



**Testimony of Doris W. Koo
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Thank you Chairman Frank, Ranking Member Bachus, Housing Subcommittee Chair Waters and distinguished members of the Financial Services Committee. My name is Doris Koo and I am the president and chief executive officer of Enterprise Community Partners. I appreciate the opportunity to share with you Enterprise's affordable housing and community development work on behalf of the residents of the Gulf Coast, as well as to outline policy recommendations informed by our on-the-ground development experience to date.

Enterprise is a leading provider of development capital and expertise needed to create decent, affordable homes and rebuild communities. For a quarter of a century, Enterprise has pioneered neighborhood solutions through private-public partnerships with community organizations, financial institutions, local governments and others who share our vision. Enterprise has raised and invested \$7 billion in equity, grants and loans to support the creation of 200,000 affordable homes, and is currently investing in communities at a rate of \$1 billion a year.

A year and a half after a series of deadly hurricanes devastated Gulf Coast communities, uncertainty looms about the region's future. This is especially true for those communities that low-income, working families used to call home. Hurricanes Katrina and Rita caused \$67 billion in damage to housing in the Gulf region; HUD estimates that the two hurricanes caused major or severe damage to 265,000 homes and apartments in Louisiana and Mississippi. Consequently, redevelopment efforts require not just new resources, approaches and solutions, but unprecedented scale in rebuilding.

Enterprise was founded in 1982 by James Rouse, a visionary man who passionately believed that all low-income families should have access to fit and affordable housing as a first step in overcoming poverty. That remains Enterprise's mission to this day. Immediately following the hurricanes, we at Enterprise were compelled to bring our resources and know-how to rebuild the Gulf Coast. Enterprise has actively engaged with local partners, including community-based organizations, public housing authorities, state and local officials and the business community in both Louisiana and Mississippi. All told, **we have committed \$200 million in grants, loans and equity investments to develop 10,000 homes and apartments in the region.**



Taking a Comprehensive Approach to Rebuilding

Initially, Enterprise's offices in cities such as Atlanta, San Antonio, St. Louis and Houston helped displaced families access a range of services, including temporary housing and assistance from FEMA. As the flood waters receded, Enterprise, Tulane and Columbia Universities and several local organizations in New Orleans developed a pilot initiative to demonstrate best practices for safe remediation of mold and other contaminants from flooded homes.

In Pass Christian, Mississippi, we worked with other national organizations to create Home Again, which is working closely with residents to provide cost-effective approaches to rebuilding through using modular homes. Fifteen families are now proud owners of these new homes in Pass Christian, with 55 more homes underway. In Biloxi, Enterprise has committed to rebuild up to 1,500 sustainable affordable homes for families and seniors in partnership with the local housing authority. Enterprise provided the Biloxi Housing Authority a \$500,000 line of credit and helped secure an additional \$18 million in credit facility through one of our financial partners. Through this financing as well as intensive property management and sustainable development expertise and assistance, we hope to help provide affordable, high-quality homes for lower-income working families that are central to Biloxi's rebounding economy.

In New Orleans, we are partnering with Providence Community Housing to finance the rehabilitation of more than 1,000 apartments for low-income seniors, and to revitalize the historic Treme community through the development of 1,500 affordable and market-rate homes and apartments.

To date, Enterprise has provided more than \$2 million in grants and \$7.5 million in loans to organizations working in the gulf coast region, and has worked with partners to secure Gulf Opportunity Zone Low Income Housing Tax Credits for the development or rehabilitation of more than 1,600 affordable homes. In addition, Enterprise and our partners are working to create the Louisiana Loan Fund for predevelopment and acquisition debt for not-for-profit developers in the state. We thank Congress for allocating Section 4 Capacity Building and Affordable Housing resources to jumpstart this fund, which leverages \$15 million in Community Development Block Grants from the State of Louisiana with \$30 million in private sector