). 2010 Decennial Census. QT-P11. Households and Families. Gulfport-Biloxi-Pascagoula CSA.
- <sup>17</sup> U.S. Census Bureau. (2010). 2010 Decennial Census. QT-P11. Households and Families. Hancock, Harrison, and Jackson Counties.
- <sup>18</sup> *Fifty-two percent of households in the CSA earn less than AMI.*
- <sup>19</sup> U.S. Department of Housing and Urban Development. "The Final FY 2012 Gulfport-Biloxi, MS MSA FMRs for All Bedroom Sizes." FY2012 Fair Market Rent Documentation System. Web. November 2011; and HUD. "The Final FY 2012 Pascagoula, MS MSA FMRs for All Bedroom Sizes." FY2012 Fair Market Rent Documentation System. Web. November 2011. *Note that FMR decreased significantly between 2010 and 2012, and that 2012 rates represent the lowest rates in the range.*
- <sup>20</sup> American Community Survey. (2010). ACS 1-Year Estimates. Table B18130. Age By Disability Status By Poverty Status. Gulfport-Biloxi-Pascagoula CSA.
- <sup>21</sup> Ibid.
- <sup>22</sup> Center for Neighborhood Technology. (2010). "Housing + Transportation." Web.
- <sup>23</sup> Center for Neighborhood Technology. (2010). "H+T Affordability Index: Biloxi-Gulfport-Pascagoula, MS." Web.
- <sup>24</sup> Center for Neighborhood Technology. (2010). "Location Efficient Mortgage (LEM)." Web.

## **VACANCY**

High residential vacancy rates can be symptomatic of imbalances in the housing market, such as an oversupply of housing, lack of demand, or a lack of appropriate housing options. Vacancy translates into reduced revenue for cities to fund general operating costs, fewer students to populate local schools, and a general market uncertainty that can discourage new investment.<sup>1</sup> Vacancy can also negatively affect the value of nearby housing, leading to a chain reaction in which more homeowners abandon their property and vacancy rates increase.

Vacant land can also be a resource, when local resources treat it as such. Vacant properties offer rehab property and developable land, providing an alternative to growth in greenfield areas at the edges of cities and in unincorporated areas.<sup>2</sup> Community land trusts have been able to convert abandoned buildings and vacant land into permanent stocks of affordable housing. Vacant land can also be rezoned and used for alternative public uses such as parks, community gardens, trail networks, greenbelts, or nature preserves.<sup>3</sup> Some communities are making use of vacant land for renewable energy production by investing in solar and biofuel production farms.<sup>4</sup>

Vacancy is a complex condition on the Mississippi Gulf Coast. Unlike Rust Belt cities that have been suffering population loss and high vacancy rates for decades, vacant property within the urban limits is a relatively new feature to the Gulf Coast. The dislocating impact of Hurricane Katrina in 2005, the economic downturn that began in 2008, and the construction boom that occurred in between, have each contributed to the growth of abandoned homes, vacant apartments, and large tracts of vacant land.

Regardless of cause, vacancy rates are presently much higher than in recent history and are a significant concern to communities along the Mississippi Gulf Coast.<sup>5</sup> According to the Gulf Coast Renaissance Corporation, “Many key opinion leaders... named vacant and un-redeveloped property as a persistent barrier to the Gulf Region’s economic recovery.”<sup>6</sup> This section will examine the geographic and demographic distribution of vacant land and residential vacancy, and their potential implications for regional housing needs.

### **Vacant Land**

Most local comprehensive plans on the Mississippi Gulf Coast report vacant land as the top land use within the jurisdiction. The amount of vacant land within each of the 14 coastal jurisdictions ranges from 5% to 66% of total land area, though each jurisdiction defines “vacant” differently, with some considering brownfields, agricultural land, parks and greenfields separately and others counting all undeveloped land as vacant. Vacant land is identified as both an asset, to encourage the continued growth and development of the city or county, and as a problematic symptom of development constraints. While vacant brownfields persist in the more urban areas closer to the coast, cities continue to annex undeveloped land on their outskirts to increase their supply of vacant property. The inconsistency both within individual comprehensive plans, and among them, in the treatment of vacant land conditions, is important to consider in relation to overall regional growth and development plans.

### ***Floodplains and New Growth Areas***

Many local comprehensive plans and housing studies contend that vacant land persists because of its physical location within the floodplain. For example, in Waveland, which suffered some of the worst damage by Hurricane Katrina, 475 acres damaged by the storm were still vacant in 2009.<sup>7</sup> Changes to

the Flood Insurance Rate Maps after Katrina brought more land into the floodplain, so that vacant land in floodplains and floodways currently comprises 96% of all vacant land in Waveland's planning area. Constrained vacant land represents 68% of all land in the planning area.<sup>8</sup> The City's Comprehensive Plan notes that, "It is necessary to identify the constraints on future development and understand the applicability of such limits. Most constraints or limits on development are not absolute. ...other vacant lands within designated special flood hazard zones can and should be developed to serve all manner of uses... pursuant to FEMA requirements."<sup>9</sup>

The Biloxi Comprehensive Plan, states that, "A large portion of East Biloxi (primarily east of I-110) is within flood hazard areas where floodplain construction requirements and the high cost of insurance have stymied reconstruction efforts, resulting in a predominance of vacant land and buildings."<sup>10</sup> More than 50% of the land area of East Biloxi was vacant as of 2010, compared with 28% for the city overall.<sup>11</sup> Many areas that were brought into the floodplain after Katrina have struggled to rebuild. Many property owners are still attempting to sell their vacant land rather than rebuild due to the added difficulty of meeting elevation requirements and paying for increased flood and wind insurance rates. A recent survey of East Biloxi vacant property owners found that 100% of survey respondents did not intend to rebuild a home or business on their land.<sup>12</sup>

However, floodplain building and insurance requirements may be amplifying an existing inequality that has kept some neighborhoods from rebuilding where others have succeeded. A 2010 HUD survey found that blocks with concentrated repair needs and completely vacated blocks were clustered in neighborhoods with fewer economic resources.<sup>13</sup> The study also found that owner occupied properties were more likely to be re-occupied than renter-occupied properties. Renter occupied properties had nearly a 10% higher vacancy rate than owner-occupied properties when surveyed five years after the storm.<sup>14</sup> This was despite a well-documented increase in the need for rental housing.<sup>15</sup>

Another reason for the persistence of land made vacant by Katrina may be cities' continued efforts to annex undeveloped land. When developers have a ready choice between building in costlier and more heavily regulated infill areas, and greenfields that are newly serviced with city infrastructure, they will logically opt for the latter. If all development occurs in newly annexed areas, then vacant land along the coast and within the more urban neighborhoods will continue to lie vacant.

The City of D'Iberville also examined constrained and unconstrained vacant land in its 2010 Comprehensive Plan, finding that 51% of vacant land is within the floodway or floodplain. This constrained vacant land represents 20% of total land area. However, there are still close to 1,000 acres of unconstrained vacant land within the city limits. The Comprehensive Plan notes that "Although good for infill development purposes, the scattered nature of [constrained] vacant land creates difficulties in assembling larger tracts of land for unified developments."<sup>16</sup> D'Iberville has a planning area beyond its city limits of nearly 7,000 acres, more than half of which is unconstrained vacant land.

The fore-mentioned plans are fairly representative of the treatment of vacant land by all jurisdictions on the coast. Annexation plans and zoning maps suggest that most jurisdictions favor northward or outward development rather than infill development; however, it is unclear whether this shift is intentional or merely a competitive response to the actions of other jurisdictions.

### ***Existing Institutional Resources***

The Mississippi Gulf Coast has several regional and local entities with the authority to address vacancy on a large programmatic scale. However, to-date, there have been no coordinated efforts to do so.

Institutions such as land banks and community land trusts (CLT) can facilitate the conversion of delinquent and foreclosed property to a public or community resource, whereas speculators would hold vacant property for higher returns in the future. The North Gulfport Community Land Trust (NGCLT) is a local example of a community land trust focused on the creation of a permanent affordable housing stock. NGCLT acquires scattered parcels of land in North Gulfport and returns them to uses that benefit the community.<sup>17</sup> While a good example of the way in which a CLT can turn vacant land into a community resource, NGCLTs work is restricted to vacant land within North Gulfport.

The charter of the Gulf Coast Renaissance Corporation (GCRC) enables it to act in the capacity of a land bank, though the organization has not elected to conduct land banking activities to-date. GCRC's 2011 Market Study acknowledged that, "In light of decreasing property values, there is an opportunity to purchase key parcels for future development when the market rebounds" but stated that Renaissance was unlikely to pursue this strategy because, "land banking is capital intensive and could severely restrict GCRC's liquidity."<sup>18</sup> The federal government provides financial and technical assistance to land banks through its Neighborhood Stabilization Program (NSP). NSP has provided grants for the establishment of land banks and funding to assist with land acquisition, redevelopment, and disposal.<sup>19</sup> Future funding may be available for similar purposes.

Additionally, local governments, public housing authorities, and other public agencies can implement programs under the Hazard Mitigation Grant Program (HMGP) to implement mitigation projects that reduce risk in disaster-prone areas, such as those vacant parcels concentrated in the floodplain.<sup>20</sup> Both the City of Gulfport and the City of Pascagoula have used Hazard Mitigation funds to acquire and demolish homes at-risk of flooding.<sup>21</sup> However, no community on the Gulf Coast has utilized HMGP funds to create opportunities for alternative uses within at-risk or repetitive loss areas.

FEMA, which administers the HMGP, supports the HUD Sustainable Communities Initiative and acknowledges sustainability goals and activities relating to the Sustainable Communities program in local applications for Pre-Disaster Mitigation Grants.<sup>22</sup> Thus, there is a distinct opportunity for jurisdictions on the Mississippi Gulf Coast to take advantage of the regional planning grant program when applying for mitigation funds.

### **Residential Vacancy**

Residential vacancy represents a related, but different challenge. The residential vacancy rate is the number of vacant housing units, including single family homes, multifamily housing, and apartments, relative to the total number of housing units, and is a way to gauge the adequacy of housing supply. The decennial census provides a comparison of residential vacancy rates on the Mississippi Gulf Coast over the past 20 years. As shown in the chart below, the number of vacant housing units has nearly doubled since 2000. Residential vacancy has increased in all three coastal counties, most notably in Harrison County where the rate is nearly 17%.

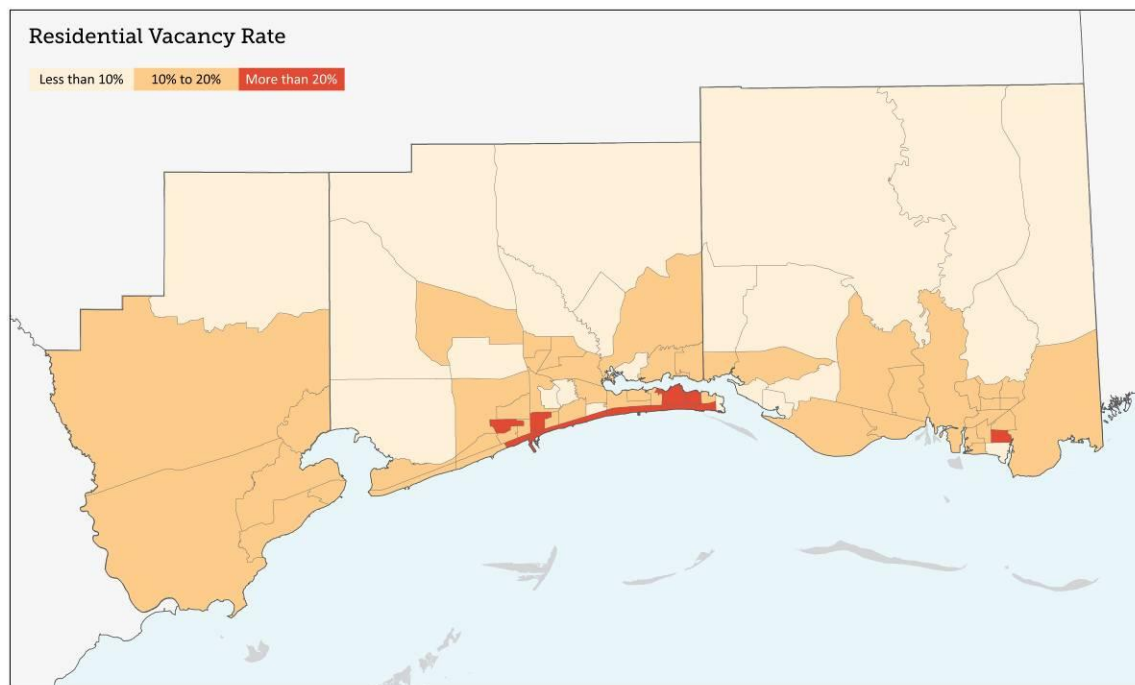
## Residential Vacancy Rates Over Time

	1990	2000	2010
Hancock County	12.9%	8.6%	13.9%
Harrison County	10.5%	8.1%	16.9%
Jackson County	8.9%	6.6%	11.4%
<b>Mississippi Gulf Coast</b>	<b>10.2%</b>	<b>7.6%</b>	<b>14.3%</b>
United States	7.1%	5.9%	7.9%

Source: U.S. Census Bureau. (2010). 1990 – 2010 Decennial Census. Table QT-H1. General Housing Characteristics. Vacancy Rate not including seasonal vacancies.

Vacancy rates vary widely by census tract, with residential vacancy rates higher than 30% in some tracts. As shown in the map below, tracts with vacancy rates above 10% tend to be coastal – adjacent to open water – and are likely still experiencing higher vacancy due to the impact of Hurricane Katrina. However, the highest vacancy rates are concentrated in older urban neighborhoods, which tend to have more rental housing than other neighborhoods. A majority of market-rent apartment units are located in the cities of Biloxi, Gulfport, and Pascagoula, which are also the communities with the highest residential vacancy rates.<sup>23</sup>

## Residential Vacancy Rates



Source: U.S. Census Bureau. (2010). 2010 Decennial Census. Table QT-H1. General Housing Characteristics. Vacancy Rate not including seasonal vacancies. Analysis done by Gulf Coast Community Design Studio. 2012.



### ***Rental Supply, Demand, and Need***

The annual Gulf Coast Apartment Survey, commissioned by Gulf Regional Planning Commission, looks specifically at rental vacancies in both affordable and market-rate apartment complexes on the Mississippi Gulf Coast. The 2011 Survey found that the overall vacancy rate has decreased by about 2 percentage points since 2010 to 12.5%.<sup>24</sup> The Survey concluded that this is above the 4-6% range considered normal in areas experiencing slow or moderate population growth and is likely due to an oversupply of multifamily apartments.<sup>25</sup> Specifically, “The removal of a large number of pre-Katrina constructed apartments and replacing them with substantially refurbished rental units combined with the newly constructed apartment units has significantly altered the supply-price relationships in the local apartment market.”<sup>26</sup>

This trend is concentrated in the non-assisted apartment market. Market-rent apartment vacancies are highest in Hancock County, at 22%. Harrison County and Jackson County also have above normal vacancy rates, near 12%. However, as shown in the chart below, vacancy rates for assisted apartments are significantly lower, at 7% overall. Hancock County has a higher rate, 12%, though vacancies are concentrated in newly constructed or renovated apartment complexes and the rate is likely overstated due to vacancies inherent in the initial rent-up process.<sup>27</sup> The overall rate is only slightly above the normal vacancy rate, suggesting that the perceived oversupply of rental housing may actually be solely within the non-assisted rental market.

### **Vacancy Rates for Assisted Apartments by Market Type by County**

	<b>Market-Rent</b>	<b>Assisted</b>
Hancock County	22%	12%
Harrison County	12%	7%
Jackson County	12%	5%
<b>Mississippi Gulf Coast</b>	<b>13%</b>	<b>7%</b>
normal vacancy rate	4-6%	4-6%

*Source: W.S. Loper and Associates. (2011). Mississippi Gulf Coast Apartment Survey. Gulf Regional Planning Commission. Gulfport, MS. June 2011. Pages 3 and 13-15. Analysis by Gulf Coast Community Design Studio. 2012.*

Within each market type, there is even greater variation in vacancy rates by the size of the apartment unit. Vacancy rates for market-rent studio apartments are in the normal range, while market-rent 1-bedroom, 2-bedroom and 3-bedroom units have vacancy rates that are well above normal. Market-rent vacancy rates are especially high in Hancock County, which does not have any market-rate studio units.

### **Vacancy Rates for Market-Rent Apartments by Size by County**

	<b>Studio</b>	<b>1-Bedroom</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>
Hancock County	N/A	18%	24%	18%
Harrison County	6%	12%	13%	11%
Jackson County	5%	12%	12%	12%
<b>Mississippi Gulf Coast</b>	<b>6%</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>
normal vacancy rate	4-6%	4-6%	4-6%	4-6%

*Source: W.S. Loper and Associates. (2011). Mississippi Gulf Coast Apartment Survey. Gulf Regional Planning Commission. Gulfport, MS. June 2011. Pages 13-15. Analysis by Gulf Coast Community Design Studio. 2012.*

Vacancy rates for 1-bedroom assisted apartments are in the normal range, while 2-bedroom and 3-bedroom units have vacancy rates that are slightly above normal and studio units have 0% vacancy, or below normal rate. Four bedroom units are not available in Hancock County, but have a below normal vacancy rate in both Harrison and Jackson Counties. This indicates that there may be unmet need for assisted studio and 4-bedroom units on the coast, while the supply of 1, 2, and 3 bedroom units is currently about adequate.

### **Vacancy Rates for Assisted Apartments by Size by County**

	<b>Studio</b>	<b>1-Bedroom</b>	<b>2-Bedroom</b>	<b>3-Bedroom</b>	<b>4-Bedroom</b>
Hancock County	0%	2%	12%	20%	N/A
Harrison County	0%	4%	8%	7%	3%
Jackson County	0%	6%	6%	5%	0%
<b>Mississippi Gulf Coast</b>	<b>0%</b>	<b>4%</b>	<b>8%</b>	<b>8%</b>	<b>2%</b>
normal vacancy rate	4-6%	4-6%	4-6%	4-6%	4-6%

*Source: W.S. Loper and Associates. (2011). Mississippi Gulf Coast Apartment Survey. Gulf Regional Planning Commission. Gulfport, MS. June 2011. Pages 13-15. Analysis by Gulf Coast Community Design Studio. 2012.*

These findings are substantiated by phone interviews with apartment property managers in 2011 and 2012, which showed that waiting lists for affordable units were as long as 136 households. Where separated by apartment size, waiting lists were longest for 1-bedroom units.<sup>28</sup> Waiting lists for Section 8 vouchers are even longer. The Biloxi Housing Authority has about 50 households on its waiting list for about 570 vouchers, and has closed the list to new applicants.<sup>29</sup> The Mississippi Region VIII Housing Authority has over 7,000 families on its waiting list for approximately 6,000 vouchers allocated by HUD.<sup>30</sup> The Bay Waveland Housing Authority has a waiting list of 300 households for Section 8, with only 378 allocated vouchers, what could be thought of as a *negative* 80% vacancy rate or extreme under-supply.<sup>31</sup>

The Brookings Institution suggests that where overall housing demand is weak and vacancy rates are above normal, poor households may need assistance in paying for housing that is already available.<sup>32</sup> Rental assistance, like housing choice vouchers, can help translate housing need into demand. HUD reallocates Section 8 vouchers very infrequently, leaving housing authorities with limited ability to increase rental assistance. The households on voucher waiting lists may be currently doubled-up with family or friends, unable to translate housing need into demand.<sup>33</sup>

### **Abandonment and Foreclosure**

Residential vacancy among owner-occupied properties can be indicative of mortgage delinquency, foreclosure, and abandonment. Foreclosure appears to be less of a problem on the Mississippi Gulf Coast than in other parts of the state and the nation, though experts suggest that rates will increase in the next year as a backlog of delinquencies are brought through the foreclosure process.<sup>34</sup>

Mississippi is a Title Theory State, meaning the property title is held by the lender in the borrower's name until the full value of the loan is repaid. As such, the lending institution may opt for either a judicial or non-judicial foreclosure process, established in the mortgage documents at the time of signing. Non-judicial foreclosure is more common in Mississippi because it authorizes the lender to sell the property without court involvement.<sup>35</sup> Even in the absence of a statutory requirement, there is a "Deed of Trust" requirement to grant notice of foreclosure. However, lenders are generally granted the

"power of sale" in mortgage agreements, which means upon a loan default, they have the power to put the property on the market and are only required to give notice of the sale or auction in the newspaper.

The lender may initiate the foreclosure process as soon as the borrower misses one payment, by posting a Notice of Sale on the door of the county courthouse and in the local newspaper. The property is identified by its legal description in the Notice of Sale; an effective notice statute requiring the lender to notify the borrower that foreclosure proceedings have begun is not required.<sup>36</sup> After the 3-week notification period has passed, the property can be sold at the county courthouse to the highest bidder. Foreclosure auctions generally require cash equivalent at the time of sale, and the homeowner has no right of redemption. Borrowers can stop the foreclosure process prior to the date of sale by paying all overdue payments and accrued costs. However, without mandatory direct notification, borrowers may not be aware that their property is undergoing foreclosure nor have the means to pay the lender before the date of sale.<sup>37</sup>

The Federal Reserve Bank of Atlanta monitors trends in mortgage delinquency and foreclosure for the southeast region of the Sixth Federal Reserve District. The Bank's quarterly reports for 2011 showed a marked decline in 90+ day delinquencies on prime, near-prime and sub-prime mortgages in Mississippi since their peak in January 2010.<sup>38</sup> Thirty- and 60-day delinquency rates do not show any trend since the start of the recession.<sup>39</sup> However, foreclosure rates in the State are rising, especially for sub-prime mortgages.<sup>40</sup> Regional foreclosure rates were between 4.1% and 4.6% in the third quarter of 2011.<sup>41</sup>

#### **Delinquency and Foreclosure Rates by County**

	<b>30-day</b>	<b>60-day</b>	<b>90+ day</b>	<b>Foreclosure</b>
Hancock County	3.48%	1.42%	3.80%	4.61%
Harrison County	4.89%	2.06%	4.64%	4.23%
Jackson County	5.63%	2.04%	4.49%	4.09%

*Source: Federal Reserve Bank of Atlanta. (2011). Mortgage Delinquency and Foreclosure Trends – Mississippi. Third Quarter 2011. September 2011. Page 7.*

In the second quarter of 2011, the foreclosure rate for the Gulfport-Biloxi metro area was 5.6%, with prime loans at 4.3% and subprime loans at 18.7%. The Pascagoula metro area had a rate of 5.3%, with prime loans at 3.8% and a subprime mortgage foreclosure rate of 18.1%. These rates are close to the national metropolitan average for the same time period, which was 5.5%. A study by the Local Initiatives Support Corporation (LISC) in April 2011 compared foreclosure and delinquency rates in 366 U.S. metropolitan areas and ranked the Gulfport-Biloxi MSA 108<sup>th</sup> and the Pascagoula MSA 118<sup>th</sup> on the list.<sup>42</sup> The MSAs have 90+ day delinquency rates of 4.2% and 4.3% respectively.

A closer look at the geographic distribution of delinquencies and foreclosures shows that Bay St. Louis, central Gulfport, and Ocean Springs have the most foreclosures.<sup>43</sup> The neighborhoods with the highest foreclosure risk are North Gulfport (zip code 39503) and Ocean Springs, which currently have the most delinquencies.<sup>44</sup>

The Gulf Coast Renaissance Corporation identified the cost of insurance and decreasing property values as the main reasons that homeowners would be driven to stop paying their mortgages.<sup>45</sup> Foreclosure can be prevented by restructuring mortgage loans in collaboration with the lending institution to reflect a change in property value, and through long-term changes that reduce the housing cost burden for homeowners on the coast. Energy costs can be reduced through individual and programmatic changes

that make the housing stock more energy efficient. Insurance costs can be reduced when local jurisdictions develop programs and policies that increase the resiliency of housing against wind and flood damage. Following sections of this assessment will describe in more detail how each of these steps can be achieved.

## Notes

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## **FINANCE: HOMEOWNERSHIP**

Finance opportunities have made housing an option for generations of Americans who would not have the ability to purchase a home outright. The federal government has traditionally recognized homeownership as the best way to build individual wealth, and has facilitated first-time purchases through guaranteed and subsidized loan programs and tax incentives. However, in the wake of the subprime mortgage crisis, housing finance has become less readily available. The balance between expanding financing opportunities to low-income homebuyers and making prudent lending decisions is one that continues to shift.

The Mississippi Gulf Coast has slightly higher rates of homeownership than the national average, as does the State of Mississippi overall. The current homeownership rate is approximately 71% in the Gulfport-Biloxi-Pascagoula CSA.<sup>1</sup> However, the affordability of buying a home has decreased for coastal residents since Hurricane Katrina.<sup>2</sup> The majority of lower income individuals cannot afford a home or construction loan, or a down payment.<sup>3</sup> According to the Gulf Coast Renaissance Corporation:

*Despite the decreased home values, at year-end 2010 housing affordability remained a challenge for low- and moderate- income families.... For those families who can afford a mortgage payment, insurance and tax escrows, it is unlikely that they would have access to 20% of the sales prices for the down payment. Thus, there remains a need for flexible financing to help bridge this affordability gap.<sup>4</sup>*

While the need for flexible financing options is greater than ever, there are also a wealth of local and regional programs and products creating sustainable, non-predatory, and long-term housing opportunities for low- and moderate- income homebuyers. Some of these lenders also provide education and counseling services to first-time homebuyers and homeowners struggling with mortgage delinquency. While national banks may be unwilling to lend to first-time and low-income homebuyers, regional banks, organizations, and agencies are working to increase homeownership opportunities for residents of the Mississippi Gulf Coast. This section will discuss existing finance options and programs for homebuyers on the coast.

### **Federal Loan Products**

The federal government guarantees and subsidizes mortgage loans for some homebuyers who cannot qualify for conventional loans by providing guarantees to private lenders who loan to first-time or low-income homebuyers. Some federal agencies also provide direct subsidized loans. Subsidized and guaranteed loans are provided by the Federal Housing Administration (FHA), the United States Department of Agriculture (USDA), and the Veterans Administration (VA).

#### ***Federal Housing Administration***

The FHA offers mortgage insurance to lenders for qualified home buyers, non-profits, and government agencies. This **Section 203(b)** mortgage insurance is designed to help encourage lenders to write loans for higher-risk applicants, such as those with low credit scores, low

incomes, or those who cannot afford a large down payment. There are 16 FHA-approved lenders operating in the three coastal counties.<sup>5</sup>

An FHA-insured loan can be used to purchase or refinance new or existing 1-4 family homes, condos, or manufactured homes with a permanent foundation. All FHA backed mortgages require a down payment of 3.5% of the loan amount.<sup>6</sup> While there are no income maximums, there are home price maximums, which are shown in the table below. These maximums are well within the current sales prices of homes on the Mississippi Gulf Coast.

#### **Lending Limits for 203(b) Loans on the Mississippi Gulf Coast**

<b>County</b>	<b>One-Family Home</b>	<b>Two-Family Home</b>	<b>Three-Family Home</b>	<b>Four-Family Home</b>	<b>Median Sales Price</b>
<b>Hancock</b>	\$271,050	\$347,000	\$419,425	\$521,250	\$115,000
<b>Harrison</b>	\$271,050	\$347,000	\$419,425	\$521,250	\$115,000
<b>Jackson</b>	\$271,050	\$347,000	\$419,425	\$521,250	\$124,000

*Source: U.S. Department of Housing and Urban Development. (2012). "FHA Mortgage Limits." Web.*

**Section 203(k)** is a special FHA-insured loan program for people who want to purchase and rehabilitate or repair a single-family home. These loans enable homebuyers to purchase housing that is in need of repair or rehabilitation, where mortgage lenders would otherwise see too much risk. Rather than having to secure costly, short-term financing prior to a mortgage, borrowers can combine the purchase price and the construction costs into one long-term mortgage loan. The loan amount is based on the projected value of the property. Construction must be completed by a licensed contractor within 6 months of purchase.<sup>7</sup>

203(k) loans are especially beneficial in communities with an older, damaged housing supply, where they provide an opportunity to revitalize the housing stock in existing communities. On the Mississippi Gulf Coast, there are many neighborhoods with hurricane damaged properties that have yet to be repaired. There are two lenders who finance 203(k) loans in the three coastal counties, Primelending and Wells Fargo.<sup>8</sup>

#### **United States Department of Agriculture**

USDA loans are only available in designated rural areas. On the Mississippi Gulf Coast, designated rural communities include Bay St. Louis, Waveland, and the unincorporated portions of Hancock, Harrison, and Jackson Counties. Like FHA loans, **USDA Guaranteed Home Loans** or **Section 502** loans, are insured by the USDA, reducing risk for the lender. However, these loans do not require an annual fee or a down payment. The loans are available to borrowers with incomes below 115% AMI. Borrowers must be without adequate housing, but be able to afford the mortgage payments, taxes, and insurance on the home they want to purchase.<sup>9</sup>

USDA Direct Loans are made directly to the homebuyer. The loans are intended to help low-income families buy, build, or repair a home. Borrowers must be very low- or low- income (below 80% AMI) who can demonstrate an inability to obtain credit through other means. A down payment is not required and the term of the loan can be up to 38 years to lower the monthly payment requirements. The interest rate for these loans is usually lower than the national average and the total payment rate is lowered using a payment assistance subsidy.<sup>10</sup>



The USDA also offers **Section 504** loans and grants for very low-income homeowners (30 to 50% AMI) to repair, improve, or rehabilitate their homes. Borrowers must be able to demonstrate a need to make repairs to remove health and safety hazards, an inability to obtain credit through other means, and have good credit standing. Loans of up to \$20,000 are available at 1% interest rates. Grant recipients must fulfill all the same criteria as borrowers, but be 62 years of age or older and unable to repay a loan.<sup>11</sup> Section 504 financing, however, is unlikely to reach the very low-income households in need due to the stringency of its credit requirements.

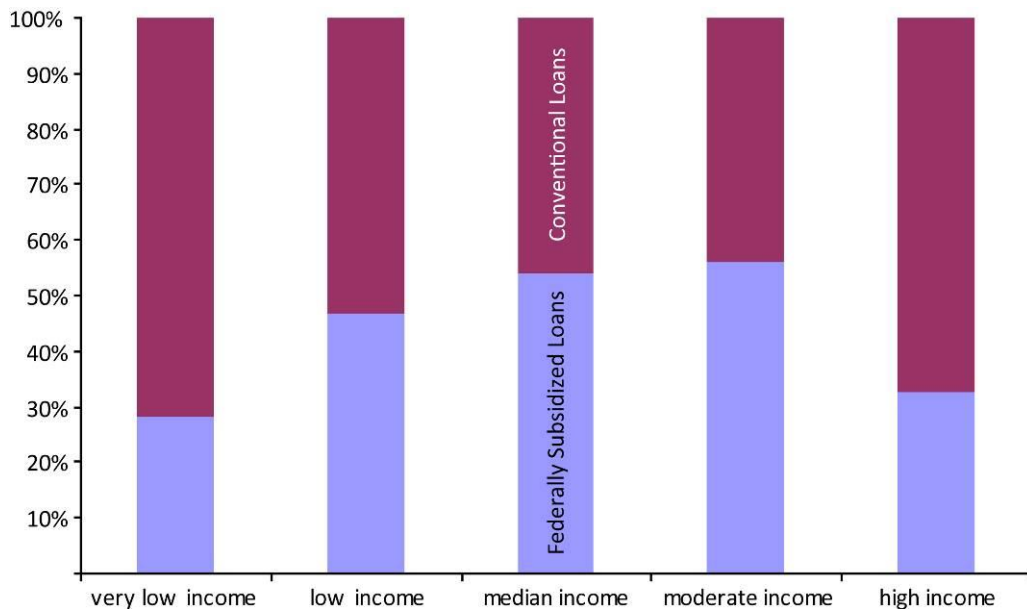
### ***Veterans Administration***

The **VA Home Loan Guaranty Program** is available to individuals who have served or are serving in the U.S. Armed Forces or as reservists, and insures between 25% and 50% of the value of the mortgage. The program helps veterans secure a mortgage with no down payment, limited closing costs, and competitive, fixed interest rates. The final down payment amount, interest rates, and other loan terms are determined by the lender. There is no maximum limit, though loans cannot exceed the appraised value or purchase price.

A study conducted in 2004, prior to the subprime mortgage crisis, found that one of the outcomes of the VA Home Loan Guaranty Program is a relatively high rate of homeownership among veterans, compared to the general population. At the time of the study, veteran homeownership rates exceeded the general population rate by 13%.<sup>12</sup> The current rate comparison is unknown, however, given the large proportion of veterans on the Mississippi Gulf Coast, VA loans likely remain good option for those who qualify.

While one might assume that lower income groups would be more likely to apply for subsidized loans than higher income groups, this is not the case on the Mississippi Gulf Coast. Of applications for mortgage loans in the Gulfport-Biloxi-Pascagoula CSA, more median- and moderate-income households applied for subsidized loans than conventional loans. Meanwhile, more very low-income and low-income households applied for conventional loans. Subsidized loan applications made up less than 30% of very low-income applications.

### Loan Applications by Income Group



Source: Home Mortgage Disclosure Act. (2010). Aggregate Table 4-1: Disposition of Applications for FHA, FSA/RHS, and VA Home Purchase Loans, 2010, and Aggregate Table 4-2: Disposition of Applications for Conventional Home Purchase Loans, 2010. Gulfport-Biloxi, MS and Pascagoula, MS. June 3, 2011.

Though the FHA and USDA loans are intended to create homeownership options for those who cannot afford conventional mortgages, and VA loans are intended to facilitate homeownership for veterans, only the USDA loans restrict eligibility to particular income levels. Because USDA loans are further restricted geographically on the Mississippi Gulf Coast, it makes sense that they would make up a smaller proportion of all subsidized loans. However, the large number of conventional loan applications by very low-income households could indicate that these households lack information about financing options or the agency to secure a subsidized loan.

The disparity could also indicate the poor credit or lack of credit among lower income households, which are also more likely to be unbanked. Households are considered unbanked if no member holds a checking or savings account. Underbanked individuals have checking or saving accounts but also rely on alternative financial services (AFS) such as check-cashing services, payday loans and non-bank money orders at least once or twice a year.<sup>13</sup> With 184,000 unbanked households, Mississippi currently has the highest unbanked population in the nation. Over 40% of Mississippi's population is either unbanked or underbanked. Forty-four percent of households that are unbanked have incomes below \$15,000. An additional 20% of households that are unbanked have income between \$15,000 and \$30,000. Over half of Mississippi's unbanked households have incomes of below \$30,000.

There are racial dimensions of this disparity as well. A study by Mississippi Economic Policy Center found that 33.6% of black households in Mississippi, 31.4% of single-female headed households, and 37.7% of households headed by someone without a high school degree are unbanked. These households are far more likely to have difficulty accessing credit options for first-time homebuyers due to a lack of credit.

## **Access to Credit**

Conventional mortgage loans normally require a strong credit history and sufficient income to prove a borrower's ability to take on and repay debt. Prior to the national subprime mortgage crisis, banks were also financing mortgages with no down payments and adjustable interest rates. These loans were written with looser qualification requirements, as buyers did not need as much initial capital to close the loan. Many borrowers did not understand the terms of the loan and were unable to pay the mortgage once interest rates increased.

In 2008, in reaction to the rise in subprime defaults nationally, banks began to tighten their qualification requirements for mortgage loans.<sup>14</sup> Annual surveys conducted by the U.S. Department of the Treasury show that, prior to 2008 less than 15% of banks tightened their underwriting standards for residential real estate loans. Meanwhile, between 2008 and 2010 a majority of the banks surveyed reported tighter underwriting standards, peaking at 73% in 2009. Forty percent of the surveyed banks continue to tighten underwriting standards.<sup>15</sup> Even prime mortgages eligible for federal guarantees, such as FHA loans, have seen tightened standards. A report by the Federal Reserve Board of Governors found that, "less than half of lenders [nationwide] are currently offering mortgages to borrowers with a FICO score of 620 and a down payment of 10%... even though these loans are within the GSE [government-sponsored enterprise] purchase parameters."<sup>16</sup> These national trends are reflected on the Mississippi Gulf Coast.

The Home Mortgage Disclosure Act (HMDA) requires banks to track and report all loan applications, denials, and originations. According to HMDA data, the most common reason for denial of mortgage loan applications on the Mississippi Gulf Coast is credit history, followed by debt-to-income ratio.<sup>17</sup> In 2009, 21% of loan applications were denied. More than 16% of applications were denied due to poor credit or excessive debt-to-income ratio. The Gulf Coast Renaissance Corporation's 2011 Market Study found that "banks want to lend and they have the capital to do so, but potential buyers simply do not qualify for loans..."<sup>18</sup> This trend is shifting as credit markets loosen;<sup>19</sup> however, it is still a potential issue for financing homeownership in this region.

## **Credit Worthiness**

Traditional lenders will not normally underwrite mortgages for individuals with credit scores below 680. Credit scores are built up over many years, and are determined by length of credit history, types of credit used, frequency of address changes, and payment history. Even individuals without debt and with an excellent payment history may have low or no credit scores if they have never opened credit card accounts or taken loans, or if loans have been paid off in full before payments are due. Several local jurisdictions are concerned that their communities are at risk of predatory lending because they overwhelmingly lack knowledge about credit and how to improve their credit worthiness.<sup>20</sup>

Regional leaders are taking actions to address this problem. The City of Pascagoula is encouraging local credit unions and banks to initiate in-school banks to train high school students and improve the financial literacy of young people early on.<sup>21</sup> Some of the region's non-profit lending institutions provide first-time homebuyer counseling to help potential homebuyers understand what actions affect their credit score.

Some lenders are also willing to review alternative documentation that they consider to be evidence of a positive payment history. For example, the Mississippi Gulf Coast Habitat for Humanity accepts 12-month payment histories for all recurring obligations, such as rent, utility bills, and car payments, in lieu of a standard, acceptable credit score.<sup>22</sup> Hope Enterprise Corporation and the Gulf Coast Community Credit Union have no minimum credit score, and will consider applicants with low or no credit, based on recent payment history and willingness to participate in their respective homebuyer education programs.<sup>23</sup>

### ***Debt-to-Income***

Excessive debt-to-income ratios are another frequent reason for loan denials, but are more difficult to overcome because of the relationship between income and affordability. The debt-to-income ratio is the amount of individual or household debt, including credit card debt, child support obligations, car payments, outstanding medical bills, and any other obligated payments, relative to pre-tax income. Non-housing debt can be reduced through financial counseling programs like those described above.

The housing debt-to-income ratio is the amount of all housing expenses, aside from utilities, relative to income. Even individuals without debt may not qualify for mortgages if they are extremely low-income or very low-income. Most lenders set the maximum housing debt-to-income ratio between 28% and 33%. Recall that HUD defines affordable housing as housing that costs no more than 30% of household income. Using 30% as the standard, the following chart shows the mortgage amounts that are affordable to different income levels.

### **Mortgages Affordable at a 30% Housing DTI Ratio**

	Household Income	Annual Housing Cost	Estimated Insurance/Tax	Annual Debt Service	<b>Mortgage Amount</b>
<b>120% AMI</b>	\$ 51,269	\$ 15,381	\$ 4,000	\$ 11,381	<b>\$ 158,183</b>
<b>95% AMI</b>	\$ 40,588	\$ 12,176	\$ 4,000	\$ 8,176	<b>\$ 113,645</b>
<b>80% AMI</b>	\$ 34,179	\$ 10,254	\$ 3,500	\$ 6,754	<b>\$ 93,873</b>
<b>50% AMI</b>	\$ 21,362	\$ 6,409	\$ 3,500	\$ 2,909	<b>\$ 40,427</b>

*Source: American Community Survey. (2010). 2010 ACS 1-Year Estimates. Gulfport-Biloxi-Pascagoula CSA. Table DP03. Selected Economic Characteristics. Analysis by Gulf Coast Community Design Studio. 2012.*

The average sale price of homes in the three coastal counties in 2011 was \$125,846, which is only affordable to the top level of earners shown in the chart through traditional mortgage loans.<sup>24</sup> However, due to decreasing prices and increasing real estate owned (REO) properties, there are houses for sale at all income levels listed. In 2010, 1136 houses sold for less than the mortgage amount affordable to households at 95% AMI; 876 houses sold at a price affordable to households at 80% AMI; and 263 houses sold at a prices affordable to households at 50% AMI.<sup>25</sup> Houses were sold in both the Gulfport-Biloxi and the Pascagoula MSAs at each price point.

It is worth noting that the homes sold at the lower end of the price range are not necessarily long-term housing solutions, as they may be damaged or out of compliance with floodplain elevation requirements. It is also worth noting that the availability of homes for purchase at affordable price points does not mean that potential buyers will qualify for mortgages to

purchase those houses. There are, however, a variety of local and regional programs currently available on the Mississippi Gulf Coast to connect potential homebuyers with affordable housing finance options.

### ***Appraisal Market***

The appraisal market has another impact on an individual or household's ability to purchase a home. Home appraisals are based on the value of three comparable properties sold in the same neighborhood, and are therefore greatly impacted by the current state of the housing market. As noted above, the subprime mortgage crisis combined with vacancy conditions along the Mississippi Gulf Coast have caused home sales prices to drop significantly in recent years.

Foreclosures within an eighth of a mile of a single-family home can result in a 0.9% to 1.136% decline in the property value of that home. This problem is further magnified in low and moderate income census tracts where foreclosures within an eighth of a mile of a single family home in a low or moderate income census tract results in property values declining by 1.44% to 1.8%. Less conservative estimates also suggest that conventional foreclosures from one-eighth to one-quarter mile away can also result in a 0.325% decline in property value.<sup>26</sup>

Buyers can only obtain financing for the appraised value of a home, meaning lower appraisals result in less buying power – even when buyers have incomes to support a larger mortgage. A similar problem exists for development financing, where banks are reluctant to lend to developments when they anticipate that construction cost will exceed the appraised value of the homes and the financing future homebuyers will be able to obtain.

### **Homebuyer Education**

As mentioned above, there are also a variety of homebuyer education services, including but not limited to pre-purchase counseling, post-purchase counseling, and foreclosure prevention counseling provided by local and regional organizations. These programs do not directly connect homebuyers to financing, but prepare them to apply for a mortgage loan or homeownership program. Many of these organizations also provide credit counseling, budgeting courses, and financial literacy courses. These types of programs can help households get mortgage ready and be more prepared to take on the financial responsibility of homeownership.

### ***Hancock Housing Resource Center***

Hancock Housing Resource Center is a HUD-approved, nonprofit that provides free services to Hancock County residents for the planning and implementation of housing activities. Their services include homeownership counseling and education, homebuyer education classes, financial literacy, foreclosure and homelessness prevention counseling, budget counseling, credit counseling, rental assistance, debt management planning, rebuilding/rehabilitation, design consulting, and construction coordination.<sup>27</sup>

### ***Hope Community Development Agency***

Hope Community Development Agency (Hope CDA) is a not-for profit agency in East Biloxi, working to support individuals, families, small business and neighborhoods of Mississippi. Hope CDA's mission is to leverage resources to develop viable, affordable and stable neighborhoods.

Their homebuyer education and counseling services include homeownership counseling and workshops on predatory lending, fair housing rights, financial literacy, identity theft, and reverse mortgages. Hope CDA also offers services for home maintenance, home rehabilitation for low to moderate income individuals, and homeownership grants. Services are available in both Spanish and Vietnamese to service the surrounding residents.<sup>28</sup>

#### ***Housing 2010 Moss Point***

Housing 2010 Moss Point is a HUD-approved housing assistance agency located in Moss Point, Mississippi. Their housing assistance programs include pre-purchase counseling, pre-purchase homebuyer education workshops, predatory lending education workshops, mortgage delinquency and default resolution counseling, budget counseling, financial management, and rental assistance housing counseling.<sup>29</sup>

#### ***International Relief and Development Gulf Coast Community Services Center***

The IRD Gulf Coast Community Service Center (GCCSC) is located in West Gulfport providing long-term recovery services following Hurricane Katrina for the entire Mississippi Gulf Coast. GCCSC has changed its services from emergency relief to sustainable, long-term recovery as the Coastal counties recovery process has progressed. GCCSC currently provides financial counseling to victims of Hurricane Katrina and MDA Phase II grant recipients seeking to rebuild or buy homes. Other services provided by GCCSC include financing start up businesses and youth development programs.<sup>30</sup>

#### ***Mercy Housing and Human Development***

Mercy Housing and Human Development (MHHD) is a non-profit organization that provides housing, community, and economic development for low-income families in Mississippi through the use of research/analysis, advocacy, direct services, and community organizing. MHHD provides a variety of services from financial counseling through the use of individuals development accounts to healthy eating workshops for families. Their homebuyer education services include pre-purchase homebuyer education classes, individuals counseling until individuals become homeowners, and continued counseling with new homeowners during the first five years to ensure that individuals have assistance with repairs, maintenance and other issues.<sup>31</sup>

#### ***Visions of Hope***

Visions of Hope is an organization located in East Biloxi dedicated to providing safe, permanently affordable housing and security from displacement for low to moderate income residents. Their goal is to build strong and stable communities by offering residents access to education, healthcare, training, and other resources. Visions of Hope provides a variety of services including money management, GED classes, youth savings accounts, medical prescription assistance, tax services, and homebuyer education and counseling. Visions of Hope's homebuyer education and counseling includes pre-purchase and post-purchase counseling, overview of fair housing and fair lending laws, home maintenance tips, and follow up consultation services for first-time homebuyers. Homebuyer education course are also available online and in English and Spanish.<sup>32</sup>

## **Regional Homeownership Programs**

Many local and regional homeownership finance programs originated as part of the rebuilding process after Hurricane Katrina, but continue to provide assistance to a variety of potential homebuyers on the Mississippi Gulf Coast.

### ***Habitat for Humanity***

Habitat for Humanity of the Mississippi Gulf Coast (HFHMGC) has a variety of financing mechanisms to assist homebuyers with purchasing a HFHMGC home. The Home Direct Program offers affordable first mortgage financing, forgivable or soft second mortgages, and down payment assistance to qualified buyers. Eligible households are those with incomes at 35% to 120% AMI, who live or work in Harrison, Stone or Jackson County.<sup>33</sup> The Homeownership Incubator Program works with potential buyers who do not yet qualify for financing to overcome moderate financial barriers such as poor or no credit, lack of savings for closing costs, and excessive debt. Households that enroll in the program have 4 to 12 months to accomplish the changes necessary to meet eligibility for financing through Home Direct.

Many of the houses that are purchased through HFHMGC's programs are prebuilt by Habitat for Humanity. If the homeowner wants to build a house on their own property, the property must be owned outright, free and clear of any liens or debts, and the owner must qualify for and enroll in the Home Direct Program.

Habitat for Humanity Bay-Waveland offers low-cost, non-profit mortgages to eligible homebuyers in Hancock County. The potential buyer's household income must be less than 80% AMI and the household must be extremely cost burdened and relying on temporary, unsustainable financial support for housing.<sup>34</sup>

### ***HOME Investment Partnerships Program (HOME)***

The Biloxi-Gulfport-Harrison County HOME Consortium received HUD approval in 2001 and allocates funds to the Cities of Biloxi, Gulfport, Moss Point, and Pascagoula for affordable housing initiatives for low- and moderate-income residents. To-date, 53% of disbursed funds have gone toward housing rehabilitation, whereas 47% of funds have gone toward homebuyer assistance.<sup>35</sup>

### ***University of Southern Mississippi Institute for Disability Studies Home of Your Own (HOYO)***

The HOYO program is administered through the Institute for Disability Studies at the University of Southern Mississippi, in collaboration with the Federal Home Loan Bank and the Mississippi Development Authority. HOYO provides a grant of up to \$15,000 for down payment assistance as well as pre-purchase homebuyer education services and assistance with closing costs. Eligible participants are usually first time homebuyers with incomes at or below 80% AMI, has a household member living with a disability, and residing in Biloxi, Gulfport, Moss Point, or Pascagoula.<sup>36</sup> Participating lenders include BancorpSouth, Hope Credit Union, Habitat for Humanity (Bay-Waveland and Mississippi Gulf Coast), USDA Rural Development, and Regions Bank.

### ***Housing Choice Voucher (HCV) Homeownership Program***

The Mississippi Region VIII Housing Authority created a homeownership program in 2004 for housing choice voucher recipients who are first time homebuyers, as defined by HUD Public Law CRF Title IX, §982.4, to put vouchers toward monthly mortgage payments.

Region VIII merged the homeownership program with its Family Self Sufficiency (FSS) program so that employment and financial counseling services could be streamlined. Eligible households wishing to participate in the homeownership program must first participate in FSS until they are mortgage ready and pre-qualify for a home loan. Homebuyers must also maintain employment for 12 consecutive months prior to purchase. After the homebuyer selects a home to purchase, the Region VIII program coordinator meets with their mortgage lender to structure the loan. There is a 3% downpayment requirement, with at least 1% paid by the homebuyer. The housing choice vouchers pay a portion of the mortgage for the first 15 years of the mortgage. For elderly and disabled homebuyers, the FSS requirement is waived and HCVs pay for the duration of the loan. Since 2008, the program has had 8-12 closings each year. There are currently 38 homeowners enrolled, and the program has capacity for up to 100.<sup>37</sup>

While this program provides homeownership opportunities for very low income and extremely low income households, the employment requirement would be a challenge for many of those households whom owe their income status to underemployment and unemployment. In order for an able-bodied family to continue to be assisted, the homeowner must continue to fulfill the full time employment requirement. Periods of unemployment in excess of 6 months result in termination from the program. However, to-date this has not been cause for termination for any Region VIII participants.<sup>38</sup>

### ***MyHome MyCoast***

MyHome MyCoast (MHMC) is a mortgage loan program offered through the Gulf Coast Renaissance Corporation. Households living in any of the six coastal counties with incomes at or below 80% AMI are eligible. Participants must complete an 8-hour NeighborWorks homebuyer education session. The loan program divides the mortgage with 40% held by a participating lender at the rate for which the buyer qualifies and 60% as a soft second mortgage. The 0% interest on the soft second mortgage significantly cuts monthly mortgage payments, offsetting other expenses such as flood or wind insurance. The program offers down payment assistance up to \$22,500, as well as up to \$3,500 for closing costs.<sup>39</sup> Participating lenders include: Community Bank, Hope Enterprise Corporation, The First, Gulf Coast Community Credit Union, Habitat for Humanity (Bay-Waveland and Mississippi Gulf Coast), Hancock Bank, The Peoples Bank, and Regions Bank.

### ***SavingsWorks!***

Mercy Housing, partnered with Hope Credit Union, offers an Individual Development Account (IDA) through which potential homebuyers can save toward financial goals and receive a 2:1 match on down payment savings.<sup>40</sup> Participants must complete an 8-hour NeighborWorks homebuyer education session and initiate individual homeownership counseling to be eligible.

### ***Hope Enterprise Corporation***

Hope Enterprise Corporation is the non-profit affiliate of Hope Federal Credit Union. Hope Enterprise Corporation partners with other regional organizations to implement several of the



financing programs listed above. Hope also offers a variety of mortgage products for low- and moderate-income members, and is able to underwrite loans to borrowers with low or no credit using alternative documentation of payment history. Hope Enterprise Corporation requires homeownership counseling as part of the mortgage process, and cites its front-end counseling as the primary reason delinquency rates are relatively low.<sup>41</sup>

### ***Gulf Coast Community Credit Union***

The Gulf Coast Community Credit Union is a local credit union that serves anyone who lives, works, or worships in Hancock or Harrison counties or is a close family member of an existing member. They offer conventional loans as well as in-house loans. In-house loans do not have income or credit requirements, but are based on alternative payment histories. The Credit Union also works to reduce homebuyers' other costs and debts so that mortgage payments are more affordable.

### **Homeownership Is Not For All**

While homeownership is often a good investment and long-term housing solution for those who can afford it, there are many households for which homeownership is not a feasible option. Extremely low income households do not qualify for any of the national or regional homeownership programs. Very low income households are also ineligible for many programs. Households that do not have stable employment or sufficient credit will struggle to find homeownership opportunities. Many households who have been impacted by the devastation of Hurricane Katrina and the subprime mortgage crisis are more hesitant to borrow when renting is a more flexible, short-term housing solution.

For these households, rental housing is the best or only housing choice. In order to create sufficient housing choices to meet all residents' needs, the Mississippi Gulf Coast must also ensure that sufficient financing options for rental housing are available.

## Notes

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## **FINANCE: RENTAL**

Finance opportunities are an important issue for rental housing, in that they influence both supply and demand. The availability construction and rehabilitation finance will affect the availability of rental units, which can include detached singled family houses, mobile or manufactured homes, small rental (such as duplexes or four-plexes), and multifamily housing. Rental assistance is another important type of financing; one that impacts the demand side of the rental housing market, by enabling more individuals and households to translate housing need into demand. Rental assistance can be a portion of tenants' rent that is subsidized, or grants for security deposits, utilities deposits and connection fees to help a household sign a new lease.

Hurricane Katrina caused a tremendous shortage of rental housing on the Mississippi Gulf Coast. The supply of rental housing was severely damaged by the storm, as many of the hardest hit areas had a high number of rental units.<sup>1</sup> Newly homeless households combined with an influx of disaster relief workers increased the demand for rental housing beyond what was immediately available. Recovery funding and programs tend to target single-family homeowners over landlords and apartment units,<sup>2</sup> and it was several years until HUD and the Mississippi Development Agency (MDA) approved any programs to finance the reconstruction of rental housing. Once financing became available, there was a boom in rental housing development. These large fluctuations in supply have made it an immense challenge to determine whether existing finance programs are adequate to meet regional needs for rental housing.

The annual Gulf Coast Apartment Survey, commissioned by Gulf Regional Planning Commission, tracks rental vacancies in both affordable and market-rate apartment complexes with 8 or more units on the Mississippi Gulf Coast. The 2011 Survey found that the overall vacancy rate of 12.5% is above the 4-6% range considered normal in areas experiencing slow or moderate population growth, and is likely due to an oversupply of multifamily apartments.<sup>3</sup> However, the study also indicated that there may be a shortage of assisted studio and 4-bedroom apartment units. Follow-up phone calls to assisted apartment complexes have confirmed long waiting lists for assisted units.<sup>4</sup> The trends in residential vacancies are discussed in more detail in the Vacancy section of this assessment.

This section will consider finance opportunities for rental housing development as well as rental assistance. While not all rental housing development finance is directed toward assisted, or affordable, units, data from the GRPC apartment survey indicates that there may be impediments to developing certain types of assisted rental units. Additionally, rental assistance finance is specifically targeted to lower income households in order to make housing affordable. Thus, the focus of this section will be on the assisted rental market.

### **Federal Rental Housing Finance**

Government funding and incentive programs have proven to be necessary to encourage the development of affordable housing. There are a wide variety of federal financing options for rental housing development, maintenance, and assistance. However, many of the public financing programs have ceased funding new development. Many federal programs are currently being reformulated or eliminated to cut spending, indicating that there will be fewer finance options for rental housing in the near future.

### ***Public Housing and Housing Choice Vouchers***

The U.S. Housing Act of 1937 created the first assisted rental housing program in the country. Public housing is a two-tiered system in which the federal government finances local public housing authorities (PHAs) which then build and manage public housing units.<sup>5</sup> The program provides housing for very low income and low income households. Tenants are required to pay 30% of income toward rent. The remainder of the cost of rent is paid by housing choice vouchers (HCV) or by contractual contributions from HUD. The annual Contributions Contract between the PHA and HUD is an agreement to administer and finance public housing and capital needs (such as repairs and maintenance). The contract is normally insufficient to cover the full operating costs of a public housing unit, leading to deferred maintenance and the prevalent negative stigma attached to public housing.

Housing Choice Vouchers (HCV), also known as Section 8 Vouchers, are allocations paid by HUD to PHAs to make up the difference in a tenant's rent, so that rent is kept at affordable levels – that is 30% of household income. There are two types of HCVs: tenant-based vouchers and project-based vouchers (PBV). Tenant-based vouchers are allocated to eligible households for use toward any apartment that leases at or below fair market rent. The voucher recipient pays 30% of household income to the landlord, and the housing authority administering the voucher pays the remainder of the rent. Because income can change and rents will vary from lease to lease, the actual cost of a voucher fluctuates over time. For this reason, many PHAs cannot assign all of their allocated housing vouchers before using up their allocated voucher funds. Project-based vouchers are tied to a particular housing unit, whether in public housing, a tax credit development, or another assisted apartment complex. Housing authorities may choose to designate up to 20% of their HCV allocations to project-based units, to help cover the costs of maintaining the units.

The Mississippi Gulf Coast has three public housing authorities. The Bay Waveland Housing Authority serves the area within the Cities of Waveland and Bay St. Louis. The Biloxi Housing Authority serves the area within the boundaries of the City of Biloxi. Mississippi Regional Housing Authority VIII (Region VIII) serves a 14 county region, including all parts of Hancock, Harrison and Jackson Counties not served by another, incorporated housing authority. These PHAs manage approximately 1,769 public housing units in the three coastal counties. Approximately 275 public housing units are also funded by PBVs.

More than 2,500 public housing units were destroyed in Hurricane Katrina, and another 316 were damaged.<sup>6</sup> Though the Mississippi Development Authority allocated funding to rebuild all of the destroyed units, the sale of several complexes and the slowed construction process has kept the number of units far below pre-storm totals. The demand for public housing far exceeds the supply. There are currently approximately 1,200 households on the waiting list for public housing units on the Mississippi Gulf Coast.

The demand for HCV is also in excess of current allocation levels. BWHA has 380 HCV and a waiting list of 150.<sup>7</sup> BHA has 570 vouchers and a waiting list capped at 50 households.<sup>8</sup> Region VIII has over 7,000 families on its waiting list for approximately 6,000 vouchers allocated by HUD.<sup>9</sup> Region VIII currently has vouchers assigned to 117 families in Hancock County, 2,341 families in Harrison County, and 2,099 families in Jackson County. HUD reallocates vouchers very infrequently, leaving housing authorities with limited ability to increase rental assistance. The households on voucher waiting lists may be currently doubled-up with family or friends, unable to translate housing need into demand.<sup>10</sup>

HUD is currently developing an initiative called Transforming Rental Assistance (TRA), which will eliminate annual Contributions Contracts with PHAs and increase voucher allocations. Public housing

units must be converted to PBV funding, and the PHAs will have to seek other sources of funding to make up the difference in rent. TRA will allow PHAs to borrow against their long-term fixed rent contracts with HUD, in order to address deferred maintenance issues; however, PHAs will then be financially obligated to repay the loan from earnings on rent, which are legally restricted to 30% of household income. This initiative is expected to impact areas with high unemployment especially hard, as PHAs will be unable to recover costs for maintaining public housing units.

#### ***HUD Loan Guarantees for Rental and Cooperative Housing***

In addition to financing rental housing provided through public housing authorities, HUD also subsidizes loans for the development and maintenance of rental housing by other institutions, agencies and companies.

Section 221(d)(3) and (4) programs insure mortgage loans to facilitate new construction or rehabilitation of multifamily housing containing 5 or more units. Under Section 221(d)(3) non-profit or cooperative developers may insure 100% of the cost, while under Section 221(d)(4) private developers may insure up to 90% of cost. Loans can be up to 40 years, and interest rates are lower than market rate. The program is designed to incentivize multifamily housing development for moderate-income families, or those with incomes too high for Public Housing, but too low for market-rate rents. The rental rates are set by the property owner or manager and pre-approved by HUD as affordable for households with incomes at 95% AMI.

HUD has a number of other similar mortgage insurance programs, including Section 220 insurance for multifamily developments in urban renewal areas and Section 231 insurance for rental housing for the elderly. However, Section 221 tends to be more widely used.<sup>11</sup> HUD also provides loan guarantees to public agencies through its Community Development Block Grant (CDBG) program. Section 108 provides guarantees for financing land acquisition, housing rehabilitation, and housing construction, in addition to other types of projects. Projects must principally benefit low-income and moderate income households or meet urgent needs of the community.<sup>12</sup>

HUD Section 236 subsidizes the interest on development loans. The program has not received a new allocation since 1973, though it continues to subsidize existing developments. The Rental Assistance component is provided on a contract basis to make up for deficiencies in rent. Tenants pay a rent minimum or 30% of their household income, whichever is higher. The remainder is made up by housing choice voucher payments or rental assistance contracts between HUD and the property owner or manager.

#### ***HUD Supportive Housing for the Elderly***

HUD has a gap financing program for assisted elderly housing, Section 202. This program provides interest-free advances to housing developments that will serve very low-income seniors for 40 years.<sup>13</sup> Section 202 can also assist with funds to cover the difference between operating costs and the tenants rent contribution. Rental assistance contracts are approved for 3 years at a time. Developers must be non-profits that can demonstrate a minimum capital investment of 0.5% of the Section 202 advance. Funding is awarded on a competitive basis.

#### ***HUD Supportive Housing for Persons with Disabilities***

HUD provides capital advances and project rental assistance for affordable rental housing for persons with disabilities through its Section 811 program.<sup>14</sup> This program emphasizes independent living by

increasing the availability of on-site supportive services. Project rental assistance covers the difference between operating costs and tenant rent contribution.

### ***The HOME Investment Partnerships Program***

The HOME Investment Partnership Program (HOME) is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended.<sup>15</sup> HOME provides formula grants to States and localities that communities use, often in partnership with local non-profit groups, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. HOME offers a tool for communities to expand and improve the supply of affordable, decent, and safe rental housing for low-income households. The regional participant in the HOME program is the Gulfport-Biloxi-Harrison County HOME Consortium. The City of Gulfport is the lead applicant for the consortium. While multifamily rental housing is eligible for HOME funds, the Biloxi-Gulfport-Harrison County HOME Consortium has not used any funding to further this type of development since it started receiving funding in 2001.<sup>16</sup> Rather, regional HOME funds have been used for down payment assistance and accessibility assistance for homebuyers.

### ***USDA Rural Development***

The USDA offers programs for the development of multifamily housing. Under the direction of the USDA, the Section 515 Multifamily Housing program and Section 538 Guaranteed Multifamily Housing program can be used to build or purchase multifamily housing.

Rural Rental Housing Loans under the Section 515 Multi-Family Housing Program are direct, competitive mortgage loans for the development of affordable multi-family rental housing for very low-, low-, and moderate-income families; the elderly; and persons with disabilities. This is primarily a direct mortgage program, but its funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems. For-profit borrowers must agree to operate on a limited-profit basis (currently 8% on initial investment). Borrowers must be unable to obtain credit elsewhere that will allow them to charge rents affordable to low- and moderate-income tenants.<sup>17</sup>

The Guaranteed Rural Rental Housing Program was established to increase the supply of moderately-priced housing in rural areas; ensure that housing is affordable to low- and moderate-income rural residents whose incomes are 115% AMI or less; provide housing that is decent, safe, sanitary, and competitive in the market; and foster risk-sharing partnerships with public and private lenders. Under the program, the Agency provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. Monthly rent for a unit is set at 30% of household income, and the average project rent may not exceed 30% of area median income. The program is designed to increase the supply of affordable multifamily housing through partnerships between HCFP and major lending sources, as well as State and local finance agencies and bond issuers.<sup>18</sup>

### ***The Housing Tax Credit Program***

The Housing Tax Credit Program (HTC) is a federal income tax credit incentive available to owners of residential rental properties that are rented to low- to moderate-income tenants at below market rents. The Mississippi Home Corporation (MHC) is responsible for administering the HTC program and in that role is required to develop an annual Qualified Allocation Plan (QAP). The QAP sets the selection criteria for applicants based on the housing priorities determined for the State of Mississippi.<sup>19</sup>

To be eligible to receive tax credits a development must have a minimum of either 20% of its units occupied by rent-restrictive households with incomes under 50 % AMI, or 40% of its units occupied by rent-restrictive households with incomes under 60% AMI. Maximum rents are set for each size of unit based upon 30% of household income for specified household sizes. Tenant-paid utilities are counted as part of the rent. Developments must maintain rent-restrictive use for at least 15 years, and rent-restrictive tenants are protected against eviction or large rent increases for an additional three years.

The Financial Institution Housing Opportunity Pool (FIHOP) is a 501(c)(3) non-profit created by lenders and MHC to make mortgage loans to rental developments constructed under the Housing Tax Credit program. FIHOP is an independent corporation from MHC. Fifteen-year fixed rate permanent loan funds are available to tax credit developers whose developments are completing construction and are being placed in service. These loans will pay off construction loans and have amortization periods of 20 to 30 years. The loans range in size from \$250,000 to \$5,000,000.<sup>20</sup>

According to currently available information, the Mississippi Gulf Coast has 5,067 tax credit units. The vast majority, nearly 4,000, of these units were constructed after 2005. Approximately 452 units rehabilitated or constructed with tax credits are public housing units; thus, the majority of tax credit units are privately owned and managed.

Because the bulk of assisted apartments on the Mississippi Gulf Coast are developed with tax credits, it is worth noting what design and siting choices are encouraged in the MHC QAP. Mississippi Home Corporation's 2011 QAP awards extra points to HTC applicants who agree to designate at least 25% of their units to be three or more bedrooms.<sup>21</sup> This could explain the apparent shortage of studio units noted above. The QAP also has parking minimums for single-family, duplex and four-plex construction, which would increase the per-unit cost of those types of development over multifamily development. Extra points are awarded for developments that are restricted to the elderly, which is appropriate given the apparent shortage of affordable senior housing in the region. There are currently 10 assisted apartment complexes in the three coastal counties that are restricted to residents aged 50 years and older.

Several local jurisdictions are currently concerned with the fiscal impact of LIHTC properties in their communities.<sup>22</sup> While the income tax credits are provided to the developer by the federal government at no cost to local government, Mississippi's State property tax law is costing localities significantly. Due to the Mississippi State Tax Commission's interpretation of legislation passed in 2005, property tax assessors in the state are required to subtract the value of the tax credits from the value of the property for the purposes of taxation.<sup>23</sup> The Mississippi Association of Supervisors and the Mississippi Municipal League are suing the Department of Revenue in an effort to have this legislation reinterpreted so that the value of tax credits can be assessed. A change in State law seems necessary for local governments to continue supporting the placement of LIHTC housing.

### **Mississippi Rental Housing Finance**

In addition to the federal finance programs described above, there are several State-level and local programs to finance the development and/or maintenance of rental housing. Most of these programs were developed in the wake of Hurricane Katrina and the noted shortage of rental housing in the three coastal counties.



### ***Mississippi Affordable Housing Development Fund***

The Mississippi Affordable Housing Development Fund (MAHDF) was established by the State of Mississippi as a revolving loan fund to support development, construction, and rehabilitation of affordable housing for low- to moderate-income individuals and families. Mississippi Home Corporation also administers this program. Eligible borrowers include non-profits, partnerships, corporations, public housing authorities, Planning and Development Districts, and limited equity cooperatives. MHC requires its borrowers to ensure long-term affordability through the use of Land Use Restrictive Agreements (LURA). MHC may require property to be restricted for at least 15 years and in some cases, longer.<sup>24</sup>

### ***Small Rental Assistance Program***

MDA initiated a Small Rental Assistance Program (SRAP) in 2007. The program sought to increase affordable rental housing in Hancock, Harrison, Jackson, and Pearl River Counties. These loans were open to properties with one to four units. The program had four different types of approaches towards encouraging small rental rehabilitation and development including rental income subsidy assistance, repair or reconstruction reimbursement for Hurricane Katrina damaged property; reconstruction or conversion reimbursement for existing property to rental; and new construction reimbursement.<sup>25</sup> As of March 31, 2011, 3,083 units had completed construction or obtained certificates of occupancy under the SRAP program and a total of 3,900 units had received first loan dispersals totaling \$124.2 million.<sup>26</sup>

This program is important because many small rental owners and developers would not qualify under the State's Housing Tax Credit Program. MHC is responsible for dispersing housing tax credits according to a Qualified Allocation Plan (QAP). According to the 2011 QAP, the minimum development size required to receive tax credits is 24 units.<sup>27</sup> Other requirements for LIHTC eligibility, such as the community services provision and having at least \$10,000 of rehabilitation expenditures per unit or 20% of the original basis, whichever is greater, would also disqualify many small rental property applicants.<sup>28</sup>

Though the program was intended for and targeted towards small rental defined as four units or fewer, there were a number of cases where developers submitted separate applications for different units within the same large development. Thus, SRAP ended up financing several very large rental development projects. Construction on many properties that received SRAP funding has not been initiated, and it is unclear whether MDA intends to continue monitoring recipients now that all funding has been disbursed.

### ***Long Term Workforce Housing Program***

The Long Term Workforce Housing Program (LTWH) was created in 2007 and initial allocations were approved by HUD in 2008. The program provides grants and loans to local units of government, non-profits, and for-profit organizations to provide long-term affordable housing in Hancock, Harrison, Jackson, and Pearl River Counties. Funding is designated for acquisition, rehabilitation, and construction of units for families at or below 120% AMI with priority given to those at or below 80% AMI. \$241 million was allocated for this fund.<sup>29</sup> Round one and Round two awards were given only to single-family home development, large multi-family development, foreclosure assistance, and planning; none of the funding went toward small rental development.<sup>30</sup>

### ***Mississippi Gulf Coast Development Fund***

The Gulf Coast Renaissance Corporation (GCRC) offers direct lending and gap financing to non-profit and mission-driven affordable housing developers in the region. The rental units funded must be for families at or below 120% AMI and must meet the Renaissance Builder and Developer Guild's design standards.<sup>31</sup>

To date, however, no financing has been awarded to small rental property owners through this program due to lack of applicants in this category.<sup>32</sup>

### Special Challenges for Small Rental Housing

Small multifamily housing is a very important part of the affordable housing market. There exist a variety of definitions for small multifamily housing. Some programs, such as the **Small Rental Assistance Program (SRAP)**, limit the definition to 4 units while other programs such as the **Low Income Housing Tax Credit (LIHTC) Program** define the cut-off at 24 units. Most studies, however, define small multifamily housing as having 2 to 50 units. These properties service more than two-thirds of all renters and roughly 70% of lower-income renters in the U.S.<sup>33</sup> Multifamily housing became even more important in the wake of the U.S. housing crisis and is expected to play an increasingly important role in the market due to “stronger residential mortgage lending standards, more modest consumer aspirations for homeownership, growth in households that tend to rent (e.g., Echo Boomers, retiring Baby Boomers, and New Americans), and other drivers.”<sup>34</sup> Small multi-family rentals, in particular, play a unique role.

Despite the importance of small multi-family rental housing, the segment continues to face a number of challenges. One of the major challenges is inventory loss due to deterioration and lack of replacement. More than half of small rental buildings are over 30 years old and are in need of significant repair. The segment, overall, faces much higher inventory-loss rates than other types of real estate.<sup>35</sup> This is especially true on the Mississippi Gulf Coast, where many small rental units were lost in Hurricane Katrina. In addition, many small rental properties are family-owned, self-managed, and are operating with significantly fewer resources than larger multi-family property owners. Land-use and tax policy tends to further burden this sector in that public finance programs favor larger rental projects and zoning laws often favor single-family development. Small rental property owners also tend to owe higher property taxes.<sup>36</sup>

Another major challenge facing the small rental sector is the lack of financing tools available. The banking industry has yet to develop an efficient and effective mechanism for funding this type of development. This sector is particularly underserved by the banking industry for a number of reasons. These types of loans are often more complicated to originate, underwrite, and service than conventional and non-small loans due to a fragmented market and the non-standard borrower profile. In 2009, only 122 financial institutions wrote loans to large multi-family projects, on average writing 32 loans each, while loans for small multi-family projects were spread among 2,600 lenders.<sup>37</sup> Such fragmentation meant that small loans made up only 27% of the total multi-family loan market in 2009.<sup>38</sup> Regional and local banks are the biggest source of small loans, followed by Fannie Mae, which held 15% of the market share in 2009.<sup>39</sup>

The nature of the typical small-loan borrower also presents a challenge to banks. The small rental borrowers tend to be individuals as opposed to development companies or affordable housing organizations and so the borrowers' repayment ability is driven by their individual financial strength and repayment history in addition to the property's cash flow. The properties themselves are riskier due to the relatively large impact of a single vacancy compared to larger multi-family projects. The financial institution is also obligated to put more energy and resources into reviewing the borrower's history than it would need to do for a typical large multifamily project loan.<sup>40</sup>

Despite the challenges, local and regional banks and Government Sponsored Enterprises (GSE) such as Fannie Mae are continuing to fund loans for small rental properties. This is a potential area of growth for local and regional banks on the Mississippi Gulf Coast, which have been noted to provide more flexible mortgage loans than national commercial lenders.

While there are financing mechanisms available to rental housing developers and property managers, the distribution of rental units is potentially skewed in comparison to need. A spatial analysis of multifamily rental housing will provide more insight into the geographic distribution of market rent and affordable multi-family units, hopefully painting a clearer picture of where and how future financing should be targeted.

## Notes

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## INSURANCE

Property insurance is a significant determinant of housing affordability, especially on the Mississippi Gulf Coast. Mississippi homeowners have the fourth-highest homeowner insurance premiums in the nation, spending an average of \$1,185 on homeowner insurance each year.<sup>1</sup> Premiums on the Mississippi Gulf Coast likely exceed the state average, due to the additional cost of peril-specific policies for wind and flood loss. The high cost of insurance is frequently cited as a primary barrier to housing development in the three coastal counties.<sup>2</sup>

Homeowner insurance policies cover the dwelling, other structures on the property, personal property, and loss of use of property. Commercial insurance policies for residential structures like apartment buildings typically cover the building, equipment, general liability, loss of income, and increased cost of compliance. Renter insurance covers contents, rather than the structure itself. Insurance coverage is underwritten on the basis of perils or cause of loss, such as fire or theft. While some policies cover loss on a named peril basis that lists the covered causes of loss, most homeowner policies are written with open peril coverage, which covers all causes of loss except those that are listed as exceptions. Open peril policies typically exclude earthquakes, flood, and hurricane-related wind damage in areas along the coast. In order to be covered for these events, peril specific coverage is required. Along the coast, the recommended and sometimes state or federally mandated peril specific coverage is flood and wind insurance.

Hurricane Katrina resulted in over \$15 billion in damage in Mississippi.<sup>3</sup> Changes to FEMA's Flood Insurance Rate Maps (FIRMS) as a result of the storm increased the area of the floodplain, bringing more residential property into flood zones and increasing the number of residents requiring flood insurance. The maps were adopted by all jurisdictions on the Mississippi Gulf Coast in 2009.<sup>4</sup> Homes built to the old standards had to maintain their insurance policies in order to preserve their grandfathered rates.<sup>5</sup> However, because many property owners were previously outside of the floodplain, they did not have pre-existing policies and had to purchase insurance at the newer, higher rates.<sup>6</sup> Many policies for damaged and destroyed structures also had to be rewritten due to non-compliance.

At the same time, private insurance companies raised homeowners insurance rates to keep up with increased assessments and reinsurance rates.<sup>7</sup> Premiums on residential wind insurance have increased 90% since Hurricane Katrina.<sup>8</sup> Homeowners insurance premiums have increased by at least 33% in the same time frame, and will likely increase again with the proposed Flood Insurance Reform and Modernization Act.<sup>9</sup> Combined, the costs of homeowners, wind, and flood insurance have become unaffordable for many property owners in the three coastal counties. High insurance costs also affect renters, who may have higher rents as property owners attempt to transfer costs.

Insurance rates are designed to reflect and adequately cover the risk of building and living in a storm-prone region.<sup>10</sup> While the increases in rates may be cause for debate, any solution to the insurance cost burden should not involve reducing requirements to hold a peril-specific policy. The externalization of risk merely serves to encourage people to build in high risk areas.<sup>11</sup> Many property owners opt out of flood insurance, given the choice, and are left unprotected against hurricanes and flood events. An estimated 35,000 homes damaged by Katrina were under- or uninsured.<sup>12</sup> Less than 25% of structures in high-risk flood areas in Mississippi are covered by flood insurance.<sup>13</sup> Rather, by creating programs and options that lower property owners'

insurance costs, more property owners can afford to purchase insurance and become protected against future loss. The insurance industry and insurance regulators, along with FEMA, have developed a number of programs and policies to reduce the cost burden of peril-specific insurance while simultaneously reducing risk of loss. This section will assess existing opportunities for lowering the cost burden of peril-specific flood and wind coverage.

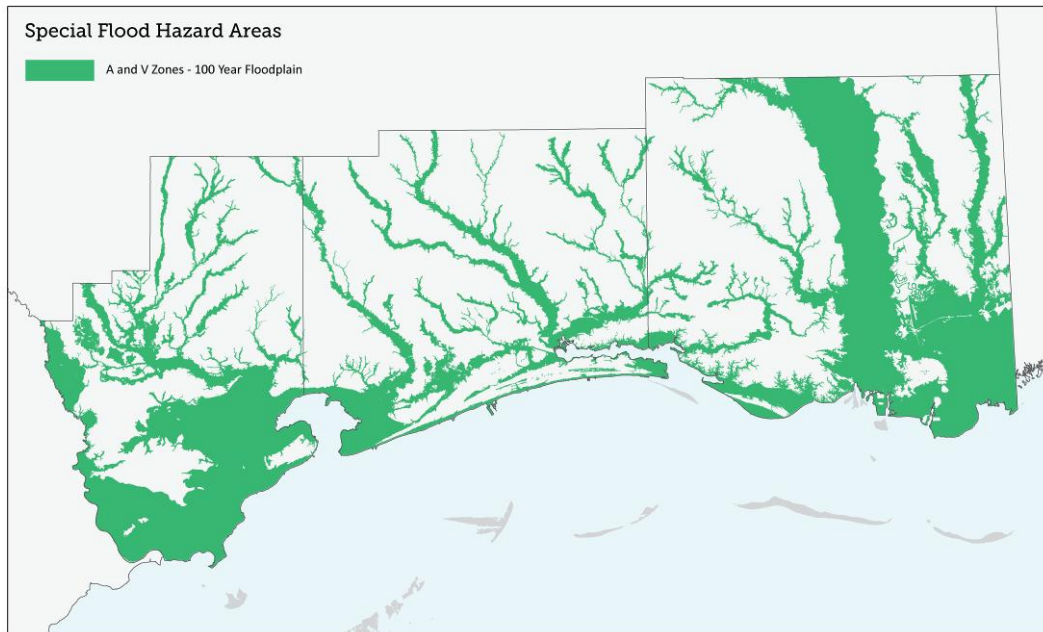
## **Flood Insurance**

The federal government formed the National Flood Insurance Program (NFIP) in 1968 to insure homeowners and renters against loss due to flooding, a loss not covered by private insurance. The NFIP is a pool of nearly 90 private insurance companies, administered by the Federal Emergency Management Agency (FEMA).<sup>14</sup> To be eligible for flood insurance, a homeowner, landlord, or renter must live in a community that has joined the NFIP. All jurisdictions on the Mississippi Gulf Coast are members.<sup>15</sup>

FEMA delineates risk areas into flood zones. Property in high-risk flood zones with mortgages obtained through a federally regulated or insured lender must be insured against flood loss.<sup>16</sup> High-risk areas, also known as Special Flood Hazard Areas (SFHAs), are made up of A and V Zones. A and V Zones are defined as those areas within the floodplain that have a 1% or greater chance of flooding in any given year, or a 26% chance of flooding during a 30-year mortgage.<sup>17</sup> Flood insurance is also optionally available for property owned outright or property in moderate or low risk areas. Moderate and low-risk areas include B, C and X Zones. These zones are defined as areas above the 100-year flood limit.<sup>18</sup> X Zones are areas outside of the floodplain. Policy premiums vary by zone, with V Zones having the highest cost and X Zones the lowest. A structure located in more than one zone is rated based on the highest-risk zone on which its foundation sits.

Mississippi has the fifth-largest floodplain in the United States, comprising over 15% of its land area.<sup>19</sup> The Mississippi Gulf Coast has more than double that rate, with 35% of total land area within the floodplain.<sup>20</sup> Hence, flood insurance premiums impact the development potential on a substantial portion of property in the region. Some mortgage lenders require property owners to purchase flood insurance if any portion of the property is in the floodplain, even if the building is located entirely within a B, C, or X Zone. This means that the cost of housing in many areas on the coast is substantially higher than is reflected in the construction cost or sale price alone. More affordable flood insurance would not only lower the cost burden for existing property owners, it would also make housing more affordable to potential homeowners and renters in the region.

## Floodplain Areas



Source: Federal Emergency Management Agency. (2009). *Digital Flood Insurance Rate Map*. Hancock County, Harrison County and Jackson County. FEMA Map Service Center. Web.

Flood insurance rates are lower outside the floodplain, so an obvious way to make housing more affordable is to concentrate new housing development outside of the floodplain. Cities and counties can encourage this in their zoning codes. FEMA's Community Rating System, discussed below, encourages communities to rezone vacant land within the floodplain as open space or for minimum lot sizes of 1 acre.<sup>21</sup> However, on the Mississippi Gulf Coast, many communities have existing downtowns, employment centers, and neighborhoods within the floodplain that would not be served by such policies. All three public housing authorities also own property in the floodplain, and are affected by flood insurance costs. Other measures to reduce flood insurance rates must be taken to reduce the cost burden on these public and private property owners and to support the coast's existing communities.

Standard NFIP policies premiums are calculated based on location, type of structure, type of occupancy, and the height difference between the base flood elevation (BFE) and the lowest floor elevation. The higher a structure is elevated above the BFE, the lower the premium. Premiums also depend on whether a structure was built prior to the first FIRM. Pre-FIRM structures are those built before 1974; post-firm structures are those built later than 1974. Rates are normally lower for post-firm buildings.<sup>22</sup> A pre-FIRM home could get a lower premium if the owner elevated the structure in compliance with the current FIRM and applied for a post-FIRM elevation rating. New structures in the floodplain can be constructed above the required BFE to get a lower premium. Jurisdictions can help property owners lower their insurance burden by increasing public awareness of these cost-saving strategies.



### ***The Community Rating System***

Communities can also mitigate high premiums by participating in the Community Rating System (CRS). The CRS is a voluntary program for NFIP member communities to reduce both flood hazards and the cost of flood insurance for property owners within the community.<sup>23</sup> The CRS has four categories of activities for which communities can gain credit points: Public Information, Mapping and Regulation, Flood Damage Reduction, and Flood Preparedness. The program classifies communities on a scale of 1 to 10 based on the number of credit points earned. The class determines the premium discount for policyholders, whereby Class 1 gives the greatest premium discount and Class 10 receives no discount.<sup>24</sup> Discounts can be as high as 45%.

On the Mississippi Gulf Coast, all but two jurisdictions participate in the CRS.<sup>25</sup> The current classes of participating jurisdictions on the Mississippi Gulf Coast and their premium discounts are listed in the table below. The highest discount received by a Gulf Coast community to-date is 25%.

### **Community Rating System Classes**

<b>Jurisdiction</b>	<b>Start Date</b>	<b>Class</b>	<b>Discount for SFHA</b>	<b>Discount for non-SFHA</b>
Bay St. Louis	1995	7	15%	5%
Biloxi	1996	6	20%	10%
D'Iberville	2007	5	25%	10%
Gautier	1994	7	15%	5%
Gulfport	1996	6	20%	10%
Harrison County	2003	8	10%	5%
Jackson County	2011	9	5%	5%
Long Beach	2000	7	15%	5%
Ocean Springs	1992	7	15%	5%
Pascagoula	2007	5	25%	10%
Pass Christian	1993	6	20%	10%
Waveland	1993	5	25%	10%

*Source: Federal Emergency Management Agency. (2011). National Flood Insurance Program. Flood Insurance Manual. Chapter 19. Community Rating System. Page 18.*

Jurisdictions can improve their classification and increase the premium discount by making programmatic changes within any of the four CRS activity areas. In 1998, the City of Pascagoula established an elevation standard of 13.1 feet for all new construction, representing up to a 5-foot elevation difference above the BFE in some areas.<sup>26</sup> Not only did this standard save many structures from flood damage in 2005, it helped Pascagoula achieve one of the best CRS classifications on the coast. Those property owners whose base floor elevation is 1-5 feet above the BFE have reaped additional savings beyond the 25% CRS discount.

Jurisdictions can also receive credit points for programs and activities undertaken at the state or regional level.<sup>27</sup> For example, a state law requiring disclosure of flood hazards during real estate transactions could earn all participating jurisdictions in Mississippi up to 81 credit points.<sup>28</sup> Use of a regional scenario modeling tool to ensure that new development causes no net increase in stormwater runoff could earn Gulf Coast jurisdictions up to 670 points.<sup>29</sup> An additional 500 CRS points is equivalent to an additional 5% flood insurance premium discount.<sup>30</sup> Thus, regional and

state activities have the potential to reap economies of scale by implementing policies and programs that reduce the insurance burden for all property owners on the Gulf Coast.

## **Wind Insurance**

The Mississippi Windstorm Underwriting Association (MWUA) is a state-sanctioned consortium of private insurers that was created in 1987 to provide windstorm and hail insurance to property owners in the six coastal counties, as an insurer of last resort. An earlier iteration of the agency, the Mississippi Insurance Underwriting Association, had been providing last-resort homeowner policies since 1970. The MWUA replaced its predecessor when the State legally allowed for separation of peril specific wind policies from homeowner policies, in an effort to reduce homeowner insurance rates.

For property owners unable to obtain wind coverage in the private market, the MWUA is the only way to insure against wind loss. The MWUA, commonly known as the wind pool, is funded through customer premiums and assessments on insurers relative to their market share in Mississippi.<sup>31</sup> State Farm has the largest market share in the state, with 25%, followed by the Southern Farm Bureau and Allstate.<sup>32</sup>

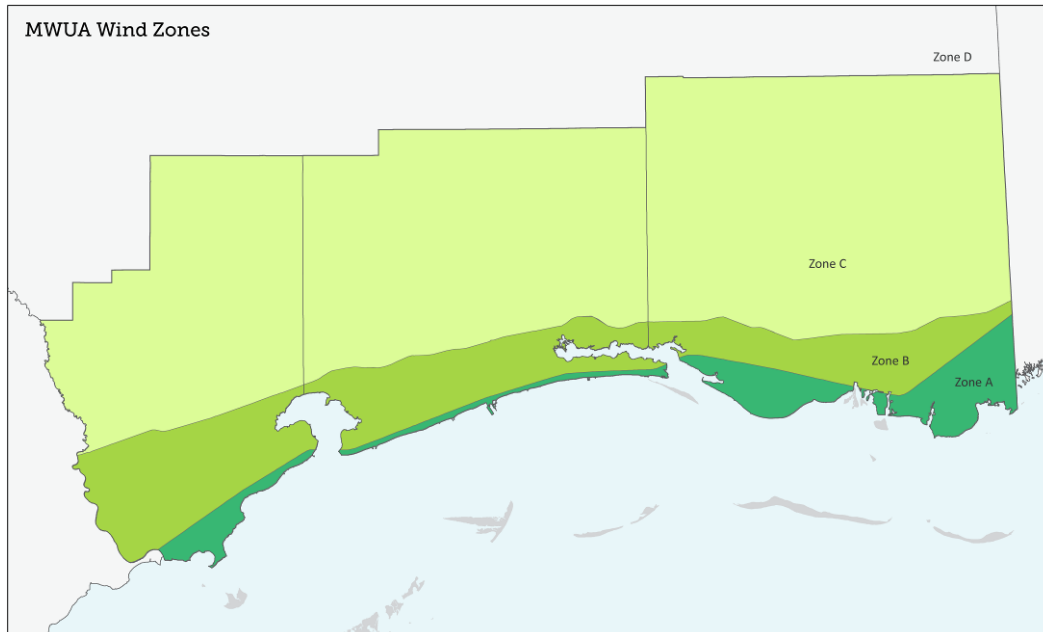
Since 2005, the wind pool has been partially subsidized by the State of Mississippi and federal CDBG funds. However, the state legislature has been unwilling to reinsure the program at the amount needed to make up for losses from Hurricane Katrina. As a result, premiums on residential and commercial wind pool insurance were increased by 90% and 268% respectively in 2006.<sup>33</sup> Rates were restructured with percent deductibles in 2008. Despite increases, the wind pool often remains the more affordable insurance option for homeowners. About 60% of property owners in the coverage area have opted for MWUA wind insurance policies.<sup>34</sup>

Private insurance companies normally model their wind insurance rates on the MWUA rates and insure 100% of the replacement cost of a home in combined policy whereas the wind pool will insure down to 80% of the replacement cost, lowering the homeowner's wind premium. This option appeals to many homeowners in the current housing market whose homes are currently valued at less than the replacement cost. The wind pool also allows more flexibility in the coverage for accessory structures and contents, enabling property owners to lower their premiums by opting out of full coverage. However, the flexibility of the program also poses the risk that insurance reimbursements will be insufficient for re-housing residents after a destructive wind storm.

Wind pool rates are determined by the deductible selected and the wind zone in which the home is located. Unlike flood zones, which are delineated based on physical characteristics of land elevation and sea level, the four wind zones are delineated using man-made and political boundaries. This delineation is not representative of real wind hazards that are unpredictable and subject to more complex risk factors than the location of an interstate. Rates are higher for properties closer to the coast line. Zone A extends from shoreline to the CSX Railroad and has the highest rates. Zone B is located between the railroad and I-10. Zone C extends north of I-10 to the county line, and Zone D is located north of the three coastal counties. There are three levels of flat deductible amounts for windstorms and tornadoes, and five deductible rates for

named storms. Each of these amounts is associated with a different premium rate. As with any type of insurance, premium rates are higher for lower deductibles.

### Wind Zones



Source: Gulf Coast Community Design Studio. (2011). MWUA Wind Zones. Shapefile.

Wind premiums are also calculated based on the type of structure. Premiums are substantially higher for mobile or manufactured homes than for frame construction, and for frame construction relative to masonry construction.<sup>35</sup> Unfortunately, the type of structure is rarely indicative of its risk of wind damage. HUD Zone II and III manufactured homes are designed to resist up to 115 and 125 mph wind gusts respectively.<sup>36</sup> The resiliency of these manufactured homes to wind storms depends almost entirely on the quality of their foundations, which can range from shoddy dry-stacked piers to well-anchored concrete footings.<sup>37</sup> Additionally, the MWUA guidelines define masonry construction to include brick and stone veneers, which have no more structural integrity than frame construction.<sup>38</sup> The exterior finish of a building has far less effect on its overall structural integrity during a storm than the type of foundation, type of roof, and quality of connections to the foundation and roof.<sup>39</sup> The significant wind premium difference by structure is therefore not clearly tied to the demonstrable structural integrity of the building.

### ***Semi-Wind Resistive and Wind Resistive Certification***

On the other hand, the wind pool's incentives for semi-wind resistive and wind resistive construction *are* directly related to the structural integrity of the building, providing for both more resilient buildings and lower premium rates. Semi-wind resistive and wind resistive construction requires the building to be engineered to withstand specified wind loads.<sup>40</sup> Commercial rates for typical construction of habitation property, such as apartments or public housing, are significantly higher than residential rates, including mobile homes. However, premium rates for semi-wind resistive construction of commercial structures are half, and

premium rates for wind resistive commercial structures are less than one quarter of the typical construction rate.<sup>41</sup> Investing in semi-wind resistive and wind resistive construction can therefore provide long-term cost savings for habitational commercial structures. Residential structures can also receive discounts for semi-wind resistive and wind-resistive construction.

Unfortunately, not all property owners have been able to take advantage of the benefits of semi-wind resistive and wind resistive construction due to financing constraints. The Mississippi Home Corporation (MHC) sets maximum construction cost (MCC) limits for each unit constructed or rehabilitated with Low Income Housing Tax Credits.<sup>42</sup> The MCC limits do not permit the excess construction costs needed to meet wind resistive standards for multifamily housing.<sup>43</sup> Tax credits are a major funding source for the development of multifamily housing, thus limiting the ability of public housing authorities and affordable housing developers to construct more resilient buildings and lower their insurance rates. It is not clear whether the same roadblock exists in the private sector.

### ***The Building Code Effectiveness Grading Schedule***

The MWUA also provides credits on wind pool policies through the Building Code Effectiveness Grading Schedule (BCEGS) to mitigate for high premiums. This program differs from the CRS because it is not voluntary, though jurisdictions do have some control over their classification. Jurisdictions are classified on a scale of 1 to 10 depending upon the local building code, the date it was adopted, and how well it is enforced. The class determines the discount on the wind premium. For example, homes built in Bay St. Louis after 1996 are a class 6 on the BCEGS and can receive a 15 % reduction, but homes built in Bay St. Louis after 2000 are rated class 4, and can receive a 20% reduction in wind pool rates.<sup>44</sup> Discounts can be as high as 30%.

The current classes of building codes on the Mississippi Gulf Coast and their premium discounts are listed in the table below. Since the BCEGS initiated in 2009, MWUA has endorsed more than 2,000 policies for building code credits, including commercial policies.<sup>45</sup>

### Building Code Effectiveness Grading Schedule Classes

Jurisdiction	Year	Class	Residential Discount	Commercial Discount
Bay St. Louis	1996	6	15%	6%
	2000	4	20%	6%
	2010	5	20%	6%
Biloxi	1996	5	20%	6%
	2000	4	20%	6%
D'Iberville	2007	6	15%	6%
Gautier	1996	7	15%	6%
	2010	6	15%	6%
Gulfport	1996	4	20%	6%
	2009	5	20%	6%
Hancock County	2009	9	10%	2%
Harrison County	1996	8	10%	2%
	2010	7/5	15%	6%
Jackson County	1996	-/6	-	6%
	2009	5	20%	6%
Long Beach	1996	8	10%	2%
	2008	6	15%	6%
Moss Point	1997	9	10%	2%
	2010	6	15%	6%
Ocean Springs	1996	6	15%	6%
	2009	5	20%	6%
Pascagoula	2004	6	15%	6%
	2009	4	20%	6%
Pass Christian	1996	6	15%	6%
	2009	5	20%	6%
Waveland	1996	5	20%	6%
	2010	5	20%	6%

Source: Federal Emergency Management Agency. (2011). *National Flood Insurance Program. Flood Insurance Manual. Chapter 19. Community Rating System. Page 18.*

Yet while the BCEGS encourages better code enforcement and adoption as a mitigation strategy for future disaster, it is biased toward new construction, making it more difficult for owners of older homes in existing neighborhoods to purchase the appropriate amount of coverage. The cities of Bay St. Louis, Biloxi, Gulfport and Waveland are the only jurisdictions to have a class 5 or better building code prior to 2009. Any building constructed in other cities or in the unincorporated areas on the coast prior to 2009 would not be eligible for the premium reduction. Homeowners with homes built prior to 1996 are ineligible for BCEGS credits regardless of location. Manufactured homes, which adhere to the HUD Manufactured Home Construction and Safety Standards rather than local building codes, are also ineligible for BCEGS discounts.

### Wind Retrofit Programs

For older homes, the MWUA formed the Retrofit Mitigation Program in order to provide property owners with the opportunity to increase the resiliency of their homes and lower their

premiums. Retrofitted homes can receive credits at four levels: A) roof system improvements, B) opening protection, C) roof surface improvements and D) removal of site hazards. Group A, the minimum retrofit, involves strengthening the connections in the roof structure with additional strapping and bracing – changes that can be achieved on many homes at minimal cost. Achieving this level alone gives homeowners a 12% credit on the wind pool premium. Achieving all four levels of mitigation gives homeowners a 30% credit. Homeowners must submit a non-refundable \$250 inspection fee to MWUA and pass the inspection in order to receive credit.<sup>46</sup> Participation in the program has been limited due to the up-front cost associated with the inspection as well as a general lack of awareness about the program.<sup>47</sup>

Owners of detached, single family homes can opt to participate in the Insurance Institute for Business and Home Safety (IBHS) FORTIFIED Home Program. This program is designed to strengthen homes against natural disasters, including hurricane winds, with changes similar to the Retrofit Mitigation Program. Through the FORTIFIED program, homeowners request and pay for an evaluation of the current condition of their home. The FORTIFIED evaluator provides the homeowners with a list of retrofits needed to meet the FORTIFIED certification criteria. Once those criteria are met, the home is inspected by an IBHS agent and is designated a FORTIFIED home. FORTIFIED homeowners can receive up to 25% discount on premiums through the wind pool.<sup>48</sup> There is no standard insurance benefit on combined policies, though IBHS notes that many private insurers will offer discounts or credits on premiums for FORTIFIED home policies.<sup>49</sup>

In an attempt to make wind retrofits more affordable, in the spring of 2011, the State Department of Finance and Administration received a \$22 million grant from FEMA to initiate a new program called Coastal Retrofit Mississippi. Through this program, eligible homeowners can receive subsidies of up to 75% of the cost of a wind retrofit. Eligibility depends on cost effectiveness, the property location, local building codes, homestead exemptions, dwelling type and the homeowner's ability to provide the 25% match<sup>50</sup>. This program has not received significant publicity and cannot legally be linked to reduced insurance rates, so property owners are not likely to learn about the program through their insurance agent. The complexity of the application, inspection, and approval process, combined with the lack of insurance cost-savings and the 25% match requirement may also deter potential participants.

## **Homeowner Insurance**

Though homeowners insurance, separate from peril-specific policies for wind and flood insurance, is not a focus of this work, it is worth noting that homeowner premiums in the three coastal counties tend to cost more than elsewhere in the State of Mississippi, even when policies elsewhere include wind.<sup>51</sup> Coastal jurisdictions have building codes that are generally stricter and better enforced than elsewhere in the State,<sup>52</sup> suggesting that higher premiums are not due to the higher risk associated with lower quality homes. Rather, it suggests that there is a lack of competition in the insurance market on the coast.

Prior to Hurricane Katrina, 6 private insurance companies wrote 90% of homeowner policies in the three coastal counties. Since then, the coast has seen moratoriums on underwriting that made competition even scarcer. Though new companies have entered the coastal market, they tend to focus on FORTIFIED homes or new homes that are built to the most-recent BCEGS

rating.<sup>53</sup> This leaves owners of older homes paying higher premiums in addition to the high premiums associated with peril-specific policies.

### **Implications for the Region**

Peril-specific premiums place a large financial burden on many residents of the Mississippi Gulf Coast, as well as on local jurisdictions and public housing authorities that are tasked with administering affordable housing programs. Though there are a variety of opportunities for property owners to reduce their insurance cost burden, a general lack of awareness about the programs and the up-front costs required discourage participation. Municipalities can act to reduce the risk of flood and wind damage within their communities, thereby providing premium discounts to all residents and property owners. There are also opportunities for regional intervention to reduce risk and premiums across the coast.

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## ENERGY

Mississippi households consume over 200 *trillion* Btu of energy each year, or about 20% of overall statewide energy consumption.<sup>1</sup> The state has the 22<sup>nd</sup> highest energy consumption per housing unit in the nation.<sup>2</sup> Though Mississippians are not the top consumers of energy, this number is significant because Mississippi is one of the warmest states, with relatively few days where temperatures drop below 65° F.<sup>3</sup> Accounting for the number of heating and cooling degree days, Mississippians have the 22<sup>nd</sup> highest consumption of natural gas and 9<sup>th</sup> highest consumption of electricity.<sup>4</sup>

Energy use is important for several reasons, but all come back to cost. Natural gas, propane, electricity and other fossil fuels all cost money to produce and consume. Energy costs, especially in the humid coastal summer, can account for a significant portion of household income. According to the Bureau of Labor Statistics, utilities are the fourth-highest expense for households after shelter, transportation and food.<sup>5</sup> Mississippi households each spent approximately \$1,819 on home energy use in 2009, or more than \$150 per month.<sup>6</sup> In Mississippi, where electricity is the primary source of residential energy consumption, energy costs are directly linked to total demand, meaning ratepayers who strive to conserve energy will still pay more when other energy consumers are more wasteful.<sup>7</sup> To offset the cost of constructing the new coal gasification plant in Kemper County to meet electricity demand, Mississippi Power may increase electricity rates by nearly 12% for all ratepayers on the Gulf Coast.<sup>8</sup>

Another impact of energy use is reduced air quality. Energy production from fossil fuels generates carbon dioxide, methane and nitrous oxide (ozone) emissions that reduce air quality.<sup>9</sup> These gases are harmful to health, and can cause asthma and breathing difficulty. Ozone creates smog, which can be damaging to the aesthetics and natural beauty of the coast.<sup>10</sup> Air quality impairments can also lead to increased regulation, whereby major polluters would be required to invest in cleaner technology. These public health and regulatory costs are a burden to taxpayers, businesses, and communities.

Homes and apartments consume 23% of all energy nationwide.<sup>11</sup> Thus, measures to reduce overall residential energy consumption can have a widespread impact on total statewide energy consumption and the negative side-effects of energy production. Home energy efficiency can create a cost savings for taxpayers and businesses as well as individual households and ratepayers.

There are many ways to reduce residential energy consumption. Most obvious is consumer education about how and why to conserve energy. Another strategy is through improved quality of home design, building materials, and site design. New homes can be built to newer standards and use more energy efficient materials to conserve energy. Older homes can be upgraded through weatherization, appliance replacements, and other means. This section will explain the existing standards, programs and policies, and opportunities on the Mississippi Gulf Coast to reduce household energy costs and improve residential energy efficiency.

### Building Standards

An effective way to reduce residential energy consumption is through the use of energy-efficient building standards. For example, homes that are constructed with proper air sealing can dramatically reduce the energy needed to heat or cool a house. Well-sealed heating and cooling ducts can also prevent energy waste. States, cities, and counties use building codes to set building standards, including standards for energy-efficient design and materials.

Building codes are written by independent councils of engineers, architects, and construction professionals, and adopted and enforced at either a state or local level. Until 1994, there were three different building code councils: the International Council of Building Officials, the Building Officials and Code Administrators International, and the Southern Building Code Congress International. The codes published by each of these councils were updated every few years, based on new research and changes in technology and materials. In 1994, the code councils were merged into the International Code Council.<sup>12</sup>

The State of Mississippi does not have an official building code; it has a voluntary code that is 36 years old, ASHRAE 90-1975. All local jurisdictions have the autonomy to adopt their own standards. However, after Hurricane Katrina, State Bill 31-11-33 created the Mississippi Building Code Council, which required the five counties in the Gulfport-Biloxi and Pascagoula metropolitan regions to enforce all of the wind and flood mitigation requirements prescribed by the 2003 International Building Code and the 2003 International Residential Code.<sup>13</sup> As a result, most cities on the Coast have adopted the full 2003 or 2006 International Building Code (see table below). The 2003 and 2006 codes require double-paned, glazed windows, heating and cooling duct insulation, caulking and sealants around windows and doors, and other techniques to conserve energy in buildings and make buildings safer.

#### Current Code Adoption Among Gulf Coast Jurisdictions

Jurisdiction	Current Building Code	Current Energy Code
Bay St. Louis	IBC 2006	none
Biloxi	IBC 2006	IECC 2006
Gulfport	IBC 2006	IECC 2006
Hancock County	IBC 2003	none
Harrison County	IBC 2006	none
Jackson County	IBC 2006	IECC 2006
Long Beach	IBC 2006	IECC 2006
Ocean Springs	IBC 2006	IECC 2006
Pascagoula	IBC 2006	IECC 2006

*Source: Bostrom, Paul. et. al. (2011). Mississippi Energy Codes: Economic Analysis. For the Mississippi Development Authority. Building Codes Assistance Project and Southface Energy Institute. June 2011. Page 36. And Personal Communications with Building Code Officials. Feb-Jun 2012.*

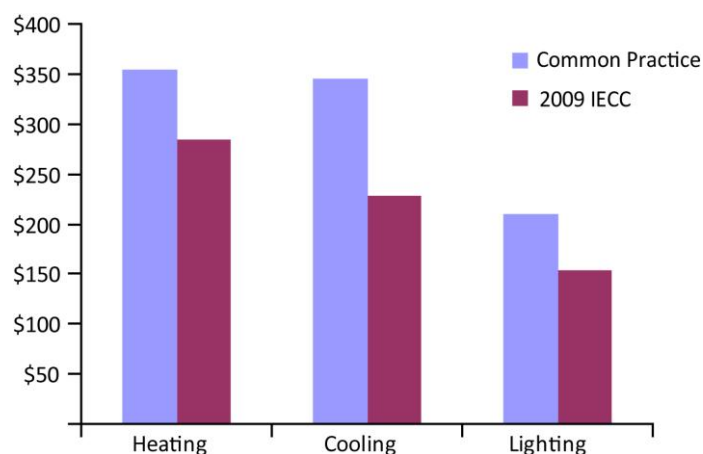
In 2009, the State of Mississippi applied for and accepted a State Energy Program (SEP) grant through the Department of Energy, which requires 90% compliance with the 2009 International Energy Conservation Code by 2017.<sup>14</sup> The 2009 IECC goes beyond the 2003 and 2006 codes by requiring demonstrably better building performance.<sup>15</sup> The Mississippi Development Authority (MDA) commissioned a study to estimate the financial, economic and environmental impacts of compliance with this new standard. The study found that 90% compliance with the 2009 IECC will save almost 200,000 MWh of electricity within five years of adoption, averting the negative side-effects of increased power production and creating statewide energy savings for homeowners totaling \$26 million.<sup>16</sup>

The environmental benefits of these savings are significant. The MDA study estimates that 350,086 metric tons of CO<sub>2</sub>, 552 metric tons of SO<sub>2</sub>, and 314 metric tons of NO<sub>x</sub> would be averted statewide in the first 5 years of 2009 IECC enforcement.<sup>17</sup> Thirty-three percent of averted CO<sub>2</sub> emissions would come

from the residential sector. In terms of improved air quality, these savings are equivalent to removing more than 20,000 cars from the road each year.<sup>18</sup>

According to the study, adoption of the 2009 IECC would add about \$1,092 to the retail price of an average new home in Mississippi, raising the down payment by \$218.40 and the monthly mortgage payment by \$4.72.<sup>19</sup> However, as shown in the chart below, the annual energy savings of a code-compliant home are estimated at \$310 per year, offsetting the increased mortgage costs by the 11<sup>th</sup> month of ownership.<sup>20</sup> A separate, national study found that an average home in Mississippi built to the 2009 IECC would save between \$173 and \$250 annually.<sup>21</sup> On the Mississippi Gulf Coast, this translates into household savings of about \$240 per year.

### Comparison of Building Operating Costs



Source: Southface Energy Institute. (2011). Mississippi Energy Code Adoption. Building Codes Fact Sheet. For the Mississippi Development Authority. 2011. Page 2.

Similarly, the MDA study modeled a four-story apartment building and found that the cost of construction would actually decrease with the 2009 IECC, compared to the baseline ASHRAE 90.1 – 1999 because a better sealed and insulated building allows for a smaller HVAC system.<sup>22</sup> Energy savings are immediate, because of the negative up-front cost difference, and are estimated at \$1,173 per year for the modeled building.<sup>23</sup> These savings would accrue to renters in the form of reduced utilities directly or reflected in gross rent.

Buildings codes such as the 2009 IECC present a strong opportunity to increase the energy efficiency of the Gulf Coast's housing stock over time, by requiring all new and rehab construction to meet higher quality standards. According to the fore-mentioned study, these quality standards will also be cost efficient, creating a net savings for homeowners and renters over time. However, the means by which MDA intends to enforce the 90% compliance rule remains unclear; and any compliance issues will likely be resolved at the local level. The effectiveness of the 2009 IECC will rest on local jurisdictions' ability and willingness to enforce compliance with the new standards.

## **Programs**

### ***Weatherization***

Weatherization Assistance Programs provide financial and technical assistance to low-income homeowners to help decrease the household energy burden. Home weatherization can include installing insulation, sealing air leaks, weather stripping doors and windows, and repairing or replacing heating systems.

The Low Income Housing Energy Assistance Program (LIHEAP) is a federal program, administered by the Mississippi State Department of Human Services, to provide emergency financial assistance to households below 125% of the poverty level to pay for home energy bills and weatherize their homes.<sup>24</sup> Households on the Mississippi Gulf Coast can apply for LIHEAP assistance through the Gulf Coast Community Action Agency (in Hancock and Harrison Counties) or the Jackson County Civic Action Committee (in Jackson County) to receive assistance. LIHEAP payment assistance is a beneficial short-term solution for households that are cost-burdened by utility bills. However, research has shown that LIHEAP recipients actually use more energy during the period for which they receive assistance than non low-income households.<sup>25</sup> This indicates that LIHEAP is not a sustainable solution to reducing household energy costs because it does not lower energy use. Improvements to the energy efficiency of housing through home weatherization will have a more long-term impact by permanently reducing overall residential energy use and associated energy costs.

The State Department of Human Services also administers a Weatherization Assistance Program (WAP) to address long-term energy costs by providing home weatherization services and energy efficiency education to elderly, disabled, and low-income households.<sup>26</sup> Services include air sealing, insulation, repairs or replacement of heating and cooling units, and other repairs, based on an energy audit of the home. Both the Gulf Coast Community Action Agency and the Jackson County Civic Action Committee delegated WAP funds to the Pearl River Valley Opportunity Inc. (PRVO), which was tasked with providing weatherization services to all five counties in the Gulfport-Biloxi and Pascagoula metropolitan regions, as well as ten other counties. Unfortunately, PRVO was relieved of its WAP administrative responsibilities due to ineffectiveness. The number of properties in the three coastal counties that received weatherization assistance is unknown.

Though as federally subsidized programs, both LIHEAP and WAP are limited in their reach, those that do receive benefits are low-hanging fruit, providing large benefits for minimal investment. Programs like the WAP that provide opportunities targeted for low-income and renter households to save on energy will have the greatest impact on lessening the housing cost burden and making housing more affordable for low-income households. More localized implementation of these programs could potentially increase their efficiency and effectiveness, reaching more households that are in need of assistance.

### ***Residential Retrofit Programs***

Residential retrofitting is similar to weatherization, but includes more extensive upgrades to a building's mechanical system, lighting, envelope, and duct performance, sometimes including changes that are not energy-related. Energy retrofitting is meant to improve energy efficiency and reduce overall energy consumption without the cost of fully remodeling a home. A joint study by Duke University and the Georgia Institute of Technology found that residential retrofit programs have the potential to contribute almost 70% of total residential energy savings (including savings from enhanced building standards) in the Southeast U.S. over the next 20 years because any home, old or new, can be upgraded.<sup>27</sup> A study by Booz Allen Hamilton found that 12 new jobs are created for every \$1 million invested in energy retrofit

programs.<sup>28</sup> Thus, energy retrofit programs have economic benefits at both a household and a workforce level. However, existing public and private incentive programs have not made much impact due to “principal-agent” problems in which landlords, developers, and architects do not install energy efficient mechanical systems because they do not pay the resulting energy bills.

Two federal tax credits have been created for ENERGY STAR-rated replacements to windows, doors and mechanical systems. For the 2011 tax year, homeowners can claim 10% of the cost of upgrades, up to \$500, on their income tax return. Until 2016, homeowners can claim 30% of the cost of renewable energy systems, including geothermal heat pumps and solar panel arrays. Rental properties do not qualify for either of these deductions.

Mississippi Power has its own program to encourage ratepayers to upgrade windows, doors and heating and cooling equipment. The EarthCents Financing Program provides loans for insulation, water heaters, heat pumps, geothermal heat pumps, HVAC systems, programmable thermostats, air duct sealing, and windows and doors. Loans vary from \$500 to \$10,000 with rates between 9.9% and 18.99% for up to 6 years.<sup>29</sup> Mississippi Power also offers rebates up to \$300 for converting gas mechanical equipment to new, electric equipment.<sup>30</sup> In Hancock and Harrison Counties, Coast Electric Power Association customers can request a free residential energy audit, to get recommendations on energy saving improvements and retrofits to lower electric bills.<sup>31</sup> Coast Electric’s Comfort Advantage program offers a \$300 rebate for replacement of old gas, electric or heat pump systems with more energy-efficient systems.<sup>32</sup> In Jackson County, the Singing River Electric Power Association also offers a Comfort Advantage program audits and rebates.<sup>33</sup> The Gulf Coast Renaissance Corporation is currently developing a similar audit and revolving loan program.

Low-income and renter households are less-likely to benefit from residential retrofit programs like these, due to the large up-front costs that are only gained back over time through the rebates, tax credits and monthly energy savings. The energy savings benefits of these programs will only accrue to renter households if utilities are separate from rent and the household continues renting at the same location over the period for which energy savings pay off the cost of the retrofit. Additionally, several of the existing programs are limited to owner-occupied residences, which would make multifamily housing ineligible. Energy retrofit programs are generally much less common in multifamily housing than single family housing.

For developers of new homes, the Mississippi Power EarthCents New Home Program provides a multi-level certification benefit up to \$1,000 for homes that are air sealed and insulated, with solar reflective windows, sealed ducts, and energy-efficient heat pumps.<sup>34</sup> Coast Electric also offers up to \$500 rebates for Comfort Advantage certification in new homes. Comfort Advantage homes are required to feature energy-efficient pump systems, programmable thermostats, sealed and insulated ductwork, insulated pipes, and sealed windows and doors.<sup>35</sup> These programs are limited by the reality that developers, as well as architects, contractors, and other design decision-makers are not necessarily interested in the long-term benefit or savings of homeowners.<sup>36</sup>

New home retrofits are a promising area for program implementation because of the potential to link retrofits to energy efficient mortgages (EEM). EEMs use the predicted energy savings from an energy-efficient home to stretch the debt-to-income ratio of homebuyers, allowing borrowers to qualify for a larger mortgage loan amount. EEMs have the potential to remove the principal-agent problem, by enabling developers to recapture the value of residential retrofits in the sale of the house. EEMs are typically ensured through a Home Energy Rating System (HERS) certification. The Mississippi Gulf Coast

region currently does not have any certified HERS raters, though raters are available in Mobile and New Orleans. In addition to the shortage of HERS raters, FHA has yet to offer insurance for EEMs, and consequently these loans are not widely written.<sup>37</sup>

### ***Appliance Incentives and Standards***

Appliance standards require that home appliances meet minimum levels of energy or water efficiency. The U.S. Department of Energy (DOE) sets minimums at the federal level. In 2009, through the State Energy Efficient Appliance Rebate Program, the DOE allocated \$300 million to states promote the purchase of ENERGY STAR qualified appliances that exceed the minimum standards. The Mississippi Development Authority implemented Mississippi's \$2,820,000 program to provide rebates to consumers when they replaced used appliances with new energy-efficient appliances.<sup>38</sup>

The 2010 study of energy efficiency in the Southeast U.S. found that although the demand for energy-efficient appliances increases with a rebate program, the benefits of the program are actually less than the implementation cost.<sup>39</sup> The study found that the type of appliances included in a rebate program can significantly impact the cost effectiveness of an appliance rebate program, with more expensive appliances like clothes washers and refrigerators being the least cost effective. A cost-benefit analysis by Mississippi Power drew similar conclusions, finding that the cost of a rebate program, reflected in higher rates for all customers (including low income), would not offset the combined energy savings of individual customers who purchased a new energy-efficient appliance.<sup>40</sup> Moreover, the up-front costs of a rebate program prevent many low-income households with higher housing cost burdens from participating.

The 2010 study also found that appliance policies and programs would only contribute 5% of the energy savings gained through a comprehensive residential energy efficiency program.<sup>41</sup> This small contribution and the negative cost-benefit analyses indicate that appliance incentives and standards may not be an effective way to reduce the household energy cost burden for Gulf Coast residents.

### **Energy Utilities**

There are four major utilities on the Mississippi Gulf Coast: Mississippi Power, a Southern Company; Coast Electric Power Association and Singing River Electric Power Association, members of the South Mississippi Electric Power Association (SMEPA); and CenterPoint Energy, a natural gas provider for the Coast. The way that these utilities bill customers for the energy they consume can influence the amount of energy consumed as well as the times during which it is consumed. Net metering and smart metering are two programs that are becoming more popular among utility companies and regulators nationwide. These programs are still being developed in Mississippi.

#### ***Net metering***

Net metering is a system by which utility companies purchase electricity from their customers who own and operate generators that offset the customer's energy use. For example, a homeowner with photovoltaic roof panels might produce more energy than he or she consumes. Through net metering, unused electricity could be sold back to the utility to offset the customer's utility use on his or her bill. Mississippi is one of only four remaining states in the nation that does not have a statewide net metering policy.<sup>42</sup> Several legislative attempts in 2009, 2010 and 2011 have failed.<sup>43</sup> However,



momentum to pass statewide legislation is growing, as Mississippi has attracted large renewable producers in recent years.

The Mississippi Public Services Commission (PSC) filed a docket in 2010 to investigate the development and implementation of energy efficiency programs and standards and has been investigating the potential for development of net metering programs and standards as part of that effort.<sup>44</sup> The docket remains open and has been continued to February 2012. In the meantime, the PSC Rule 29 requires utilities to enter into an individual net metering agreement with customers upon request.<sup>45</sup> Mississippi Power provides credits for excess energy that customers with renewable energy sources return to the grid. The rate of the credits may be determined by the utility, and Mississippi Power pays a wholesale rate that is lower than the retail rate. SMEPA also pays a wholesale rate, but charges customers a monthly connection fee, such that the customer may actually end up spending more to generate energy than to purchase it as a traditional customer.<sup>46</sup>

### ***Smart Metering***

Smart metering (or advanced metering) is a form of demand-side management, and is intended to reduce demand for energy during peak hours through real-time pricing. Smart metering is also a way for utility companies to monitor energy use constantly and remotely, rather than sending a meter reader to a customer's home each month. The minimization of peak-demand electricity reduces the total power capacity needed. With reduced peak demand, electric utilities would have less need to operate inefficient peak plants or construct new power plants to meet peak demand, and would be less likely to have power outages.<sup>47</sup> A study of the implementation of smart metering in California found that smart meters did significantly influence peak demand for energy, especially among households with central air conditioning, but did not significantly change total energy consumption.<sup>48</sup> The study also found that the impact of smart meter technology could be roughly doubled through the provision of programmable thermostats, indicating that consumer energy use may be more directly linked to user controls than real-time pricing.<sup>49</sup>

Smart meters are very controversial due to rate increases necessary to pay off the initial equipment and installation cost.<sup>50</sup> There is not yet any conclusive finding that smart meters lower the household energy cost burden. In fact, the California statewide pilot study found that low income customers had the least usage impact from smart metering, suggesting they would actually pay more for the same energy usage under real-time pricing than traditional metering.<sup>51</sup> Similarly, multifamily households responded less to real-time pricing than single-family households.<sup>52</sup>

Nevertheless, the Southern Company is currently installing smart meters on homes in their service areas.<sup>53</sup> Both Coast Electric and Singing River EPA have installed electric meters that allow for automated meter reading, and are currently considering the use of smart meters with real-time pricing.<sup>54</sup>

### **Policies**

Former Governor Haley Barbour formed the Mississippi Energy Policy Institute (MEPI) in 2009 to, "position Mississippi as a global leader in environmentally responsible production and use of energy."<sup>55</sup> MEPI consists of nine policy committees populated by representatives from over 100 private companies, state agencies and universities in Mississippi.

The Energy Efficiency and Conservation committee is led by Mississippi Power, and charged with identifying opportunities and policies for implementing cost effective energy efficiency and conservation practices.<sup>56</sup> In the Institute's 2010 report, this committee recommended, among other measures, that the State:

- Incentivize and adopt a statewide building energy code
- Improve utilization of LIHEAP funding for energy efficiency and weatherization
- Improve public awareness of incentive programs; and
- Develop demand side management (e.g. smart meter) programs.<sup>57</sup>

Thus, the weight of the State's leading energy producers and distributors is behind improving and maximizing the potential of each of the policies and programs discussed above.

## Notes

- <sup>1</sup> U.S. Energy Information Administration. (2009). Table C10. Energy Consumption by End-Use Sector, Ranked by State, 2009. State Energy Data System. *British thermal units (Btu) are used to define quantities of energy or fuel. One Btu is the amount of energy needed to raise the temperature of one pound of water by one degree.*
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- <sup>19</sup> Bostrom, Paul. et. al. (2011). Mississippi Energy Codes: Economic Analysis. For the Mississippi Development Authority. Building Codes Assistance Project and Southface Energy Institute. June 2011. Pages 8, 13-14. *An average new home in Mississippi is defined as a \$176,000 single-family house modeled at 2,000 square feet.*
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## FAIR HOUSING

The 1968 Fair Housing Act established federal protections for minorities seeking to rent or purchase a home. The law was amended in 1988 to include additional protected groups and expand the enforcement powers of the government. The goal of this policy is to make housing choice a reality through Fair Housing Planning (FHP).<sup>1</sup> Federal Fair Housing Law also includes the Americans with Disabilities Act (ADA) of 1990.

Under Fair Housing Law, no one may discriminate against potential renters, homeowners, or loan applicants based on race, color, national origin, religion, sex, familial status, or ability.<sup>a</sup> Since its passage, HUD has attempted to shift responsibility for FHP and enforcement to State, State-funded, and Entitlement jurisdictions. Jurisdictions receiving funds through HUD programs, including Community Development Block Grant (CDBG), Home Investment Partnership (HOME), Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA), are considered Entitlement Jurisdictions.

There are four entitlement jurisdictions on the Mississippi Gulf Coast: the City of Biloxi, the City of Gulfport, the City of Moss Point, and the City of Pascagoula. Each of these jurisdictions, along with the State of Mississippi, is required to conduct an analysis of impediments (AI) to fair housing and document actions that “affirmatively further fair housing (AFFH)” in annual performance reports required by the Consolidated Plan regulation (24 CFR 91.520(a)).<sup>2</sup> HUD suggests that jurisdictions update their AI every 3 to 5 years.<sup>3</sup>

Recently, HUD has encouraged regions to engage in Fair Housing Planning in order to overcome spatial segregation between jurisdictions.<sup>4</sup> Unlike the self-contained local AIs, a regional AI also examines discrimination patterns and impediment differences between jurisdictions. The agency is moving toward a regional funding model that would require regional AIs as a prerequisite for funding eligibility. This new rule is not finalized, but anticipated in the near future.

This regional housing assessment considers the existing State and local efforts to remove impediments to fair housing on the Mississippi Gulf Coast as a preliminary step toward a regional analysis of impediments. The Mississippi Gulf Coast region is not a formal governing entity, nor is it an entitlement jurisdiction; therefore, though this regional assessment examines regional impediments to fair housing, it does not abrogate local analysis and reporting requirements.

### Fair Housing Agencies and Programs

For the purpose of this report, fair housing agencies are defined as organizations that intake clients with housing discrimination complaints and provide education and outreach about fair housing laws, policies, and resources. In both the State and local AIs, many agencies and organizations are listed as fair housing agencies, but would need additional capacity to conduct outreach or intake complaints. Examples of such agencies include Gulf Coast Community Action Agency, Jackson County Community Action Agency, and Mississippi Center for Justice. Additionally, the Mississippi Center for Legal Services, which is often listed as a fair housing service provider, no longer operates the Fair Housing Center or the

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<sup>a</sup> The Fair Housing Amendments Act of 1988 uses the term *handicap* instead of the term *disability*. Both terms have the same legal meaning, see *Bragdon v. Abbott*, 524 U.S. 624, 631 (1998), but *disability* is more widely accepted. This document uses the term *ability*, which does not connote an individual condition either positively or negatively.

Fair Housing Education and Outreach Project. Conversely, the University of Southern Mississippi Institute for Disability Studies (IDS) is not identified in any of the AIs, even though the organization intakes fair housing complaints. This is likely due to inconsistent funding over the years. The three current fair housing providers on the coast are:

#### ***U.S. Department of Housing and Urban Development***

The HUD Fair Housing Initiatives Program (FHIP) funds organizations and non-profits that assist people who are potential victims of housing discrimination. FHIP also promotes fair housing laws and equal housing opportunity awareness through the Fair Housing Organizations Initiative, the Private Enforcement Initiative, the Education and Outreach Initiative, and the Administrative Enforcement Initiative which provide fair housing capacity building, technical assistance and other support to governments, agencies and individuals. HUD also intakes housing discrimination complaints. The HUD Fair Housing and Equal Opportunity (FHEO) website provides information about fair housing and how to file a complaint. Residents can also call, email or mail a complaint to FHEO.

#### ***Gulf Coast Fair Housing Center***

The Gulf Coast Fair Housing Center (GCFHC) is one of the main organizations on the Mississippi Gulf Coast dedicated to providing fair housing education and enforcing fair housing laws. GCFHC is a nonprofit organization that was formed in 2003 by the National Fair Housing Alliance and services the six lower counties in Mississippi. GCFHC educates residents about their rights under Fair Housing laws through various workshops and media. The Center also responds to fair housing complaints from individuals. Complaints are researched and investigated by Center staff and either resolved internally or filed with HUD.

GCFHC bears a major share of the effort to further fair housing in the three coastal counties, but would need additional capacity to address the fair housing concerns of all potential clients. The Center operates out of an office in Waveland with a staff of only four full-time employees. The Center was previously based in Gulfport, the physical and population center of the coast, before moving to Waveland in September 2010. Despite relocating further from the population center, GCFHC currently receives the highest number of walk in clients at its current location.

#### ***University of Southern Mississippi Institute for Disability Studies Housing Smart: Next Generation***

University of Southern Mississippi Institute for Disability Studies (IDS) provides fair housing information and intakes complaints on a grant-cycle basis. Complaint intake services are therefore only provided when funding is available. IDS is currently funded as a fair housing provider, but was unfunded between 2009 and 2011. The irregular funding creates a significant barrier to continuous fair housing services.

IDS has produced a number of brochures on fair housing which are disseminated at events and workshops, state-wide. The Institute is also currently planning education campaigns through digital and film media. Complaints are processed by IDS staff via phone, as well as in person, and are forwarded to HUD to be researched and investigated. The IDS main office is located in Hattiesburg, with other office facilities in Long Beach and Jackson. The current grant cycle for IDS fair housing services runs through November 2012.

#### **Evaluation of State-level Fair Housing Planning**

The State of Mississippi's most recent AI was conducted in 2008 and the State is currently working on an update for 2012. The 2008 State AI found that the primary impediments to fair housing included a lack

of awareness of fair housing rights and services on the part of the general public as well as those directly involved in housing development and management; confusion between fair housing and affordable housing policies; discriminatory terms and conditions to rental agreements; failure to make reasonable accommodations for the disabled; high mortgage loan denial rates for select minorities, particularly African Americans; predatory lending; steering in the home purchase market; discriminatory policies in housing disaster recovery areas; and lack of an adequate fair housing delivery system.<sup>5</sup> Many of the same impediments were identified by each of the four Entitlement Jurisdictions in their respective AIs, confirming that these impediments are present on the Gulf Coast and not just in other areas of the State.

HUD strongly encourages States and localities to adopt and enforce local fair housing laws.<sup>6</sup> Mississippi is one of the few remaining states without state-level fair housing legislation. As a result, housing discrimination complaints and cases are formally resolved at the federal level, through HUD. The 2008 State AI found that the lack of a state-level housing service delivery system resulted in limited access to the fair housing complaint system and an impediment to fair housing.<sup>7</sup> The fact that an average discrimination complaint takes nearly a year to resolve is evidence that routing cases through the federal system is inefficient and burdensome for residents. The State AI strongly recommended consideration of state-level fair housing legislation as a means to enabling a state-level fair housing enforcement agency that could expedite claims and respond more urgently to fair housing needs. However, fair housing legislation has yet to be proposed in the State of Mississippi.

### ***Complaint and Compliance Review***

The complaint review process is the main mechanism for identifying and correcting violations of Fair Housing law. Occasionally, the Gulf Coast Fair Housing Center has acquired funding to perform accessibility audits to assess the region's current compliance with Fair Housing law. Funding for this type of research, however, is limited and the last audits were completed in 2004. In general, aside from site plan review and responding to complaints, compliance with Fair Housing law is also not within the regular scope of work of jurisdictions' code enforcement officials. Because the region relies so heavily on the complaint review process to identify areas to further Fair Housing, this assessment looks at the current process and tries to identify potential areas where the system can be improved.

The Fair Housing Act is enforced through a collective effort by HUD, its regional offices, state and local partner agencies, non-profit fair housing professionals, and the Department of Justice. These partnering organizations work to identify major sources of housing discrimination and address them systemically. The National Fair Housing Alliance (NFHA) annually surveys Fair Housing intake professionals and estimates that nationally less than 1% of fair housing violations are being filed and even less are being investigated.<sup>8</sup> While this is only an estimate, and one based on national data, it does raise the important issue of unreported complaints. Again, this becomes a concern when the primary means for addressing Fair Housing issues is through data gathered from reported complaints.

The southern planning district, which includes the three coastal counties and the Gulf Coast Fair Housing Center service area, received 42% of all complaints filed state-wide between 2004 and 2008.<sup>9</sup> These statistics may be an indication of more prevalent housing discrimination on the Coast, or merely a reflection of population concentration. The ability of the GCFHC to intake and file complaints could also be another reason for the higher numbers of reported complaints along the coast. The State AI also states that, "the complaint system is not well utilized in several areas of the state."<sup>10</sup> The GCFHC only files complaints with HUD that it is unable to resolve internally, meaning the complaint records logged for the southern district only represent a portion of total housing discrimination complaints filed on the Gulf Coast.

Between 2005 and 2010, a majority of complaints cases closed in the three coastal counties were based on race (37%), followed by disability (29%).<sup>11</sup> At least 40% of all complaints were related to discrimination against renters and nearly a quarter of the complaint cases were specifically due to alleged discrimination in the terms, conditions, and privileges of rental agreements. The other top complaint categories were coercion and failure to make reasonable accommodation. The State AI acknowledges that, “some unlawful discrimination appears to be occurring in the rental market.”<sup>12</sup>

The Gulf Coast Fair Housing Center and HUD’s Office of Fair Housing and Equal Opportunity (FHEO) are the only two organizations that intake Fair Housing complaints on a consistent basis for the Mississippi Gulf Coast region. FHEO is given up to 120 days to process a complaint from intake through investigation. However, the average length of the complaint process for the 3 coastal counties, between 2005 and 2010 was 11.9 months.<sup>13</sup> Some cases took more than 4 years to resolve. As mentioned in the State AI, state-level fair housing legislation as a means to enabling a state-level fair housing enforcement agency could expedite claims.

### **Evaluation of Local-level Fair Housing Planning**

There are four entitlement jurisdictions on the Mississippi Gulf Coast: the City of Biloxi, the City of Gulfport, the City of Moss Point, and the City of Pascagoula. The most recent Analyses of Impediments for Biloxi and Gulfport were conducted in 2007.<sup>14</sup> Both cities are currently working on updates. AIs for Moss Point and Pascagoula were conducted in 2008 and 2011, respectively.<sup>15</sup> These reports contain thorough analyses of local demographics and well-supported lists of impediments to fair housing. The AIs share many of the same impediments to fair housing, including predatory lending practices; a lack of education and knowledge about fair housing law; landlord discrimination in selection of tenants or terms and conditions of rental agreements; a lack of accessible housing; and the increased cost of insurance.

#### ***Predatory Lending***

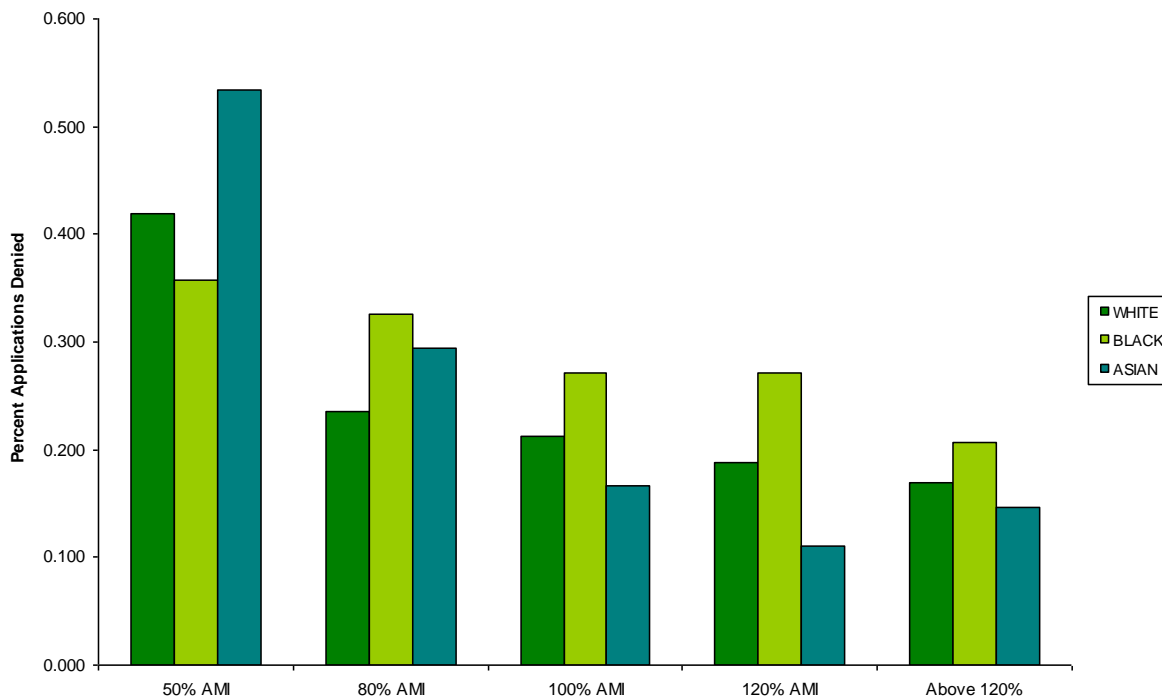
Predatory lending practices were identified in all four local AIs, as well as the State AI, as an impediment to fair housing. The State AI suggested that these practices are most common in geographic areas with high concentrations of minority populations. Local AIs found that predatory lending most often occurred because individuals and families could not qualify for traditional loans due to poor credit history, high debt-to-income ratios, or insufficient funds for down payments. However, predatory lending is also more likely to occur with lower-income individuals or families, since higher interest rates are needed to cover the cost of servicing a smaller mortgage.<sup>16</sup> The local and State AIs recommend supporting and encouraging traditional lenders to provide loans to these at-risk households, and to assist first-time homebuyers with down payment and purchase assistance programs. Traditional lenders, however, cannot responsibly provide mortgages to people with poor credit or high debt-to-income ratios, and homebuyer assistance programs generally have equally stringent credit and debt standards. Thus, the at-risk population will likely continue to be challenged to qualify for non-predatory mortgages.

The City of Pascagoula proposes a progressive response to combat predatory lending practices. The City pledges to support efforts by My Home My Coast, the Homebuyer Education Center, and MDA with homebuyer education and outreach programs. The AI also recommends encouraging local credit unions and banks to initiate in-school banks to train high school students and to improve the financial literacy of the youth. The program is intended to create a more credit-worthy and financially literate adult population, though results will not be apparent for many years to come. This action clearly addresses the root cause of predatory lending and is one that could be a model for other jurisdictions in the region.



In addition to the Fair Housing Act of 1968, the federal government protects minorities from discrimination in lending practices, or red lining, through the Equal Credit Opportunity Act of 1974 and the Home Mortgage Disclosure Act (HMDA) of 1975. According to HMDA data, the top reason for denial of mortgage loan applications on the Mississippi Gulf Coast is credit history, followed by debt-to-income ratio.<sup>17</sup> A slightly higher percentage of black and Asian applicants were denied (31% and 29% respectively) than white applicants (25%), but the difference is not significant enough to indicate lending discrimination. When looking at denials by income, it is clear that higher income applicants were more likely to be approved for a mortgage loan than lower income applicants. Thus, differences in the approval rate by race may be due to the reality that black and Asian households have lower incomes, on average, than white households. However, it is difficult to draw any conclusions about fair lending practices from the HMDA data for the region because the population of loan applicants is so small.

### Mortgage Denial Rates, 2010



Source: Home Mortgage Disclosure Act Data. (2010). Analysis by Gulf Coast Community Design Studio.

### Lack of Fair Housing Knowledge

The State AI and all four local AIs identified a lack of fair housing knowledge as a primary barrier to fair housing. This lack of fair housing knowledge likely spans all segments of the population including residents, landlords, planners, building code officials, developers and public officials and, thus, has far-reaching and varied implications. The cumulative impact of this lack of awareness, knowledge and education is a continuation of discriminatory and exclusionary practices – whether or not they are ill-intended. The actions recommended to combat this impediment are focused on implementing education and outreach strategies, including the creation of fair housing websites, posters in public housing offices, informational brochures and fliers in resources centers and offices. Gulfport and Biloxi

also pledge in their respective AIs to appoint a fair housing officer to assist with affirmatively furthering fair housing efforts.

### ***Landlord Discrimination***

Discriminatory treatment in the selection of rental tenants, the terms and conditions of rental agreements, and the willingness to make reasonable accommodation for the disabled are all impediments identified in all four local AIs as well as the State AI related to discrimination on the part of landlords. Landlord discrimination is a symptom of a lack of fair housing knowledge, as noted above, because many landlords and property managers do not realize their legal fair housing obligations to provide equal treatment to minorities, families, and the disabled. All of the AIs recommend actions to support education and outreach activities to increase fair housing awareness and knowledge. The Moss Point and Pascagoula AIs recommend special workshops targeted to landlords, pertaining to Fair Housing Law and penalties for discrimination. Local level fair housing complaint review, as enabled by a state fair housing law, could also provide faster resolution of landlord discrimination complaints would provide an added incentive to discourage landlords from engaging in discriminatory rental practices.

### ***Lack of Accessible Housing***

The 1988 amendments to the Fair Housing Act dictate accessibility standards for privately owned housing, federally or publicly assisted housing, and to all types of housing when the housing is located in buildings containing four or more dwelling units as of 1991. The requirements do not apply to multi-story town homes that do not have elevators or to single-family detached houses. The Act requires multifamily units to have accessible routes into and through covered units, an accessible building entrance on an accessible route, accessible common areas, useable doors, accessible locations for lights, outlets and thermostats, reinforced walls and useable kitchens and bathrooms. Section 504 of the Rehabilitation Act of 1973 requires that for federally funded projects, 5% of the dwelling units meet accessibility standards for mobility disabilities and 2% of the dwelling units be accessible for hearing or visual disabilities. In 2004, the Gulf Coast Fair Housing Center conducted an accessibility audit of twenty multifamily housing complexes constructed after 1991 (when the 1988 amendment went into effect) to determine the level of compliance with the Fair Housing Act. The audit found that 75% of the complexes failed to meet one or more of the accessibility requirements.<sup>18</sup> The audit also noted that the vast majority of multifamily apartment complexes on the Gulf Coast were constructed prior to 1991, and therefore almost certainly did not comply with Fair Housing Act accessibility standards.<sup>19</sup>

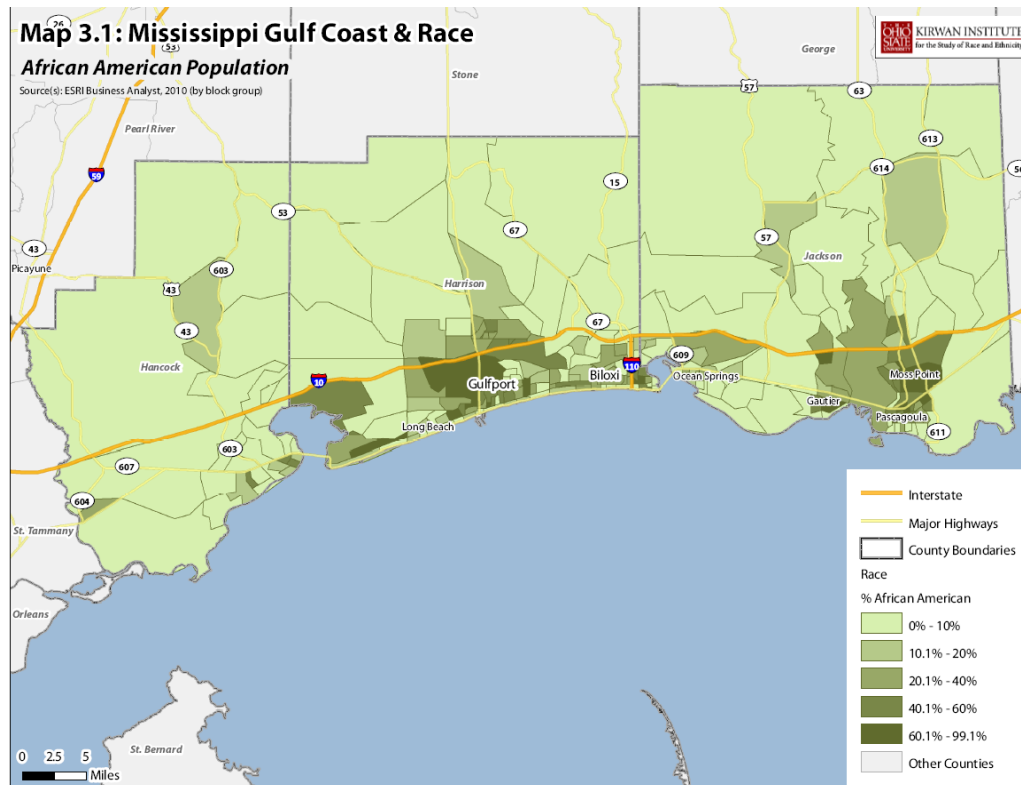
Hurricane Katrina destroyed many of these older complexes, and special tax credit provisions enabled the construction of a substantial amount of multifamily housing since 2005. Therefore, it is likely that there is greater compliance with Fair Housing Act accessibility standards now than in 2004. A follow-up audit by the Gulf Coast Fair Housing Center should be available Summer 2012 to provide a more accurate picture of the present state of compliance. Nevertheless, all four local AIs cited a lack of accessible housing as a prime impediment to fair housing, indicating the persistence of the problem. In addition, there are no accessibility requirements tied to multi-story town homes that do not have elevators or to single-family detached houses, further limiting housing choices afforded to persons with disabilities.

### ***Increased Cost of Insurance***

Insurance, specifically wind and flood premiums, increased dramatically following Hurricane Katrina. All four local AIs cite the increased cost of insurance as one of the largest barriers to redevelopment and access to affordable housing on the coast. The City of Pascagoula, which is located entirely south of I-10, called attention to the fact that insurance rates for properties south of I-10 increased significantly more than for those north of I-10.<sup>20</sup> The AI does not identify a particular protected class to form the basis of

this issue, and as the whole city is located south of I-10 it does not appear that the policy would have a disparate impact on any one group. However, when examined from a regional perspective, higher wind insurance rates south of I-10 do have a disparate impact on African American communities, the majority of which are located south of the interstate. Thus, wind insurance zones could arguably be considered an impediment to fair housing choice for the Mississippi Gulf Coast region.

### Concentration of African American Population



Source: Kirwan Institute. (2011). Ohio State University.

The City of Moss Point noted in its AI that many private insurance companies no longer write insurance policies in the area.<sup>21</sup> This is a known issue, and is the reason that insurance is also offered through the Fair Access to Insurance Requirements (FAIR) public entities such as the Mississippi Wind Underwriting Association. Aside from resolving to continue to support state and federal efforts to address barriers to redevelop on the coast, none of the AIs made any specific recommendations to address high insurance rates locally. However, there are opportunities for local jurisdictions to reduce the insurance burden for their residents. The City of Moss Point and Hancock County do not currently participate in the Community Rating System, discussed in detail above. By joining and becoming rated through the CRS, these jurisdictions could earn property owners a reduction in flood insurance premiums as high as 45%.<sup>22</sup>

Recently, Southern Mississippi Planning and Development District and Mississippi Department of Marine Resources completed a project aimed at increasing participation in the CRS and providing education and outreach to floodplain managers, public officials, and the general public. The project team looked at what was being done by the local jurisdictions in regards to floodplain management and hazard preparedness in order to determine what else the jurisdictions could do to qualify for CRS credits. Much of the work was done in collaboration with the Coastal Hazard Outreach Strategy Team (C-HOST). As a

result of the project Jackson County joined the CRS and Biloxi, D'iberville, Gautier, Long Beach, Pascagoula, Gulfport, and Ocean Springs all improved their CRS ratings.

### **Regional Impediments**

Though local entitlement jurisdictions list many other impediments to fair housing, the sampling above are cited in all four AIs and are likely impediments shared by all jurisdictions on the coast. Other listed impediments include fear of borrowing from banks, high interest rates, large down payments, steering, language barriers, lack of housing options for people with HIV, inadequate transportation to school and work, increasing property taxes, and unavailability of childcare.

The Biloxi and Gulfport AIs do not reference zoning regulations as impediments to fair housing. However, the State conducted fair housing forums as part of its 2008 AI and reported that one of the key pieces of feedback from across the state and from the Gulfport forum, in particular, was that “zoning is being used to limit affordable housing production, resulting in discrimination in selected communities.”<sup>23</sup> AIs for the Cities of Moss Point and Pascagoula mention that local zoning ordinances limited the location of manufactured homes to mobile home parks and may have the effect of restricting this form of affordable housing, however no determinations regarding housing discrimination or federal non-compliance with the Fair Housing Act were made relative to the City of Moss Point or Pascagoula.<sup>24</sup> After reviewing the State and local AIs it is apparent that further study is needed to adequately determine if zoning ordinances on the coast constitute a barrier to fair housing.

Based on the above analysis, the clearest regional impediments to fair housing are:

- Lack of awareness and understanding of fair housing law and resources
- Limited capacity for regional fair housing review and enforcement due to lack of funding and no state-level fair housing legislation
- Prevalence of financially under-qualified residents due to poor credit history and high debt-to-income ratios

The extent that these impediments exist and impact fair housing in coastal communities will be explored in greater detail through the housing spatial analysis and stakeholder analysis. The spatial analysis will look closer at the possibility of exclusionary zoning on the coast and the stakeholder analysis will look for additional impediments and potential opportunities to resolve impediments to actively further fair housing.

## Notes

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<sup>1</sup> U.S. Department of Housing and Urban Development. (n.d.). Office of Fair Housing and Equal Opportunity. Fair Housing Planning Guide. The Fair Housing Information Clearinghouse. Page 1-1

<sup>2</sup> Ibid. Page 1-2

<sup>3</sup> Ibid. Page 2-6

<sup>4</sup> Ibid. Page 2-11

<sup>5</sup> Western Economic Services, LLC. (2008). The 2008 Mississippi Analysis of Impediments to Fair Housing Choice. Prepared for MDA. November 2008. Pages 3-4.

<sup>6</sup> U.S. Department of Housing and Urban Development. (n.d.). Office of Fair Housing and Equal Opportunity. Fair Housing Planning Guide. The Fair Housing Information Clearinghouse. Pages 1-2.

<sup>7</sup> Western Economic Services, LLC. (2008). The 2008 Mississippi Analysis of Impediments to Fair Housing Choice. Prepared for MDA. November 2008. Page 77.

<sup>8</sup> National Fair Housing Alliance. A Step in the Right Direction: 2010 Fair Housing Trends Report. May 2010. Web. Pg. 12.

<sup>9</sup> Ibid. Page 63.

<sup>10</sup> Ibid. Page 63.

<sup>11</sup> U.S. Department of Housing and Urban Development. (2011). Housing Discrimination Cases Completed in MS 1/1/2005 thru 12/31/2010. Regional Administrator Region IV. November 18, 2011.

<sup>12</sup> Western Economic Services, LLC. (2008). The 2008 Mississippi Analysis of Impediments to Fair Housing Choice. Prepared for MDA. November 2008. Page 76.

<sup>13</sup> U.S. Department of Housing and Urban Development. (2011). Housing Discrimination Cases Completed in MS 1/1/2005 thru 12/31/2010. Regional Administrator Region IV. November 18, 2011.

<sup>14</sup> Jimmy G. Gouras Urban Planning Consultants, Inc. (2007). Analysis of Impediments to Fair Housing, Biloxi Mississippi. 2007; and Jimmy G. Gouras Urban Planning Consultants, Inc. (2007). Analysis of Impediments to Fair Housing, Gulfport Mississippi. 2007.

<sup>15</sup> Nichols Planning & Consulting, LLC. (2008). City of Moss Point 2008 Analysis of Impediments to Fair Housing Update. 2008; and Nichols Planning & Consulting, LLC. (2011). Analysis of Impediments to Fair Housing Choice. Pascagoula, MS. 2011.

<sup>16</sup> Loan Originator, Hope Credit Union (2011). Personal Interview.

<sup>17</sup> Quattrucci & Company. (2011). Market Study and Analysis. Prepared for Gulf Coast Renaissance Corporation. April 2011. Page 12.

<sup>18</sup> Gulf Coast Fair Housing Center. (2004). Rental Housing Accessibility Audit. Gulfport, MS. Page 8.

<sup>19</sup> Ibid. Page 9.

<sup>20</sup> Nichols Planning & Consulting, LLC. (2011). Analysis of Impediments to Fair Housing Choice. Prepared for the City of Pascagoula. 2011. Pages 29-30.

<sup>21</sup> Nichols Planning & Consulting, LLC. (2008). City of Moss Point 2008 Analysis of Impediments to Fair Housing Update. 2008. Page 7.

<sup>22</sup> See *Insurance section*.

<sup>23</sup> Western Economic Services, LLC. (2008). The 2008 Mississippi Analysis of Impediments to Fair Housing Choice. Prepared for MDA. November 2008. Pages 71-72.

<sup>24</sup> Nichols Planning & Consulting, LLC. (2008). City of Moss Point 2008 Analysis of Impediments to Fair Housing Update. 2008. Page 14 and Nichols Planning & Consulting, LLC. (2011). Analysis of Impediments to Fair Housing Choice. Prepared for the City of Pascagoula. 2011. Pages 30-31.

## ZONING ANALYSIS

Zoning is a land-use planning tool that has been utilized by local governments and constitutionally upheld in the United States since 1926.<sup>1</sup> Zoning ordinances most typically regulate development through land use classifications and dimensional standards, but since the 1980s more municipalities have started using form-based codes that allow for greater flexibility and mixed uses. While zoning is intended to protect and promote the health, safety, and general welfare of the public in accordance with a municipality's comprehensive plan, the regulations can have the side effect of reducing the affordability and accessibility of housing in that jurisdiction. This is often an unintentional side effect, though in some cases it is an intentional, formalized expression of NIMBY attitudes ("Not in my back yard").<sup>2</sup>

Zoning regulations that limit a protected population's access to affordable, quality housing is considered exclusionary. The protected populations or classes under the Fair Housing Act include race/color, national origin, religion, sex, familial status and disability. HUD recommends reviewing zoning regulations and other development-related ordinances for potential barriers to affordable housing as part of any fair housing study.<sup>3</sup> The most common zoning regulations that affect the affordability or access to housing include the following:

- Design guidelines that increase building costs
- Costly application requirements for special permits or variances
- Restrictive definitions of "family" and "group home"
- Minimum lot size requirements
- Minimum floor area requirements
- Restrictions or limitations on the development or placement of multi-family or manufactured housing.<sup>45</sup>

Local zoning codes were reviewed for the fore-mentioned regulations. While many of these regulations directly affect access to affordable housing, they are not necessarily an impediment to fair housing choice as defined by HUD or in violation of the Fair Housing Act (FHAA) because low income households are not a protected class.<sup>6</sup> However, if a regulation has a disparate impact or disproportionate affect on a population of a certain race, color, religion, sex, ability, family status, or national origin the regulation may be deemed a violation of the Fair Housing Act.<sup>7</sup> This assessment will look at both the potential of local zoning codes to impede access to affordable housing and to have a disparate impact on protected classes.

### ***Design Guidelines***

Zoning codes or supplemental ordinances sometimes mandate exterior finishes, such as brick, that can drive up the cost of construction. Increased building costs are likely to be passed on to the homebuyer or renter. It is important to note, however, that some less expensive finishes, such as vinyl siding, are not recommended for use in coastal areas because they are less durable in strong winds and less effective at resisting weather and sunlight over extended periods of time.<sup>8</sup> After a review of local ordinances and interviews with planning and building officials, there do not appear to be any excessive design guidelines that would prevent access to affordable or fair housing choice.

### ***Special Permit and Variance Requirements***

When a certain use is not permitted in a zone by right, the property owner will sometimes have the opportunity to apply for a conditional use permit or variance. The application and review process for

special permits and variances can be subjective, costly, and time consuming, and therefore not a viable option for households that are already faced with housing cost burdens. Variances and conditional use permits on the coast range from \$75 to \$200. These fees go directly to supporting the jurisdiction's administrative cost for handling the permits and to pay for advertising for public notice as required by law. The prices for variances and conditional use permits on the coast are pretty standard and would not likely constitute a barrier to affordable or fair housing choice.

In addition, Mississippi State law requires that jurisdictions take no more than 60 days to process a variance or conditional use permit and most jurisdictions on the coast seem to operate well within this mandated timeframe.<sup>9</sup> While there has been some indication from discussions with local planners that the decision-making bodies are not always amenable to the idea of rezoning to accommodate multifamily development, there is little evidence available to suggest that the decision-making process in any of the local jurisdictions would constitute a barrier to fair housing.

### ***Definitions of "Family"***

The definition of a family, if narrowly defined to exclude unrelated persons, can be a major barrier to affordable housing. College students, for example, often live together in single family homes to share household duties and reduce housing costs. Jurisdictions on the coast have varying definitions of family, some of which are very limiting. Bay St. Louis and Waveland have the most open definitions of family: "One or more persons occupying a dwelling and living as a single housekeeping unit."<sup>10</sup> This definition would not serve as a barrier to affordable or fair housing. Long Beach limits the number of unrelated individuals living together to 3, Gautier limits the number to 4, and Biloxi, D'Iberville, Gulfport, Moss Point, and Pascagoula all limit the number to 5.<sup>11</sup> These definitions can serve as a barrier to affordable and fair housing. One jurisdiction, in particular, limits the definition of family to one or more persons related by blood or marriage, including adopted children, occupying premises and living as a single housekeeping unit. This is a very limiting definition and most certainly is a barrier to affordable housing and fair housing choice as defined by HUD. It is important to note, however, that this very narrow definition has been overlooked in the zoning ordinance for quite some time and has not been enforced. The jurisdiction is currently working on revisions to the zoning ordinance.

### ***"Group Home" Definitions and Requirements***

With the enactment of the Fair Housing Amendments Act (FHAA) in 1988, an extension of the Fair Housing Act, Congress recognized the rights of persons with disabilities in matters of fair housing. The Act protects people with "handicaps" broadly defined to include individuals whose physical or mental impairments substantially limit one or more of their major life activities.<sup>12</sup>

Congress made clear that one of the objectives of the FHAA was to prohibit the use of zoning and development regulations to directly or indirectly limit access to housing for persons with disabilities:

*The Committee intends that the prohibition against discrimination against those with handicaps apply to zoning decisions and practices. The Act is intended to prohibit the application of special requirements through land-use regulations, restrictive covenants or special use permits that have the effect of limiting the ability of such individuals to live in the residence of their choice in the community.*<sup>13</sup>

Discrimination through zoning regulation can come in several different forms. Most commonly, a jurisdiction will narrowly define "group home" in their zoning code and limit the zones in which group homes are allowed by right. Other common regulatory barriers are dispersal requirements stating that a

group home may not be located within a certain distance of another group home. Jurisdictions have also been known to require lengthy or costly variance or special permitting processes for group homes.

Unfortunately, some of these practices are still being implemented by jurisdictions along the Mississippi Coast. In several of the jurisdictions households of a certain number of unrelated senior citizens or persons with disabilities are included in a “Group Living” use category. This category often specifically includes assisted living facilities, convents and monasteries, dormitories, fraternity and sorority houses, group homes and rooming and boarding houses. Depending on the specific use, these types of living arrangements are prohibited in most residential base districts, allowed as a conditional use in some, and permitted by right in even fewer zones. In another jurisdiction, a dwelling shared by four or more handicapped persons is considered a group home. However, the definition clearly states that ‘handicapped’ shall not include any person currently involved in any program of recovery from the use of or addiction to alcohol or a controlled substance. This definition is in violation of the FHAA.<sup>14</sup>

Two of the jurisdictions also have dispersal requirements, specifying that any group home shall be located at least 2,600 feet (approximately one-half mile) from any other group home. Similar dispersal requirements have been found to be in violation of the FHAA in a number of other states.<sup>15</sup> Again, it is important to note that none of the jurisdictions were aware of these potential violations for Fair Housing Law and all are currently working to bring their codes into compliance and make them more equitable overall.



### **Minimum Lot Size**

Minimum lot sizes have been adopted by all jurisdictions across the coast and, when coupled with maximum coverage requirements, can be used to regulate the density of development in a given area. Depending on the minimum lot size requirement and the value of land in the area, this requirement may or may not indirectly set the cost of land at a price that is out of reach for low to moderate income people.

Minimum lot size requirements vary along the coast. In single family zones, minimum lot size requirements range from 5,000 square feet to 43,560 square feet (1 acre) for a lot in the Residential Estate zones.<sup>16</sup> While some of these larger-lot zones may be hard for some residents to afford, they make up a relatively small part of each jurisdiction, tend to be further from employment centers and services and are unlikely to be considered a barrier to fair or affordable housing in the region. For multifamily units most municipalities on the coast require a minimum lot size for the first one or two units and then an additional square footage for each additional unit. This leads to the phenomenon where a jurisdiction can have the largest initial requirement and therefore seem to have the biggest barrier to affordable housing, when, in reality, adding more units reduces the lot size requirement below that of other jurisdictions that have a smaller initial requirement. Ocean Springs and Moss Point, for example, have the largest initial minimum lot requirement for a multifamily development requiring a minimum of 8,000 square feet per unit for the first two units.<sup>17</sup> However, as shown in Figure 1 below, Waveland's minimum lot requirement of 7,500 square feet per unit surpasses all other jurisdictions' requirements after three units.<sup>18</sup> Figure 1 at how the minimum lot area requirements play out as more units are added to the development plan. When broken down in this manner, most jurisdictions' requirements seem fairly reasonable and relatively comparable to one another. Waveland is the exception and may want to reconsider their current lot area requirements.

**Figure 1: Minimum Lot Area Requirements per Unit for Multi-Family Development**

Jurisdiction	2 Units (sq. ft./unit)	3 Units	4 Units	5 Units	6 Units	7 Units	8 Units	9 Units	10 Units
Bay St. Louis	4,750	3,833	3,375	3,100	2,917	2,786	2,688	2,611	2,550
Biloxi	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
D'Iberville	6,000	2,500	2,250	2,100	2,000	1,929	1,875	1,833	1,800
Gautier	4,800	3,867	3,400	3,120	2,933	2,800	2,700	2,622	2,560
Gulfport	4,000	3,667	3,125	2,800	2,583	2,429	2,313	2,222	2,150
Long Beach	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Moss Point	8,000	6,000	5,000	4,400	4,000	3,714	3,500	3,333	3,200
Ocean Springs	8,000	4,167	3,750	3,400	3,167	3,000	2,875	2,778	2,700
Pascagoula	4,000	3,500	3,250	3,100	3,000	2,929	2,875	2,833	2,800
Waveland	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500

### Minimum Floor Area

Minimum floor area requirements are much less common, but sometimes more directly exclusionary. As shown Figure 2 shows, only Diamondhead, Gautier, Moss Point, Pass Christian and Pascagoula have minimum floor area requirements for single-family homes. In Diamondhead, the majority of the residential areas are developed and the minimum floor area requirements mirror the covenants of the original planned community. Most of the jurisdictions that have minimum floor area requirements have incorporated them to protect the character of the existing neighborhood.

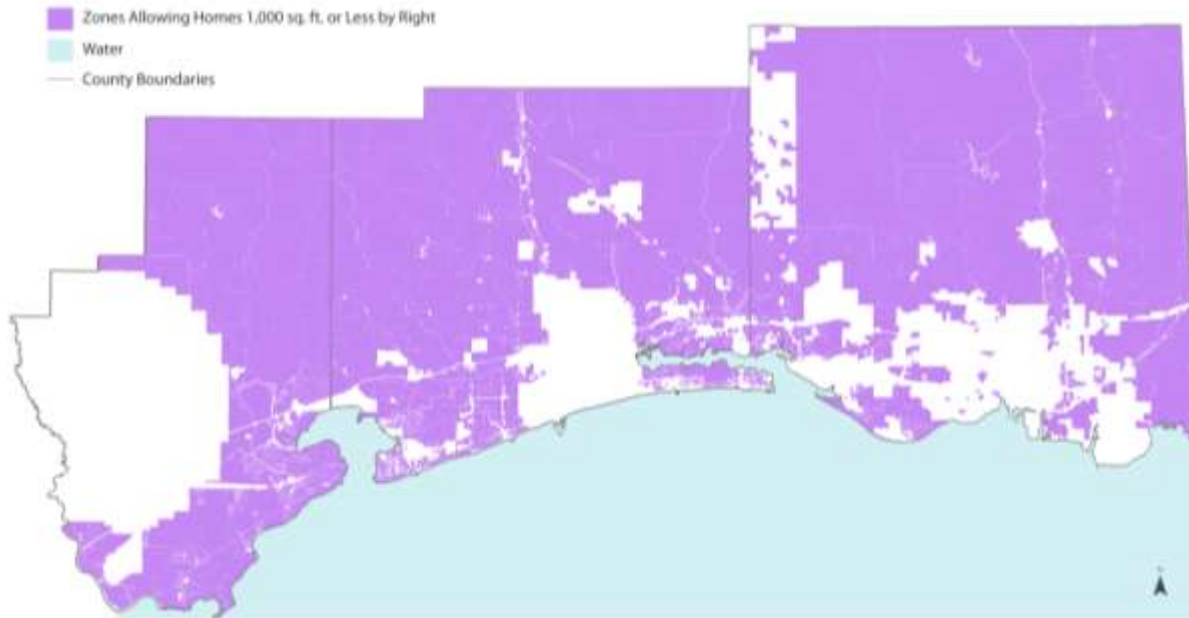
While it is not clear whether minimum square footage requirements would constitute a barrier to fair housing choice, they may be a barrier to affordable housing especially in some key locations close in proximity to employment centers and public transit. To give some perspective, in many areas of the country a 3 bedroom Habitat for Humanity home is no more than 1,050 square feet of living space.<sup>19</sup> It is important to note, however, that most Habitat for Humanities in Mississippi do not build homes this small and have reported having little to no problem with jurisdictions minimum floor area requirements. Map 1 below shows the areas where homes of 1000 square feet or less are allowed by right in the three coastal counties. While minimum floor area requirements may not pose a significant problem on the coast at the present time, they may in the future. As factors in the economy and the demographics of the population on the coast continue to change, jurisdictions may want to look to other ways to protect neighborhood character and promote good design while leaving as many housing options open to residents as possible.

**Figure 2: Minimum Floor Area Requirements for Single-Family Homes**

Jurisdiction	Zone	Minimum Floor Area (sq. feet/unit)
Bay St. Louis	All Residential	750
Diamondhead	MH and R Zones	640 – 2,000*
Gautier	R-1	1,335
Gautier	R-1A	1,100
Moss Point	R-1A	1,500
Moss Point	R-1B	1,200
Moss Point	R-1C	1,000
Moss Point	R-2 Single Unit	1,000
Moss Point	R-2 Two-Family	850
Moss Point	R-3 Single Unit	850
Moss Point	R-3 Two-Family	850
Moss Point	R-3 Multi-Unit	850
Pascagoula	SFR-10	1,500
Pascagoula	SFR-8	1,200
Pascagoula	SFR-6	1,000
Pascagoula	MR-3 Single Unit	800
Pascagoula	MR-3 Multi-Unit	500
Pass Christian	All	1000

\* Diamondhead has a separate map of “Minimum Square Footage Requirements” that mirror the Property Owners Association Covenants, but do not correspond directly with a specific zone in the Zoning Ordinance.

**Map 1: Zones Allowing Homes 1000 Sq. Ft. or Less by Right**



### **Housing Types and Access to Fair Housing**

An assessment of the 2010 American Community Survey 5-year estimates shows that several racial minorities are far more likely to occupy duplexes, multifamily housing, and mobile homes than the population overall. See Figure 3. For example, American Indian households are far more likely than the population overall to occupy duplexes. Of all American Indian households on the Mississippi Gulf Coast, 10.2% live in 2-unit structures, while only 1.5% of the general population lives in duplexes. Of all African American and Hispanic households and households of some other races on the Mississippi Gulf Coast, 22.4%, 30.6%, and 33.9%, respectively, occupy housing that has more than 2 units in the structure. This is much higher than the 12.4% of the overall population on the Mississippi Gulf Coast that lives in multifamily housing.

**Figure 3: Housing Type by Race**

	Total	Caucasian	Black/ African American	Asian	Hispanic	Amer. Indian	Native Hawaiian	Other Race	Multi- racial
<b>1 unit</b>	72.4%	74.3%	68.6%	81.6%	48.0%	73.2%	83.8%	39.4%	68.5%
1, detached	70.5%	73.0%	65.2%	75.8%	44.6%	73.2%	83.8%	39.4%	61.4%
1, attached	1.9%	1.3%	3.4%	5.7%	3.4%	0.0%	0.0%	0.0%	7.1%
<b>2 or more</b>	12.4%	9.0%	22.4%	17.2%	30.6%	13.4%	16.2%	33.9%	11.7%
<b>2 units</b>	1.5%	1.0%	3.4%	0.0%	3.4%	10.2%	0.0%	1.1%	2.3%
3 or more	10.9%	8.0%	19.0%	17.2%	27.2%	3.2%	16.2%	32.8%	9.4%
3 or 4	2.7%	1.6%	7.1%	3.8%	3.7%	2.3%	0.0%	0.0%	0.4%
5 to 9	4.0%	2.7%	6.8%	4.0%	18.1%	0.0%	0.0%	22.6%	5.0%
10 to 19	1.9%	1.7%	2.2%	7.0%	2.1%	0.9%	0.0%	5.6%	1.5%
20 to 49	0.8%	0.7%	1.3%	0.0%	1.3%	0.0%	0.0%	0.0%	1.5%
50 or more	1.4%	1.3%	1.7%	2.4%	2.0%	0.0%	16.2%	4.7%	1.0%
<b>Mobile Home</b>	13.9%	15.2%	8.3%	1.2%	21.0%	13.4%	0.0%	25.0%	19.8%
Other	1.3%	1.6%	0.5%	0.0%	0.4%	0.0%	0.0%	1.7%	0.0%

*Source: American Community Survey. (2010). 2010 ACS 5-Year Estimates. Table B25032. Units in Structure by Race. Gulfport-Biloxi-Pascagoula CSA.*

Similarly, Hispanic households and households of some other races are far more likely to occupy mobile homes than the population overall. Of all Hispanic households and households of some other race on the Mississippi Gulf Coast, 21.0% and 25.0%, respectively, occupy mobile homes. This is significantly higher than the 13.9% of the overall population on the Mississippi Gulf Coast that lives in multifamily housing. It should be noted that the ACS definition of mobile home differs from the HUD and jurisdictional definitions of mobile home, which are limited to pre-1974 structures. The ACS definition of mobile home does not distinguish between mobile homes and manufactured homes. These findings suggest that any zoning policies unduly restricting the development or placement of duplexes, multifamily housing, or mobile/manufactured homes could constitute exclusionary zoning which is an illegal practice under the FHAA. See Maps 3, 4 and 6 for zones where duplexes, multifamily housing and manufactured homes are allowed by right.

ACS 1-year estimates for family status show differences in the type of housing occupied by different types of households. See Figure 4. Families, including single-parent families, are far more likely to occupy single family homes than non-family households. Therefore, it is unlikely that any zoning policies restricting housing types adversely impact families, including single-parent families unless zoning unduly restricts the placement of single family homes.

**Figure 4: House Type by Family Status**

	TOTAL	Non-Family	Family		
			Total	Married	Single-Parent
<b>1 unit</b>	<b>72.6%</b>	59.2%	78.9%	80.8%	74.1%
<b>2 or more units</b>	<b>13.3%</b>	23.8%	8.5%	6.1%	14.5%
<b>Mobile Home</b>	<b>14.0%</b>	17.0%	12.6%	13.2%	11.3%

*Source: American Community Survey. (2010). 2010 ACS 1-Year Estimates. Table B11011. Household Type by Units in Structure. Gulfport-Biloxi-Pascagoula CSA.*

Unfortunately, there is not much available data to describe the other characteristics of occupants of different types of housing. The American Community Survey does not provide estimates of the types of housing occupied by people of different national origins, religions, national origins, sexes, or abilities.

In sum, duplexes, multifamily housing, and mobile/manufactured homes are all housing types that protected classes rely on for housing choice. We next examine whether these types of housing are reasonably easy to develop or locate within local zoning ordinances.

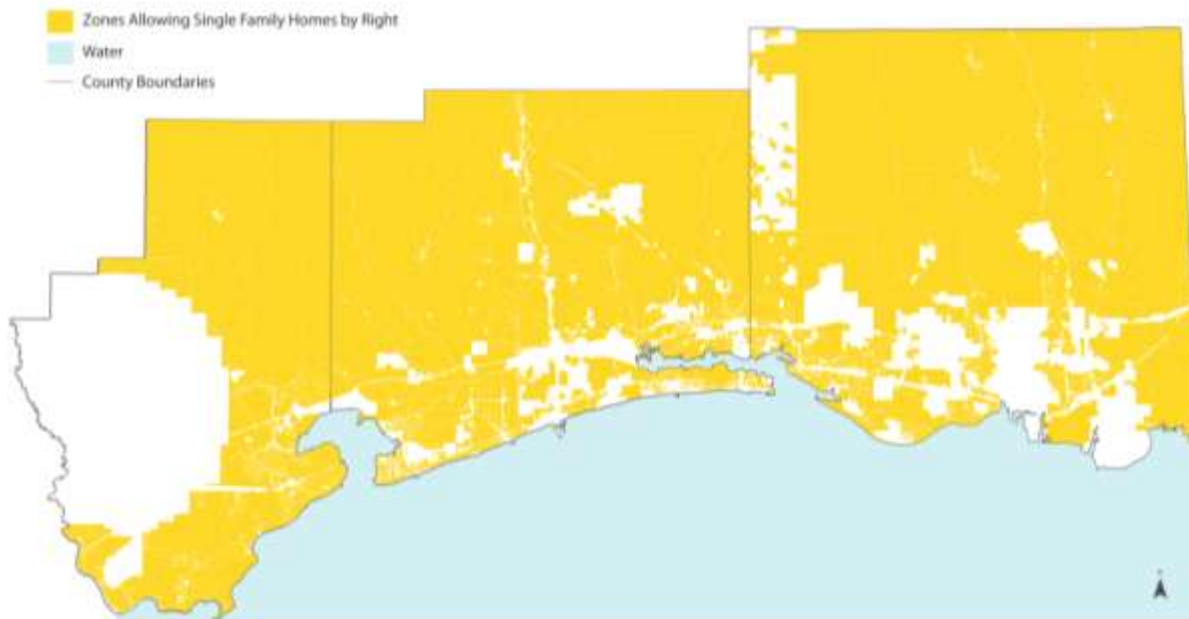
### ***Duplexes and Multifamily***

Typically, duplexes are 2-unit structures resembling a house. Multifamily housing consists of all residential structures with more than 2 attached units. Multifamily housing can therefore take the form of an apartment building or multiple attached townhouses. Jurisdictions on the Mississippi Gulf Coast have varying definitions and differentiations between duplexes, apartments, townhomes and multifamily housing. For the purposes of this assessment, any zones allowing duplexes or 2-unit apartments were considered equivalent and any zones allowing multifamily housing, townhouses, or 3 or more unit apartments were considered equivalent.

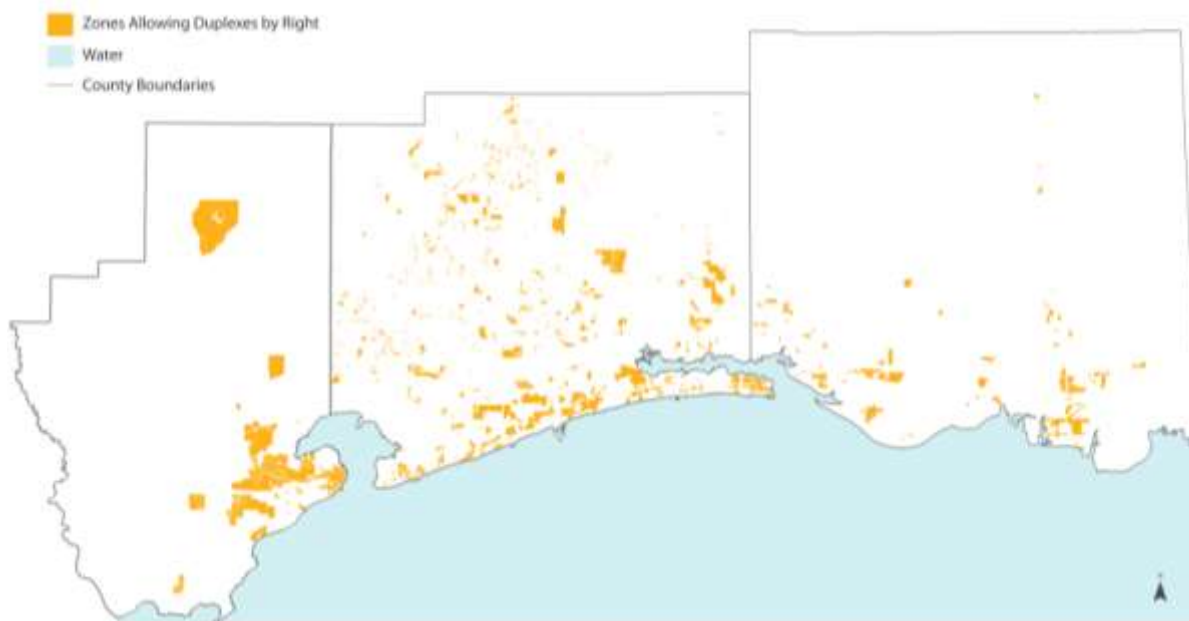
While single family housing is typically allowed by right in all residential zones and even some commercial zones, duplexes and multifamily housing are typically restricted to a smaller portion of residential zones and/or commercial zones. In some communities, such as D'Iberville, they are not allowed in any zones by right. Rather, developers must apply for conditional use permits and subject the development proposal to public comment and the planning commission's opinion. Jurisdictions that unduly restrict the development of duplexes or multifamily housing may be in violation of the FHAA by decreasing the housing options available to the protected classes identified above.

Many jurisdictions on the coast distinguish between apartment-style housing and townhomes, though both are a form of multifamily housing. In other words, while a jurisdiction may prohibit the development of apartments by right, it may allow multifamily townhomes. These more form-based codes actually tend to be more accommodating to duplexes and multifamily housing so long as the design calls for multiple attached units.

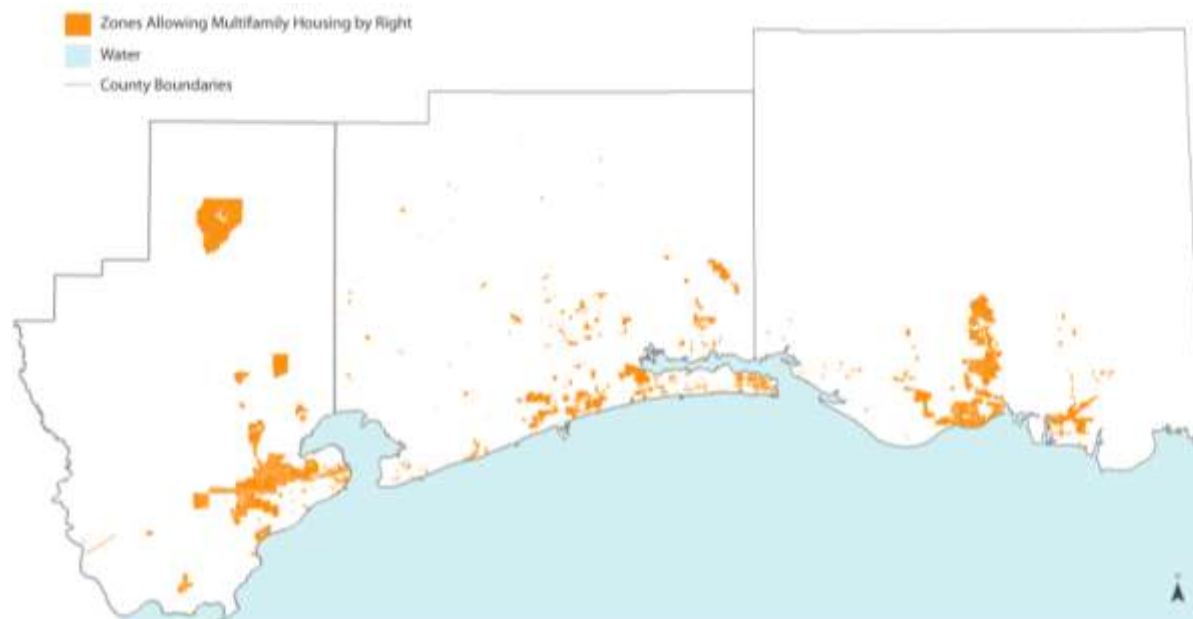
**Map 2: Zones Allowing Single Family Homes by Right**



**Map 3: Zones Allowing Duplexes by Right**



**Map 4: Zones allowing Multifamily Housing by Right**



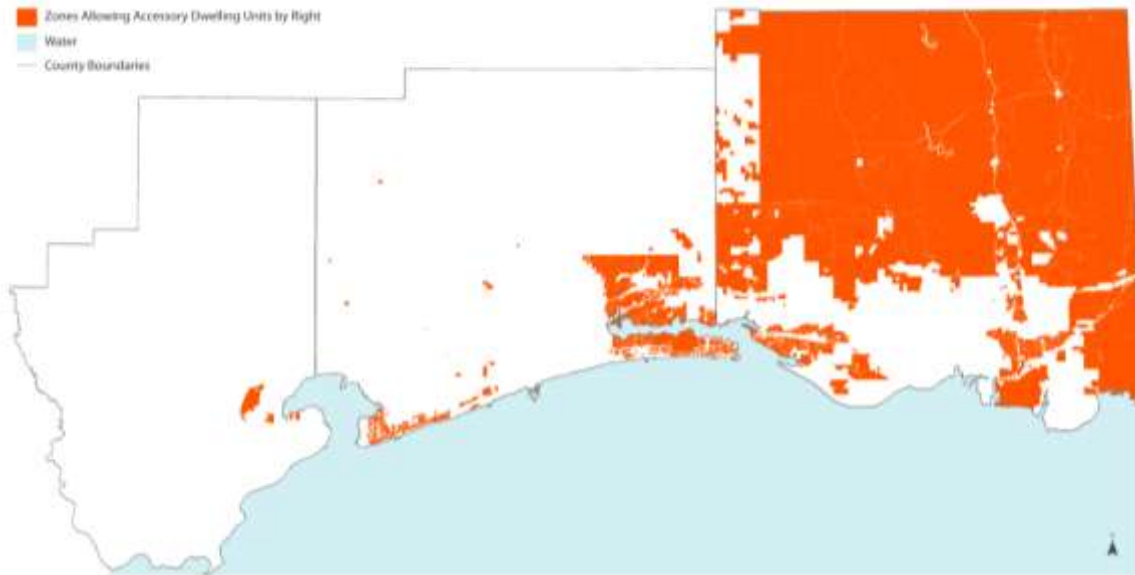
### ***Accessory Dwelling Units***

Accessory dwelling units (ADUs), also known as accessory apartments, ancillary dwelling units, second units, in-law units, and granny flats, are additional, independent living spaces on single family dwelling lots that have many benefits tied to affordable housing.<sup>20</sup> ADUs increase the affordable housing supply because they do not require the purchase of a separate parcel of land, and therefore cost less than the price of a single family home. ADUs have additional benefits, such as enabling elderly people to live close to family or caregivers without having to share a living space. ADUs can also benefit the homeowner by providing an extra source of income.<sup>21</sup> While there is a growing awareness of the benefits of accessory dwelling units, many jurisdictions on the coast still have zoning codes that restrict their development.

Pascagoula and Pass Christian are the most progressive on the coast in terms of ADUs in that they allow them by right in many of their residential zones and do not restrict these units from being rented. Other jurisdictions such as Moss Point, ADUs are allowed by right in many zones, but are not allowed to be rented. In Biloxi, ADUs are allowed by right in most zones so long as the lot is 20,000 sq. ft. or larger, but they are not allowed to be used for permanent living or to be rented except in the Residential Multifamily (RM) zones. Bay St. Louis and Hancock County allow ADUs in most zones as rental units upon planning commission approval. Therefore, while Map 5 does not indicate a widespread allowance of ADUs in jurisdictions in Hancock County because there are few zones where they are allowed by right, ADUs may actually be more commonplace in this area than in other areas across the region.

Several jurisdictions including Bay St. Louis, Biloxi, Gautier, Moss Point and Waveland allow for accessory dwelling units, but set a maximum number of bedrooms and/or floor area for the unit. While these size restrictions are not likely an impediment to affordable or fair housing, restrictions on placement or ability to rent ADUs could serve to limit their availability. See Map 5 for zones where ADUs are allowed by right. Again, it is important to note that in many of these zones they are still not allowed to be rented or even used for permanent living.

**Map 5: Zones Allowing Accessory Dwelling Units by Right**



### ***Manufactured Homes***

When properly executed, manufactured housing has been found to be a good affordable housing option for low income families.<sup>22</sup> Manufactured homes are dwelling units of at least 320 square feet in size with a permanent chassis to assure the initial and continued transportability of the home, though many jurisdictions have a more specific definition in their local zoning code.<sup>23</sup> Manufactured homes often carry a stigma and are confined to mobile home parks or banned altogether. This is true for jurisdictions on the Mississippi Gulf Coast in varying degrees.

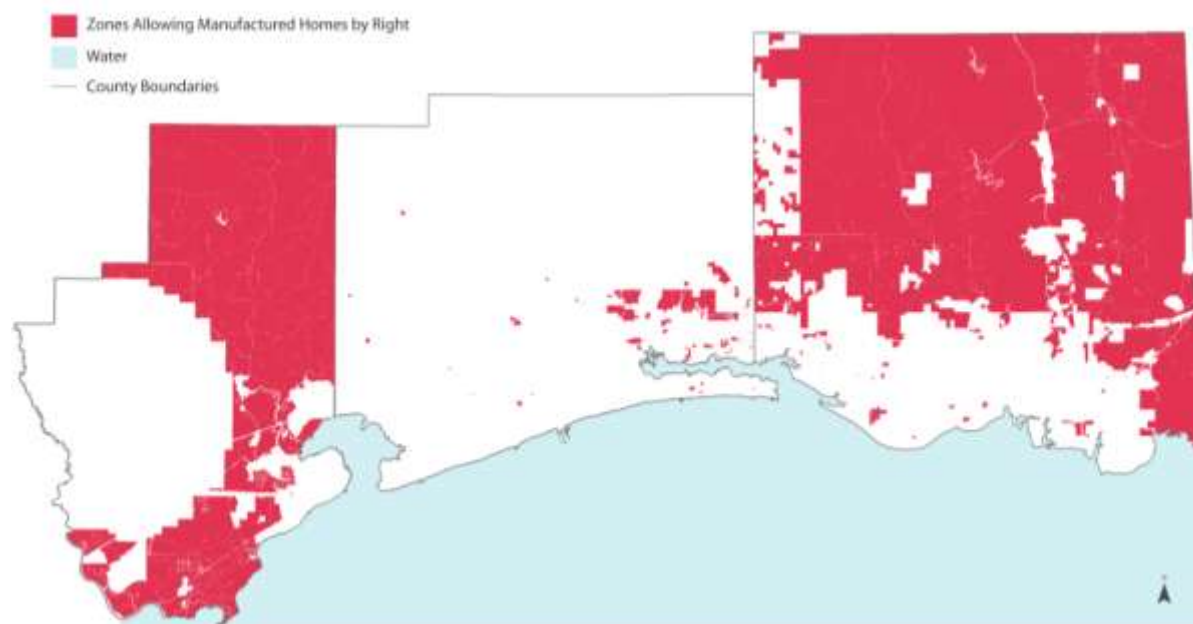
In banning or restricting the placement of manufactured housing, many jurisdictions cite public safety as the primary concern. The resiliency of manufactured housing to windstorms varies and is a valid problem in this hurricane-prone region. HUD began to regulate the construction of manufactured homes in 1976 pursuant to the provisions of the National Manufactured Housing Construction and Safety Standards Act of 1974. In 1994, HUD amended the Manufactured Housing Construction and Safety Standards to provide for greater protection for manufactured homes from wind damage.<sup>24</sup> Manufactured homes constructed after 1994 are rated to handle windstorm conditions, and may even be more resilient to wind damage than some site-built homes. The method of installation used to secure a manufactured home to its foundation is another major factor in performance during storm events.<sup>25</sup>

Many jurisdictions on the Mississippi Gulf Coast restrict manufactured housing to mobile home parks, particularly in the incorporated areas. While other jurisdictions do allow manufactured housing by right in some zones, the zones tend to be extremely restricted. Bay St. Louis, Ocean Springs, Pascagoula and Waveland all limit the placement of manufactured and mobile homes to a specific district or only within mobile home parks and Long Beach, Pass Christian, and Bay St. Louis do not allow manufactured housing in any zone by right. Hancock and Jackson Counties allow manufactured housing in most of the rural residential areas, whereas Harrison County restricts manufactured housing to only one zone by right. Other jurisdictions do not limit the placement of manufactured housing, but set minimum dimensions for housing in all zones that, in effect, prohibits the placement of single-wide or double-wide



manufactured homes in any zone. See Map 6 for zones where manufactured homes are allowed by right.

**Map 6: Zones Allowing Manufactured Homes by Right**



### ***Housing Type and Acreage***

For a quantitative comparison, consider Figure 5 below, which shows the number of acres on the Mississippi Gulf Coast that allow the development or siting of each housing option by right. Note that these acreages do not indicate the amount of land *available* for development, but the amount of land in which certain uses are *permitted*. These figures undoubtedly include land that is constrained by existing structures, wetlands, floodplain designations, and other impediments.

**Figure 5: Acreage and Zones Allowing Housing Type by Right in the 3 Coastal Counties**

	Single Family	Duplexes	Multifamily	Manufactured	ADU
Total Acreage	924,352	86,155	77,461	480,996	361,969
Acreage in Cities	157,492	58,316	61,046	10,266	39,805

*Source: Gulf Coast Community Design Studio. 2012.*

As shown in the chart above, the amount of land on which duplexes or multifamily housing is allowed constitutes only 8-9% of the acreage allowing single family housing development. These development restrictions could hinder the production of more housing options on the Mississippi Gulf Coast. It is important to recognize, however, that there seems to be a cultural preference in the region toward single family living situations, thereby increasing the importance of addressing minimum square footage requirements to address issues of affordability.

The acreage allowing manufactured housing is more comparable to the acreage allowing single family housing; however, it is still only 52% of the land allotted for single family and the vast majority is restricted to the unincorporated areas that are further from employment and educational opportunities. Only 2% of the acreage allowing manufactured housing is within an incorporated community.

The acreage for Accessory Dwelling Units is only 39% of that allowing for single family homes. Again, the majority of this land is not within the incorporated areas and very few of the zoning policies allow for the units to be rented or even used as permanent living. Increasing the allowance of ADUs across the coast and more specifically in residential areas near employment center and services could dramatically improve access to affordable housing while honoring the widespread preference for living in a more single-family environment. By allowing more ADUs to be rented jurisdictions could also give homeowners access to an additional source of income that is arguably much needed in the wake of the economic recession and at a time when an increasing number of homeowners are facing foreclosure.

Since the passage of the Fair Housing Act in 1968, the federal government has challenged jurisdictions and organizations to “affirmatively further fair housing.” Congress, however, has never defined what it means to affirmatively further fair housing so jurisdictions remained challenged to know how, exactly, to accomplish this goal unless they are responding to a specific litigation. The federal government and HUD are becoming increasingly aware that this ambiguity is not serving the intended goal and are also becoming more apt to withhold funding from jurisdictions and organizations they feel are not taking adequate steps to address fair housing issues in their communities and programming.<sup>26</sup> Due to this shift, the jurisdictions on the coast would likely benefit from proactively responding to the finding of this zoning analysis. In the interest of affirmatively furthering fair housing and providing better access to affordable housing, jurisdictions across the coast should reconsider their definitions of family and group homes; review minimum floor area requirements; and reconsider zoning policies that unduly restrict the placement of certain types of housing.

## **Fair Housing Resources**

U.S. Department of Housing and Urban Development (HUD)

Marilyn Moore-Lemons

Fair Housing and Equal Opportunity (FHEO) Director

100 West Capitol St., Room 910

Jackson, MS 39269

(601) 965-4700 x2111

Marilyn.moorelemons@hud.gov

[www.hud.gov/mississippi](http://www.hud.gov/mississippi)

HUD Fair Housing Planning Guide (for local governments)

[portal.hud.gov/hudportal/documents/huddoc?id=fhpg.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=fhpg.pdf)

Promoting Fair Housing (for CDBG funds, PHAs, and other programs)

[Promoting Fair Housing - HUD](#)

Reasonable Accommodations Under the Fair Housing Act: Joint Statement of the Department of Housing and Urban Development and the Department of Justice

[portal.hud.gov/hudportal/documents/huddoc?id=DOC\\_7771.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_7771.pdf)

An Outline of Principles, Authorities, and Resources Regarding Housing Discrimination and Segregation  
[https://nhlp.org/files/Roisman,%20tri-state\\_fair\\_housing2.pdf](https://nhlp.org/files/Roisman,%20tri-state_fair_housing2.pdf)

## Notes:

<sup>1</sup> *Village of Euclid v. Ambler Realty Co.*, 272 U.S. 365 (1926).

<sup>2</sup> U.S. Department of Housing and Urban Development. (n.d.). Office of Fair Housing and Equal Opportunity. Fair Housing Planning Guide. The Fair Housing Information Clearinghouse. Page 5-6.

<sup>3</sup> Ibid. Page 2-18

<sup>4</sup> Ibid. Pages 5-6 – 5-7

<sup>5</sup> Knaap, Gerritt, et. al. (2007). Zoning as a Barrier to Multifamily Housing. American Planning Association Report #548. 2007. Page 6.

<sup>6</sup> U.S. Department of Housing and Urban Development. (n.d.). Office of Fair Housing and Equal Opportunity. Fair Housing Planning Guide. The Fair Housing Information Clearinghouse. Pages 2-16 – 2-17

<sup>7</sup> Pratt, Sara K. and Robert G. Schwemm. (2009). Disparate Impact under the Fair Housing Act: A Proposed Approach. Commissioned by the National Fair Housing Alliance. December 2009. Web. Page 3.

<sup>8</sup> Gulf Coast Community Design Center. (2009). Development Standards Reference Guide. Prepared for the Gulf Coast Renaissance Corporation. 2009. Page 60.

<sup>9</sup> Mississippi Codes of 1972, Title 17, sections – 17-1-15, and 17-1-17.

<sup>10</sup> Slaughter and Associates, PLLC. City of Bay St. Louis Zoning Ordinance. Prepared for the City of Bay St. Louis. September 2010. Web. Page 9 and City of Waveland. Zoning Ordinance. Web. Page 8.

<sup>11</sup> Hessell and Associates. Zoning Ordinance. Prepared for the City of Long Beach. 2002. Web. Page 7; City of Gautier. Unified Development Ordinance. 2009. Web. Article II, Page 16; City of Biloxi. Land Development Ordinance. 2010. Web. Page 16; City of D'Iberville. Comprehensive Zoning Ordinance. 1995. Page 2053; City of Gulfport. Code of Ordinances, Appendix A: Zoning. 2010. Web. Page 5; City of Moss Point. Zoning Ordinance. 2010. Web. Page 7; and Clarion Associates. Unified Development Ordinance. Prepared for the City of Pascagoula. February 2011. Web. Page 10-15.

<sup>12</sup> Disability Rights Network of Pennsylvania. (2007). Discriminatory Zoning and the Fair Housing Act. February 2007. Pages 1-2.

<sup>13</sup> H. Rep. No. 100-711, at 24 (1988), *reprinted in*, 1988 U.S.C.C.A.N. 2173, 2185. Cited from Disability Rights Network of Pennsylvania. Discriminatory Zoning and the Fair Housing Act. February 2007. Web. Page 4.

<sup>14</sup> *Regional Economic Community Action Program, Inc. v. City of Middletown*, 294 F.3d 35, 48-52 (2d Cir.), *cert. denied*, 537 U.S. 813 (2002); *see also Tsombanidis v. West Haven Fire Dep't*, 352 F.3d 565, 579-80 (2d Cir. 2003) (factors showed that denial of permit for group home for recovering substance abusers was motivated by discriminatory intent); *Easter Seal Society of New Jersey, Inc. v. Township of North Bergen*, 798 F. Supp. 228, 234 (D.N.J. 1992); *Oxford House-Evergreen v. City of Plainfield*, 769 F. Supp. 1329, 1343 (D.N.J. 1991); *Fowler v. Borough of Westville*, 97 F. Supp. 2d 602, 611-13 (D.N.J. 2000).

<sup>15</sup> *Larkin v. Michigan Dep't of Social Services*, 89 F.3d 285, 289-92 (6th Cir. 1996) (holding that 1,500 foot dispersion requirement violated the FHAA); *Children's Alliance v. City of Bellevue*, 950 F. Supp. 1491, 1496-1500 (W.D. Wash. 1997); *ARC of New Jersey, Inc. v. New Jersey*, 950 F. Supp. 637, 644-46 (D.N.J. 1996) (holding that dispersion requirements were discriminatory classifications); *Association for Advancement of the Mentally Handicapped, Inc. v. City of Elizabeth*, 876 F. Supp. 614, 618, 621-25 (D.N.J. 1994) (holding that dispersion requirement that precluded community residents for six or more persons within 1,500 feet of an existing residence for victims of domestic violence or a school or day care center violated FHAA); *Horizon House Developmental Services, Inc. v. Township of Upper Southampton*, 804 F. Supp. 683, 693-95 (E.D. Pa. 1992) (holding that dispersion requirement that precluded group homes within 1,000 feet of each other violated FHAA), *aff'd mem.*, 995 F.2d 217 (3d Cir. 1993); *cf. Oconomowoc Residential Programs, Inc. v. City of Greenfield*, 23 F. Supp. 2d 941, 950-55 (E.D. Wis. 1998) (holding that density and dispersion requirements were not facially invalid but that they were preempted by FHAA). *Contra Family style of St. Paul v. St. Paul*, 923 F.2d 91, 94-95 (8th Cir. 1991) (holding that statute requiring group homes to be located at least one-quarter mile from each other absent a conditional use or special use permit was not invalid under FHAA because the statute advanced the purposes of deinstitutionalization and integration).

<sup>16</sup> City of Gulfport. Code of Ordinances, Appendix A: Zoning. 2010. Web. Page 16.

<sup>17</sup> City of Ocean Springs. Zoning Ordinance. 2007. Web. Page 15.

<sup>18</sup> City of Waveland. Zoning Ordinance. Web. Page 88.

<sup>19</sup> Habitat for Humanity. (2012). "What Are Habitat Houses Like?" Web.

<sup>20</sup> Sage Computing, Inc. Accessory Dwelling Units: Case Study. Prepared for the Department of Housing and Urban Development, Office of Policy Development and Research. June 2008. Web. Page 1.

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<sup>21</sup> Sage Computing, Inc. Accessory Dwelling Units: Case Study. Prepared for the Department of Housing and Urban Development, Office of Policy Development and Research. June 2008. Web. Page 2.

<sup>22</sup> Abt Associates. (2004). Is Manufactured Housing a Good Alternative for Low-Income Families? Evidence from the American Housing Survey. Prepared for the U.S. Department of Housing and Urban Development, Office for Policy Development and Research. December 2004. Page 1.

<sup>23</sup> U.S. Department of Housing and Urban Development. (2009). Protecting Manufactured Homes from Floods and Other Hazards. November 2009. Web. Page 1-6.

<sup>24</sup> U.S. Department of Housing and Urban Development. (2012). "Office of Manufactured Housing Programs." Web. Accessed January 2012.

<sup>25</sup> U.S. Department of Housing and Urban Development. (2009). Protecting Manufactured Homes from Floods and Other Hazards. November 2009. Web. Pages 1-6, 1-7.

<sup>26</sup> ProPublica: Journalism in the Public Interest. "Living Apart: How the Government Betrayed a Landmark Civil Rights Law." October 2010. Web.

## MARKET ANALYSIS

The purpose of this market assessment is to examine the existing housing market and projected demand through 2035. The following data sources are utilized:

- 2008 Gulf Regional Planning Commission (GRPC) TAZ's with Population and Housing Projections based off of the Woods & Poole projections;
- 2013 Ohio State University breakdown of GRPC Projections by Housing Unit typology using US Census data;
- Zillow Real Estate Sale data from 2008 to 2011;
- 2008-2012 Multiple Listing Service (MLS) sales data;
- 2004, 2007, 2008, 2009, 2010, 2011 and 2012 Mississippi Gulf Coast Apartment Surveys from W.S. Loper and Associates;
- Fair Market Rent data from the US Dept. of Housing and Urban Development.

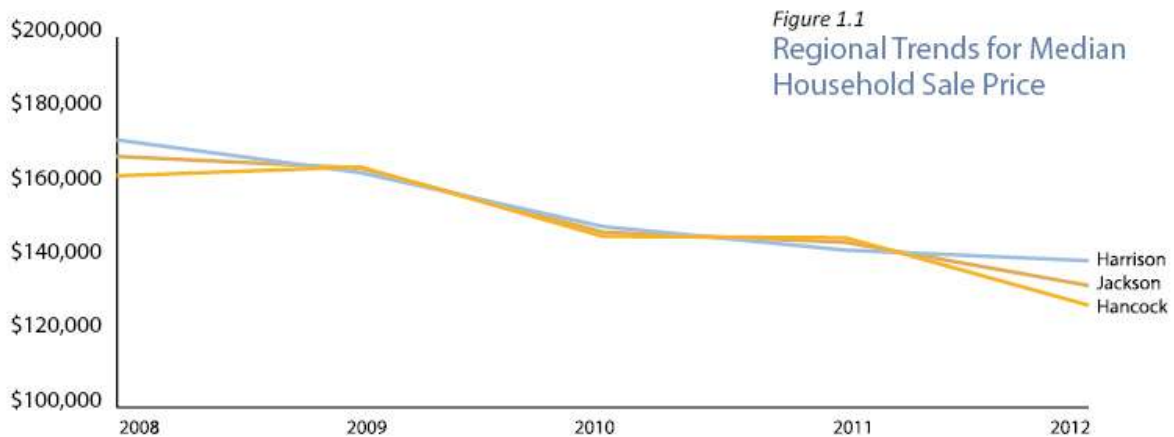
This Market Assessment examines the housing market in each jurisdiction on the coast, identifying key strengths and challenges. The assessment is presented in four sections:

- 1) the homeownership market;
- 2) the rental market;
- 3) population projections;
- 4) projected housing demand; and
- 5) conclusions.

### Owned Housing Units and Markets

This section will look at the current market dynamics of the Gulf Coast utilizing MLS Data and Zillow Real Estate Sales at the regional and county level.

#### *Regional Level Market Dynamics*



At the regional level, between 2008 and 2012, housing prices have been consistently falling in Harrison and Hancock counties. That decline was sharpest in homes with four bedrooms. Average median values of four bedrooms houses decreased from \$235,122 to \$204,547 between 2008 and 2012. This decline

may attributable to oversupply in the marketplace, given the limited number of households with a need for a four bedroom home and the affordability of the price point. Jackson County is showing signs of rebounding even though that county experienced the sharpest decline in home values. This can be seen in Figure 1.1 above.

### **Hancock County Trends**

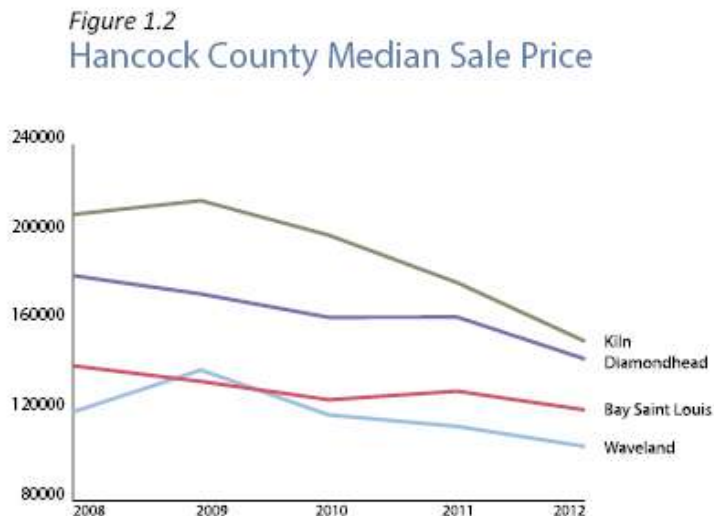


Figure 1.2 demonstrates average median home values at the city level in Hancock County. Year average median value sharply decreased by approximately \$60,000 in Kiln city between 2008 and 2012. Furthermore, year average median value slightly fell by almost \$20,000 in Diamondhead, Bay Saint Louis and Waveland cities from 2008 to 2012.

### **Harrison County Trends**

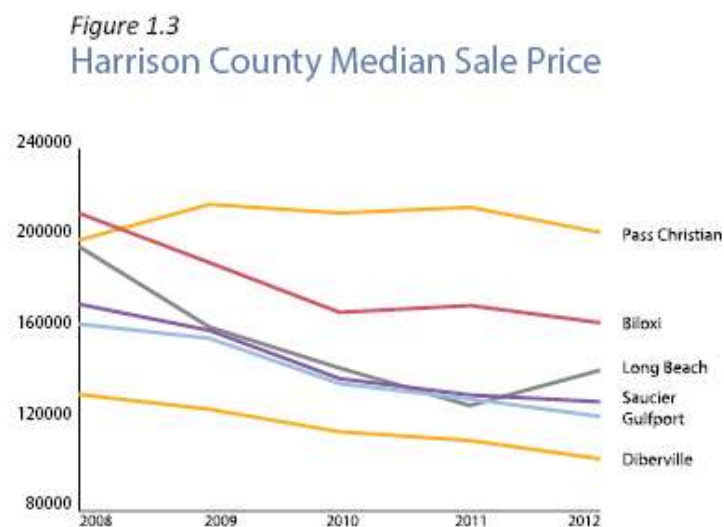


Figure 1.3 shows average median home values at the city level in Harrison County. Year average median value sharply decreased by approximately \$30,000, \$40,000 and \$50,000 respectively in D'Iberville, Biloxi and Saucier between 2008 and 2012. In addition, year average median value fell by almost \$40,000

in Long Beach and Gulfport cities within four years after 2008. Property values remained stable in Pass Christian city.

### **Jackson County Trends**

Figure 1.4  
Jackson County Median Sale Price

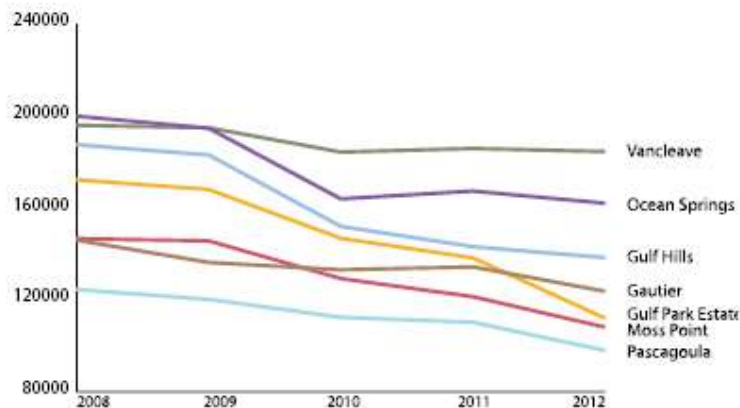


Figure 1.4 illustrates average median home values at the city level in Jackson County. The median value sharply fell by almost \$40,000, \$50,000 and \$60,000 respectively in Ocean Springs, Gulf Hills and Gulf Park Estate between 2008 and 2012. Declines were lower in Vancleave, Moss Point, Gautier, and Pascagoula from 2008 to 2012.

### **Owner Market Conclusion**

The ownership market on the Mississippi Gulf Coast will continue to thrive and rebound with the growth of the population on the coast. It is important to note that the decline in home values is tied to many factors. In the period immediately following Hurricane Katrina the average home prices escalated rapidly responding the substantial demand for replacement housing. As homes were renovated and new housing stock came to the market the average home price declined. This is combined with the economic recession and changes in mortgage finance, limited demand for homes.

### **Rental Units and Markets**

This section examines the market dynamics of the rental markets on the Mississippi Gulf Coast utilizing time series data from the Apartment Surveys prepared by W.S. Loper and Associates and researchers at The Ohio State University.

This section will explore the rental market through four sections:

- 1) Overview of Vacancy and Quantity of Market
- 2) Market Based Rental Supply and Demand
- 3) Simplified Market Based Unit Pricing Trends
- 4) Assisted Unit Supply and Demand



### **Rental Supply**

There are four segments for Market Based Rental Supply: Studio, Single Bedroom, Two Bedroom and Three Plus Bedroom and there are five segments for Assisted Rental Supply (AR): Studio, Single Bedroom, Two Bedroom, Three Bedroom and Four Plus bedroom. For this analysis the three and four bedroom categories in assisted housing were combined to match with the Market Rental information. The following four figures illustrate each category.

#### **Studio Style Apartments**



As seen in Figure 2.1, studio style apartments on the Mississippi Gulf Coast are a reliable form of housing. While the number of occupied units had decreased, there is a slight increase in 2012. This decrease may be because an increased number of one bedroom units came online.

#### **Single Bedroom Apartments**



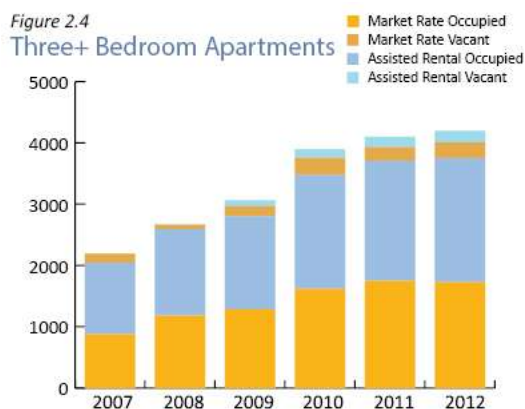
As seen in Figure 2.2, there has been steady growth of one bedroom units throughout the Gulf Coast since 2007, however the number of one bedroom units has stabilized over the past three years with fewer than 500 units added between 2010 and 2012. Vacancy rates are much higher in the one bedroom Market Based Rent segment, when compared with Studio Style Market Based Rent but relatively low in the AR segment, similar to Studio Style. This suggests that the cost of market units may need to come down to have a healthy rental market.

## Two Bedroom Apartments



As seen in Figure 2.3, two bedroom apartments are the most common on the Gulf Coast. There has been steady growth in the number of two bedroom apartments, with stabilization in the growth as one bedroom units between 2010 and 2012. Additionally, vacancy rates are stable, but larger than what would be preferred in a healthy market. Proportionally there are a similar number of vacant AR units to the Market Based Rent units – this suggests that there may be enough two bedroom units at affordable levels on the Gulf Coast and that market rate two bedroom units are too expensive.

## Three+ Bedroom Apartments



As seen in Figure 2.4, there are fewer three bedroom apartments on the coast compared to one and two bedroom Market Based Rent units, however there are similar numbers when looking at AR units. This is likely because families that need more than two bedrooms are transitioning out of Market Based Rent housing into single family homes. Vacancy levels for AR units are not high.

## Market Based Rent Units and Markets

This section outlines the pricing of the Market Based Rent Unit rental market in time series in each county. Trends are presented at the regional and community level. Due to data limitations with the Housing Survey from W.S. Loper & Associates jurisdictions have been combined in the report and are not easily broken down in to smaller jurisdictions because of the way the data is reported.

### Studio Style Apartments

Figure 2.5  
Trends in Studio Style Apartments

	Studio Apartments at Regional Level					
	2012	2011	2010	2009	2008	2007
Studio Units	152	152	152	152	207	254
Studio Occupied	138	143	141	144	200	245
Studio Vacant	14	9	11	8	7	9
Market Vac Rate	9.2%	5.9%	7.2%	5.2%	3.4%	3.6%

As Figure 2.5 shows, the market for Market Based Rent studio style apartments is relatively small. The number of units has remained stable for four years, and vacancy levels have varied. This is likely due to the limited number of studio apartments on the Gulf Coast. Figure 3.2.2 shows what cities studio apartments are located in, their average square footage and average price per month.

Figure 2.6  
Trends in Studio Style Apartments

	2012	2011	2010	2009	2008	2007
<b>Bay St. Louis/Waveland</b>	---	---	---	---	---	---
Count	---	---	---	---	---	---
Vac	---	---	---	---	---	---
Sq Ft	---	---	---	---	---	---
<b>Biloxi</b>	\$432.50	\$432.50	\$415.00	\$380.00	\$380.00	\$380.00
Count	40	40	40	40	96	143
Vac	10.0%	7.5%	2.5%	2.5%	0.0%	2.8%
Sq Ft	345	345	345	345	345	345
<b>Gulfport</b>	\$535.94	\$535.94	\$549.71	\$553.74	\$559.12	\$562.73
Count	52	52	52	52	51	51
Vac	5.8%	5.8%	9.6%	3.8%	5.9%	5.9%
Sq Ft	546	546	546	546	497	563
<b>Long Beach/Pass Christian</b>	\$275.00	\$350.00	\$250.00	\$450.00	\$450.00	\$380.00
Count	4	4	4	4	4	4
Vac	25.0%	0.0%	0.0%	0.0%	0.0%	25.0%
Sq Ft	325	450	450	450	450	345
<b>Ocean Springs</b>	---	---	---	---	---	---
Count	---	---	---	---	---	---
Vac	---	---	---	---	---	---
Sq Ft	---	---	---	---	---	---
<b>Pascagoula</b>	\$442.86	\$471.14	\$500.00	\$500.00	\$514.29	\$520.71
Count	56	56	56	56	56	56
Vac	10.7%	5.4%	8.9%	8.9%	7.1%	1.8%
Sq Ft	503	503	503	503	503	503
<b>Studio Price Avg</b>	<b>\$421.58</b>	<b>\$447.40</b>	<b>\$428.68</b>	<b>\$470.94</b>	<b>\$475.85</b>	<b>\$460.86</b>
<b>Count Sum</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>152</b>	<b>207</b>	<b>254</b>
<b>Vac Avg</b>	<b>13%</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>9%</b>
<b>Sq Ft Avg</b>	<b>430</b>	<b>461</b>	<b>461</b>	<b>461</b>	<b>449</b>	<b>439</b>

In Figure 2.6 has a few other items of note: While Biloxi has a higher vacancy rate, this may be attributable to less square footage of each apartment, relative to price. The sample size is small, but this should be considered when planning for additional Studio Style apartments.

### Single Bedroom Apartments

Figure 2.7  
Trends in One Bedroom Apartments

	Single Bedroom Apartments at Regional Level					
	2012	2011	2010	2009	2008	2007
1 BR Market Units	4642	4610	4759	3718	3545	3499
1 BR Occupied	4036	4040	4144	3300	3357	3293
1 BR Vacant	606	570	615	418	188	206
Market Vac Rate	13.1%	12.4%	12.9%	11.2%	5.3%	5.9%

As seen in Figure 2.7, the market for one bedroom apartments is much larger than that for Studio style apartments. The number of apartments has increased by over 1,150 in six years and the vacancy rate has remained stable since 2010, with the number of apartments increasing slightly. While the vacancy rate is high this may have to do with the growth of assisted housing units (as indicated in Figure 2) whose vacancy rate is hovering around the 5% mark. Below, in Figure 2.2.4, details the jurisdictions that comprise the Mississippi Gulf Coast.

Figure 2.8  
Trends in One Bedroom Apartments

	2012	2011	2010	2009	2008	2007
<b>Bay St. Louis/Waveland</b>	\$516.07	\$516.07	\$596.36	\$587.50	\$629.17	\$629.17
Count	56	56	56	40	40	24
Vac	10.7%	17.9%	39.3%	15.0%	5.0%	4.2%
Sq Ft	691	691	691	682	663	663
<b>Biloxi</b>	\$596.52	\$590.09	\$601.78	\$667.11	\$691.30	\$667.11
Count	1751	1720	1720	1418	1515	1500
Vac	11.7%	11.2%	11.4%	9.1%	5.3%	5.3%
Sq Ft	722	722	720	676	706	676
<b>Gulfport</b>	\$558.99	\$585.82	\$600.44	\$635.93	\$679.31	\$660.66
Count	1062	1062	1114	1102	954	954
Vac	14.7%	14.7%	13.8%	14.9%	6.1%	7.9%
Sq Ft	697	705	699	700	681	671
<b>Long Beach/Pass Christian</b>	\$640.58	\$640.85	\$609.50	\$770.41	\$763.46	\$630.98
Count	360	360	360	360	276	164
Vac	15.0%	10.8%	9.2%	13.9%	6.9%	4.9%
Sq Ft	760	760	760	876	765	621
<b>Ocean Springs</b>	\$620.03	\$662.70	\$681.98	\$704.22	\$727.89	\$696.26
Count	528	547	547	174	156	156
Vac	10.8%	9.7%	12.2%	6.9%	0.0%	4.5%
Sq Ft	756	741	741	752	763	766
<b>Pascagoula</b>	\$493.62	\$520.04	\$566.43	\$615.77	\$555.96	\$524.84
Count	885	865	962	624	604	701
Vac	14.5%	13.8%	14.9%	9.1%	4.8%	5.0%
Sq Ft	624	619	619	666	618	619
<b>1 Bedroom Price Avg</b>	\$570.97	\$585.93	\$609.42	\$663.49	\$674.52	\$634.84
<b>Count Sum</b>	4642	4610	4759	3718	3545	3499
<b>Vac Avg</b>	13%	13%	17%	11%	5%	5%
<b>Sq Ft Avg</b>	708	706	705	725	699	669

Figure 2.8 Illustrates that prices for One Bedroom Market Based Rent Apartments vary significantly by jurisdiction. The average square footage has also increased by about 40 square feet between 2010 and 2007. Vacancy levels have been relatively steady around 13% for the past two years, with a spike in 2010 of 17%. This may be an anomaly in the data.

## Two Bedroom Apartments

Figure 2.9  
Trends in Two Bedroom Apartments

	Two Bedroom Apartments at Regional Level					
	2012	2011	2010	2009	2008	2007
2 BR Market Units	9677	9726	9844	7606	6939	6517
2 BR Occupied	8230	8471	8357	6618	6471	6055
2 BR Vacant	1447	1255	1487	988	468	462
Market Vac Rate	15.0%	12.9%	15.1%	13.0%	6.7%	7.1%

As seen in Figure 2.2 and in Figure 2.9, the two bedroom apartment is the most popular size in the Mississippi Gulf Coast. Vacancy levels for the Market Based Rent units has been between 12.9% and 15.1% for the past four years, suggesting an oversupply or higher price than market desire. Figure 10 examines the submarkets.

Figure 2.10  
Trends in Two Bedroom Apartments

	2012	2011	2010	2009	2008	2007
<b>Bay St. Louis/Waveland</b>	\$616.23	\$618.53	\$590.87	\$670.94	\$775.00	\$703.33
Count	408	408	408	320	320	120
Vac	28.4%	24.0%	34.6%	16.6%	3.4%	3.3%
Sq Ft	906	906	906	887	887	958
<b>Biloxi</b>	\$701.57	\$711.12	\$717.15	\$780.26	\$809.19	\$780.26
Count	3066	3061	3061	2466	2446	2328
Vac	15.2%	13.0%	13.5%	11.2%	6.7%	6.4%
Sq Ft	1020	1019	1021	1002	1008	980
<b>Gulfport</b>	\$672.85	\$708.25	\$701.43	\$726.97	\$796.54	\$744.87
Count	2520	2520	2568	2534	2111	2093
Vac	12.5%	12.5%	13.6%	15.2%	6.9%	8.2%
Sq Ft	973	970	970	969	957	912
<b>Long Beach/Pass Christian</b>	\$710.65	\$717.99	\$711.76	\$827.47	\$780.71	\$700.34
Count	663	663	615	615	519	349
Vac	14.9%	11.8%	13.3%	14.0%	6.7%	6.6%
Sq Ft	985	975	994	1163	1017	925
<b>Ocean Springs</b>	\$723.83	\$765.60	\$772.99	\$793.69	\$834.39	\$779.44
Count	1080	1096	1102	314	304	276
Vac	9.5%	10.1%	14.8%	9.2%	5.6%	5.8%
Sq Ft	1077	1068	1059	954	1048	1061
<b>Pascagoula</b>	\$600.76	\$636.90	\$673.72	\$717.97	\$690.42	\$647.43
Count	1940	1978	2090	1357	1239	1351
Vac	18.0%	12.9%	16.2%	11.7%	7.7%	7.3%
Sq Ft	902	890	890	910	889	893
<b>2 Bedroom Price Avg</b>	\$670.98	\$693.07	\$694.65	\$752.88	\$781.04	\$725.95
<b>Count Sum</b>	9677	9726	9844	7606	6939	6517
<b>Vac Avg</b>	16%	14%	18%	13%	6%	6%
<b>Sq Ft Avg</b>	977	971	973	981	968	955



As seen in Figure 2.10 prices for 2 Bedroom Market Based Rent Apartments are a little more tightly clustered around the average. The average square footage has also increased by about 450 square feet between 2012 and 2007, however there was a spike in average size in 2010. Vacancy levels have been relatively steady around 13% to 18% for the past four years suggesting there is a oversupply or the market pricing is mismatched with prices that households can pay.

### **Three+ Bedroom Apartments**

Figure 2.11

#### Trends in Three+ Bedroom Apartments

	Three+ Bedroom Apartments at Regional Level					
	2012	2011	2010	2009	2008	2007
3 BR Market	1984	1974	1904	1452	1248	1024
3 BR Occupied	1727	1746	1619	1286	1179	874
3 BR Vacant	257	228	285	166	69	150
Market Vac Rate	13.0%	11.6%	15.0%	11.5%	5.5%	14.7%

Figure 2.11 shows vacancy levels for the Market Based Rent units has fluctuated, but has remained over 11% for the past four years suggesting an oversupply or higher price than market desire.

Figure 2.12

## Trends in Three+ Bedroom Apartments

	2012	2011	2010	2009	2008	2007
<b>Bay St. Louis/Waveland</b>	\$778.29	\$747.62	\$766.50	\$834.87	\$881.25	\$847.92
Count	103	109	101	77	45	25
Vac	8.7%	17.5%	29.7%	9.1%	4.4%	4.0%
Sq Ft	1215	1215	1212	1231	1121	1092
<b>Biloxi</b>	\$871.59	\$871.59	\$895.10	\$950.89	\$984.81	\$950.89
Count	580	580	580	451	443	389
Vac	10.7%	9.3%	13.1%	10.0%	4.7%	4.4%
Sq Ft	1303	1303	1153	1153	1323	1153
<b>Gulfport</b>	\$813.88	\$862.81	\$871.30	\$920.48	\$959.60	\$918.10
Count	588	588	518	472	352	318
Vac	12.8%	12.8%	11.2%	11.7%	6.0%	33.0%
Sq Ft	1261	1247	1254	1236	1256	1263
<b>Long Beach/Pass Christian</b>	\$998.81	\$1,043.00	\$978.04	\$1,103.81	\$1,073.33	\$890.00
Count	173	143	143	143	103	17
Vac	16.8%	8.4%	9.8%	16.8%	9.7%	5.9%
Sq Ft	1496	1494	1305	1531	1491	1200
<b>Ocean Springs</b>	\$926.90	\$978.57	\$977.80	\$943.91	\$1,010.86	\$946.58
Count	214	226	234	58	54	24
Vac	11.2%	12.8%	19.7%	10.3%	5.6%	8.3%
Sq Ft	1426	1417	1413	1410	1404	1304
<b>Pascagoula</b>	\$747.48	\$778.68	\$797.09	\$868.96	\$840.18	\$704.39
Count	326	328	328	251	251	251
Vac	17.8%	11.9%	18.6%	11.6%	4.8%	9.6%
Sq Ft	1137	1150	1150	1259	1146	1143
<b>Three+ Bedroom Price Avg</b>	\$856.16	\$880.38	\$880.97	\$937.15	\$958.34	\$876.31
<b>Count Sum</b>	1984	1974	1904	1452	1248	1024
<b>Vac Avg</b>	13%	12%	17%	12%	6%	11%
<b>Sq Ft Avg</b>	1306	1304	1248	1303	1290	1193

Figure 2.12 shows prices for three bedroom Market Based Rent Apartments are clustered around the average, but there is some variation in the Long Beach/Pass Christian and Ocean Springs area. The average square footage has also increased by about 200 square feet between 2007 and 2012. Vacancy levels have been steady at 12% and 13% for three of the past four years, with a 17% spike in 2009. This suggests there is an oversupply or there is a mismatch between what people can afford and the available supply.



## Simplified Market Based Unit Pricing Trends

Figure 2.13

### Regional Trends in Market Based Rent Apartment Pricing

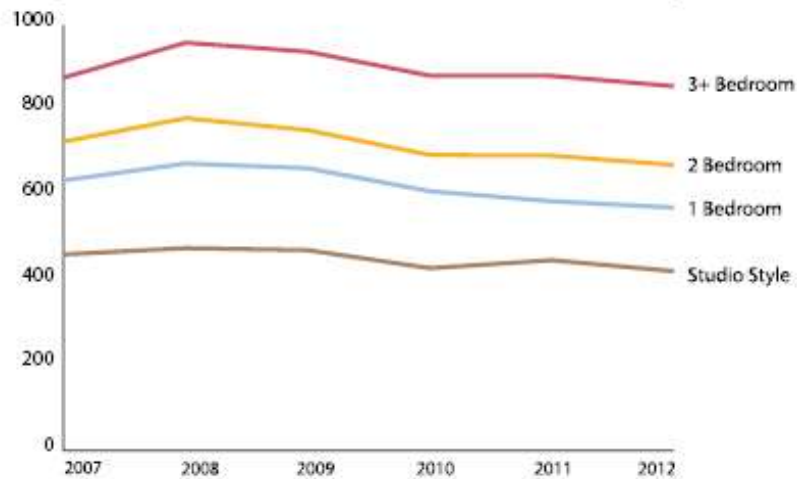


Figure 2.14

### Regional Trends in Market Based Rent Apartment Pricing

	Regional Pricing Trends 2007-2012						Aggregate	Average
	2012	2011	2010	2009	2008	2007	2007-2012	2007-2012
Studio	-6%	4%	-9%	-1%	3%	---	-8%	-2%
1 BR	-3%	-4%	-8%	-2%	6%	---	-10%	-2%
2 BR	-3%	0%	-8%	-4%	8%	---	-7%	-1%
3+ BR	-3%	0%	-6%	-2%	9%	---	-2%	0%

This section looks at the overall trends of pricing for Market Based Units over time. Figures 2.13 and 2.14 show the average prices of apartments are generally declining at a rate of about 2% over the six years of the dataset. Prices initially jumped between 2007 and 2008 by 3-9% for some units, however prices saw their biggest drop between 2009 and 2010 with all types of units costing 6% less. One bedrooms saw the biggest decline in price, studios second, two bedrooms third and a minimal loss.

Figure 2.15

### Regional Trends in Market Based Rent Apartment Pricing per square foot

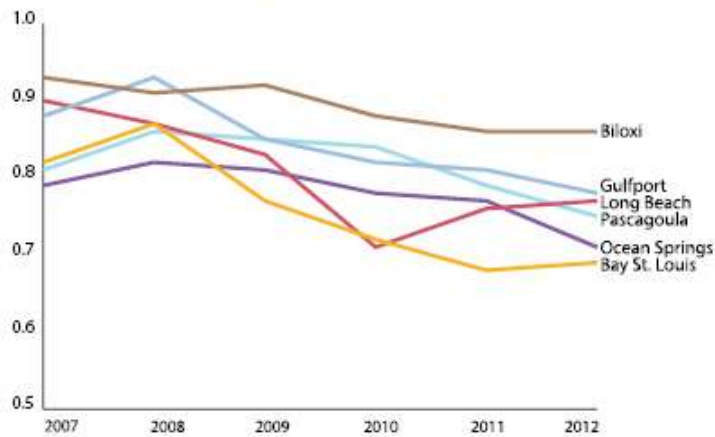


Figure 2.15 shows the average square footage increased (as indicated in the previous sections), with prices per square foot falling following 2008.

### Population Pyramids introduction

Population Pyramids useful to show how the sex and age demographics of the coast will change. They are especially useful when planning for housing and transportation. The process and data for the development of the population pyramids are as follows:

Population Pyramids are developed for each year using Component Cohort Analysis, divided by sex, for five year interval age groups. The “components” of this method are:

- Birth Rate
  - County level data from Mississippi Department of Health and US Census. Three year average of live births, controlled for sex of child by existing population.
- Survival Rate
  - State level data from Mississippi Department of Health and US Census. Three year average of deaths by sex.
- Migration Rate
  - MSA level data from US Census 3 Year ACS. Migration data controlled for sex.

These Components are put into a matrix and populations for each of the age groups at each time interval are calculated. A more advanced explanation of the methodology can be found in the Appendix. Build out of population cohorts were done for each county in 5 year intervals, starting with 2010 and going to 2035.

## Population Pyramids vs. future population estimates

Figure 3.1

### Population projection method comparison

Year	CC Method	W&P/GRPC	Num Diff	Per Diff
2010	372,587	370,680	-1907	-1%
2015	385,053	384,958	-95	0%
2020	397,957	397,627	-330	0%
2025	408,844	410,296	1,452	0%
2030	418,049	434,836	16,786	4%
2035	425,128	459,375	34,247	7%

The GRPC Population Projections, via Woods and Poole at the TAZ level have been important in developing other major pieces of the Plan for Opportunity. The population pyramids for the counties on the following pages were developed separately from those GRPC projections because of the limited detail provided for age makeup. Because new projections were created for the pyramids, it is useful to compare and contrast the two population projections.

As seen in Figure 3.1, the Component Cohort projections are very similar to the W&P/GRPC projections with the exception of the 2010, 2030 and 2035 years. The minor difference in 2010 is likely because the Component Cohort method utilized 2010 Census SF-1 full count numbers and the W&P/GRPC estimates utilized the Census 2008 ACS 3-Year Population Estimate. The differences in 2030 and 2035 are likely due to one of four things:

- The survival rate has increased for various cohorts;
- A new baby “boom” has occurred;
- In-Migration has increased; or
- A combination or mixture of the reasons above.

To correct for the difference between the two projections, only the regional population pyramids have been changed and balanced to meet the W&P/GRPC population projections. The other four for the counties, because of the minor difference, have not been rebalanced.

## Evolving Markets of the Gulf Coast

This section outlines the population projections for the Mississippi Gulf Coast by County, Sex, Age Group and Projection Year to provide a snapshot of what the demographics of the Gulf Coast are expected to be by 2035.

### Population trends

There will be significant shifts in the population, following national trends , on the Mississippi Gulf Coast. This population shifts will impact the demand for housing, creating opportunities in some housing markets. The reasons for these shifts are related to the four generational groups for which the public is commonly aware.

This section will focus on the four generation groups:

- Baby Boomer: Born between 1946 and 1964
- Generation X: Born between 1965 – 1979
- Generation Y or Millennial Generation: Born between 1980 – 1994
- Generation Z or Net Generation: Born between 1995 – 2009

These four generation groups have been reorganized into four age groups to better represent the clusters expected to impact housing demand.

- Older Citizens (65+): Those Baby Boomers and Early Gen X'ers who are transitioning into retirement by 2035
- Workforce Citizens (30-64): Those Gen X and Gen Y individuals transitioning into the prime of the workforce by 2035
- Younger Citizens (18-29): Those Gen Y and Gen Z individuals transitioning into college and young adulthood by 2035
- Youth (1-17): Children of Generation X,Y and Z

#### ***Older Citizens: Aging Baby Boomer and Generation X***

The population of the Mississippi Gulf Coast is aging and the number of older citizens is expected to increase significantly. The aging of the Baby Boomer generation and older Gen X will drive changing demand for housing. This is a large population segment and could have significant impact on the region's housing market. Many of these older citizens currently live in three or four bedroom single family units. While some residents will choose to age in place, others will wish to downsize to smaller units that do not require significant lawn care. For example, demand for townhouse and condominium style housing is expected to increase.

The Gulf Coast has traditionally sought to bring retirees to the coast. There is expected to be continued migration. For example, attracting Vietnam war veterans who are retiring to come to the coast. This could create a significant demand for townhouse and condominium style housing units. There is also expected to be increased demand for senior living facilities, ranging from independent living, to assisted living, to nursing care to meet the needs of the oldest of this age group. This generation will desire housing that is close to services such as health care and convenient to daily needs such as grocery stores.

#### ***Workforce Citizens: Smaller family sizes for Gen X and Y***

Many families are waiting longer than previous generations to have children and these households are having fewer children. The average household size on the Mississippi Gulf Coast has fallen, following the national trend. These households are largely looking for three bedroom housing. The Mississippi Gulf Coast has seen an increase in immigrants on of households from other parts of the world. These households tend to have larger household sizes and do look for larger homes to comfortably accommodate their household. All workforce citizen households are looking for housing that is close to their children's school and provides for convenient commutes to work for the parents. Another trend to consider are households that are "sandwiched" housing both young children, as well as their aging parents. The Mississippi Gulf Coast can expect to see increased demand for single family homes with "granny flats" on the property.

***Younger Citizens: Multifamily demand for Generation Y and Z***

Younger citizens have had a different path than previous generations. Many are postponing starting their own household due to the expense of schooling, combined with underemployment. This means that younger citizens live at home with parents for a longer time before moving onto their own. When households move on their own they have high expectations about their housing. This group has strong demand for multifamily housing and has a strong preference for living in urban locations close to restaurants and entertainment and in close proximity to their workplace. This is seen anecdotally with teens waiting longer to get their drivers licenses and having higher opinions of public transportation than previous generations. Gen Y and Z are also more interconnected (hence Millennial and Net Generation names) and make use of technology. They view social interaction as very important and in deciding where to live give careful consideration to social gathering places, such as restaurants.

***Challenges for the Mississippi Gulf Coast Housing Market***

As described above each age group has its own individual needs and demands. As one considers the housing market over an extended period there will be a number of key challenges. Demand for four bedroom housing units is expected to fall. It will become more difficult to find buyers for the largest housing units.

With the significant increase in households over 65 and particularly households over 85 there will be significant needs for accessible housing. To accommodate this need, existing housing will need to be updated to become more accessible while new units will need to be built with accessibility in mind, incorporating universal design principals.

There is expected to be significant demand for urban housing both senior older and younger citizens who want to be close to services. Demand is expected to trail in the suburbs, unless suburban areas can create the amenities that these households will demand.

Within single family neighborhoods there is a need for greater flexibility in zoning codes to allow for granny flats to accommodate multigenerational households.

With proper planning these challenges can be overcome to provide for a healthy, accessible coast that accommodates the many diverse needs of its residents.

Figure 4.1  
Mississippi Gulf Coast Population Pyramid 2010

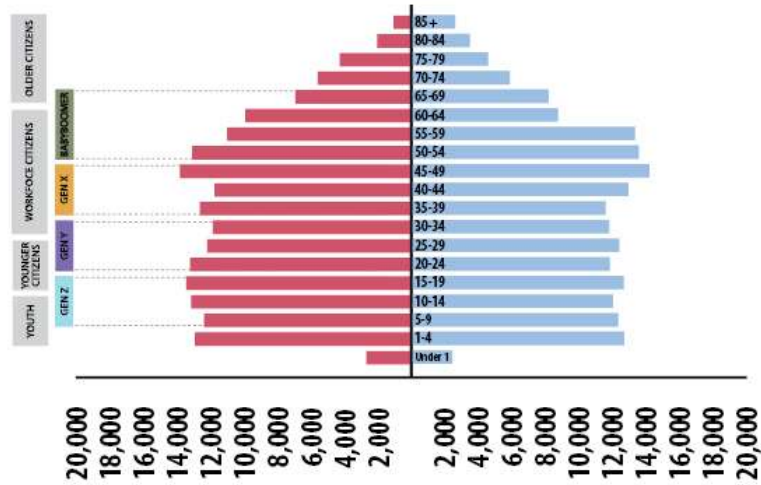


Figure 4.1a  
Hancock County 2010

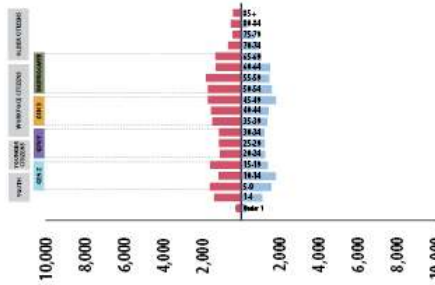


Figure 4.1b  
Harrison County 2010

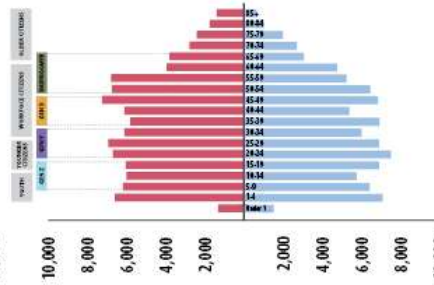


Figure 4.1c  
Jackson County 2010

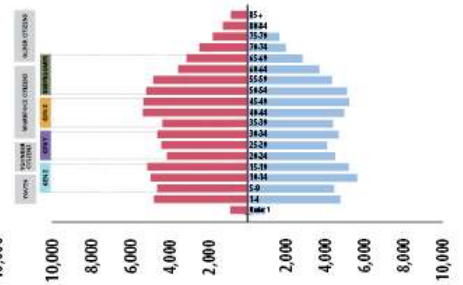


Figure 4.2  
Mississippi Gulf Coast Population Pyramid 2015

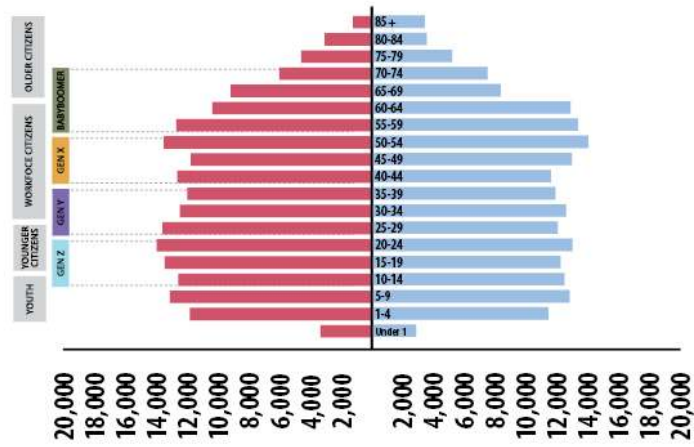


Figure 4.2a  
Hancock County 2015

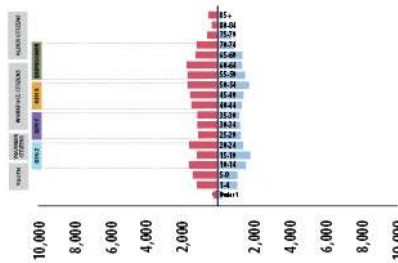


Figure 4.2b  
Harrison County 2015

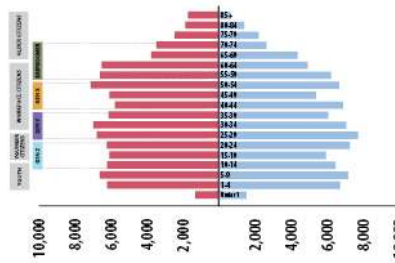


Figure 4.2c  
Jackson County 2015

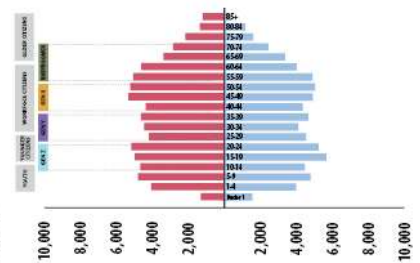


Figure 4.3  
Mississippi Gulf Coast Population Pyramid 2020

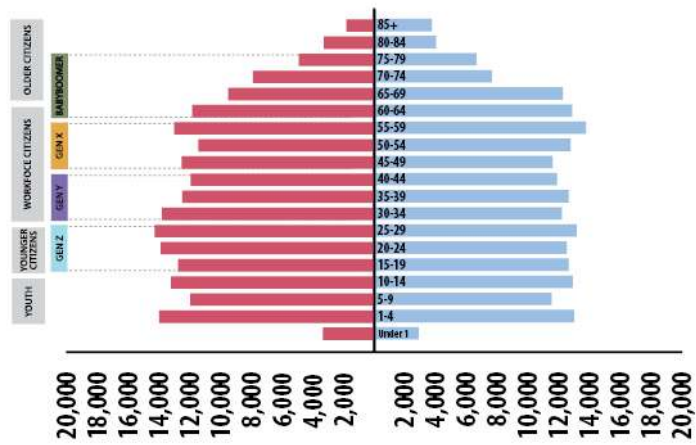


Figure 4.3a  
Hancock County 2020

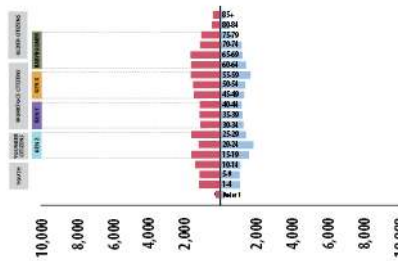


Figure 4.3b  
Harrison County 2020

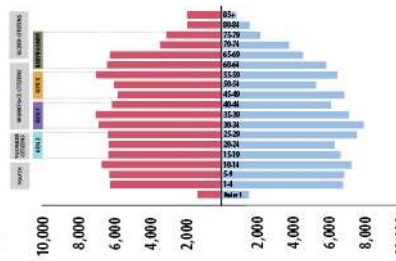


Figure 4.3c  
Jackson County 2020

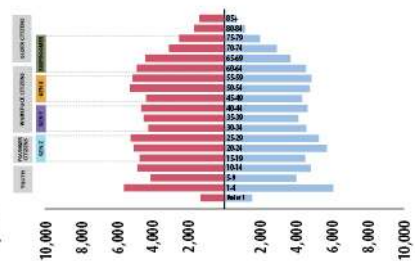




Figure 4.4  
Mississippi Gulf Coast Population Pyramid 2025

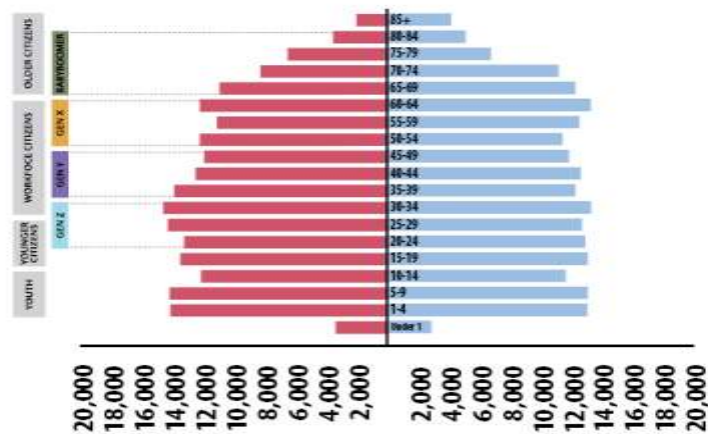


Figure 4.4a  
Hancock County 2025

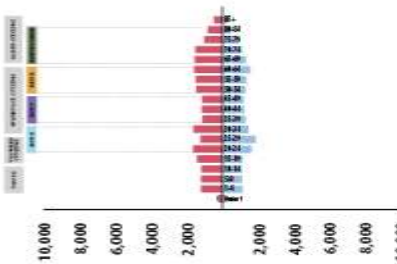


Figure 4.4b  
Harrison County 2025

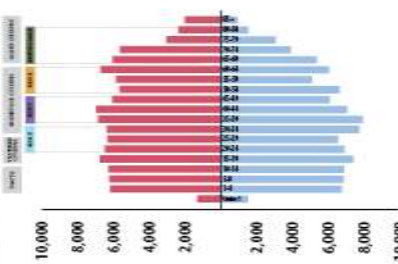


Figure 4.4c  
Jackson County 2025

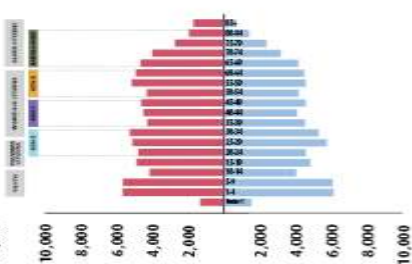


Figure 4.5  
Mississippi Gulf Coast Population Pyramid 2030

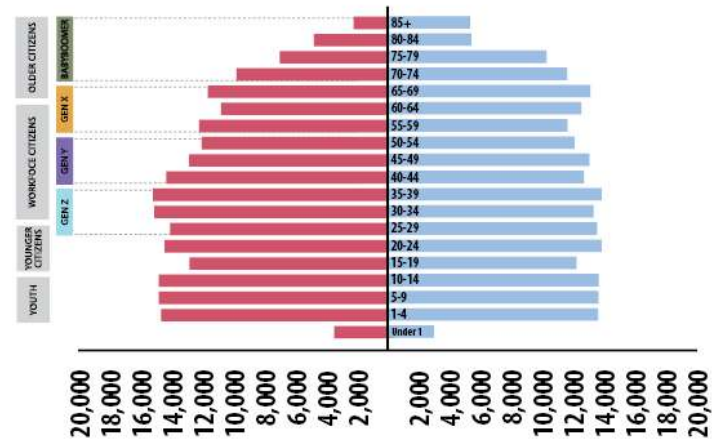


Figure 4.5a  
Hancock County 2030

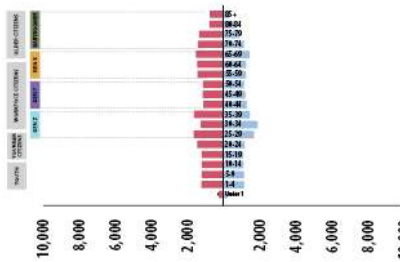


Figure 4.5b  
Harrison County 2030

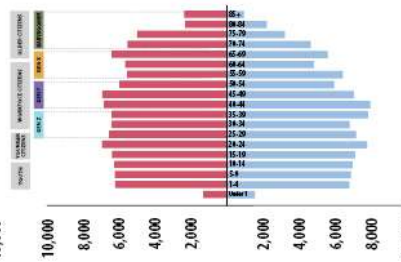


Figure 4.5c  
Jackson County 2030

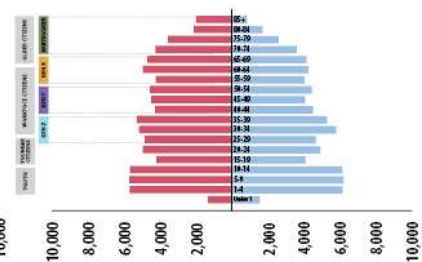


Figure 4.6  
Mississippi Gulf Coast Population Pyramid 2035

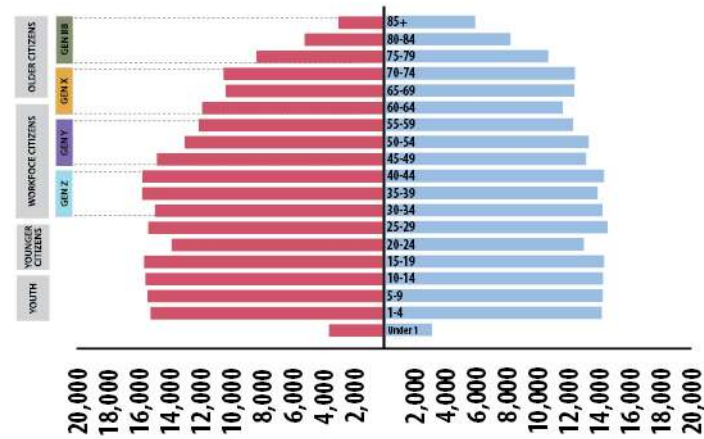


Figure 4.6a  
Hancock County 2035

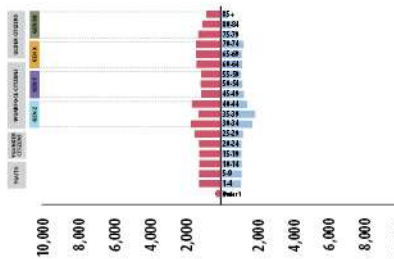


Figure 4.6b  
Harrison County 2035

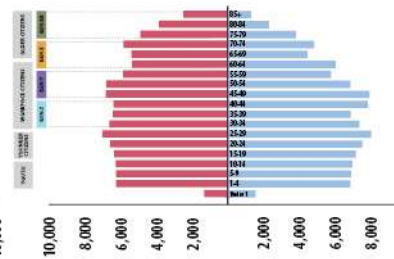
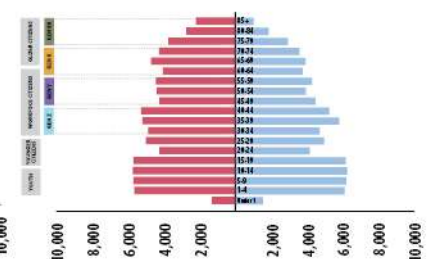


Figure 4.6c  
Jackson County 2035



## County Level Housing Unit Projections

Housing Projections are based off GPRC's estimates of future housing units and then broken down by typology. Data from 2010 US Census was applied to TAZ's for the years 2015, 2020, 2025, 2030 and 2035. The TAZ information was previously controlled by land uses and zoning by GRPC. The housing projections were completed using Building Typology percentages for rent/own mix and typology mix from 2010 data. Vacancy Rates for these building typologies was also applied using the same 2010 data.

## Owned Housing Unit Projections

Figure 5.1

### Projections of Owned Housing Units on the Gulf Coast

Single Family							Unit Increase	Percent Increase
	2010	2015	2020	2025	2030	2035		
Hancock	10,774	9,935	10,629	11,323	12,097	12,871	2097	19%
Harrison	36,396	34,174	35,928	37,683	39,817	41,952	5556	15%
Jackson	31,845	29,899	30,891	31,883	34,296	36,709	4864	15%
Multi-Family								
	2010	2015	2020	2025	2030	2035		
Hancock	104	97	102	107	114	121	17	17%
Harrison	274	252	268	285	307	329	55	20%
Jackson	93	88	90	93	100	107	14	15%
Mobile Home								
	2010	2015	2020	2025	2030	2035		
Hancock	2,902	2,739	2,884	3,029	3,169	3,310	408	14%
Harrison	5,179	4,884	5,167	5,451	5,685	5,919	740	14%
Jackson	4,672	4,316	4,481	4,645	5,103	5,562	890	19%
Other Units								
	2010	2015	2020	2025	2030	2035		
Hancock	157	140	154	168	183	198	41	26%
Harrison	218	203	218	233	245	257	39	18%
Jackson	77	71	74	77	85	93	16	21%

Figure 5.1 shows the breakdown for all Owned Units on the Gulf Coast. According to the estimates, Hancock County is expected to see the largest growth of Single Family style units to 2035, with Harrison and Jackson also growing, but not at the same rate. Owned Multi-Family units are typically Condominiums, and they are relatively sparse throughout the Gulf Coast. Harrison County is expected to see the most growth in Multi-Unit owned housing units.

There are substantial numbers of Mobile Home units and because the rates of Mobile Home ownership are the same as 2010 there is substantial growth of these units in Jackson County. Other units are boats, RV's and other forms of housing. Growth is expected, but similar in number to multi-family units, there are the raw growth numbers are not high.

## Renter Housing Unit Projections

Figure 5.2  
Projections of Rented Housing Units on the Gulf Coast

Single Family							Unit Increase	Percent Increase
	2010	2015	2020	2025	2030	2035		
Hancock	1,143	1,051	1,128	1,204	1,289	1,373	230	20%
Harrison	9,685	9,047	9,519	9,991	10,636	11,281	1596	16%
Jackson	6,788	6,401	6,608	6,814	7,284	7,754	966	14%
Multi-Family								
	2010	2015	2020	2025	2030	2035		
Hancock	781	709	769	828	894	960	179	14%
Harrison	11,336	10,652	11,156	11,660	12,354	13,048	1712	14%
Jackson	4,760	4,527	4,657	4,788	5,066	5,344	584	19%
Mobile Home								
	2010	2015	2020	2025	2030	2035		
Hancock	836	775	827	878	932	986	150	18%
Harrison	3,505	3,273	3,453	3,634	3,860	4,086	581	17%
Jackson	2,094	1,963	2,028	2,093	2,258	2,422	328	16%
Other Units								
	2010	2015	2020	2025	2030	2035		
Hancock	1,034	927	1,012	1,097	1,200	1,303	269	26%
Harrison	174	159	167	175	193	211	37	21%
Jackson	151	141	147	153	164	174	23	16%

Figure 5.2 shows the rental housing market projected unit growth to 2035. For rented single family homes, Hancock County is expected to see the largest increase while Harrison county, where more than half of the units are, is also expected to increase the number of rental single family units. Multi-Family units are also expected to increase for all three counties, with the largest growth in Jackson County. Again, Harrison County has more than 50% of the Multi-Family style units, and significant growth is expected there.

Mobile home renters are also expected to increase in all three counties, with the largest growth occurring in Hancock. The Other category is expected to grow, with Hancock County seeing the largest increase in units.

## **Conclusion and Main Findings**

The housing market on the Mississippi Gulf Coast will change in the coming years. As the population grows and the demographics shift this will result in changes in the types of housing that are demanded.

This market analysis finds that there are significant opportunities for both single family and multifamily units in the future. The style and form of these units may be different than what is currently on the coast. For example, with a growing senior population the demand for housing that does not require yard maintenance is expected. The specific housing developments will vary based on the planning efforts across the region and the needs in each individual community.

As the baby-boomers age and younger generations begin to need housing, there will be a large shift in what these demographics are looking for in a housing unit, both in terms of its proximity to transportation and resources and in terms of its affordability. The shifting demographics creates the opportunity to rethink housing provision in the region and to evaluate alternatives to housing to best meet the needs of new households. For example, the trend of smaller household sizes creates the opportunity to consider housing units that have a smaller number of bedrooms. The increase in work from home arrangements will increase the demand for housing with home office possibilities. And multigenerational households will need housing that flexibly accommodates both children and seniors. With a total of 21,392 housing units projected to be needed by 2035 there are substantial opportunities to infill housing in the urban core and build in new planned areas within communities across the region.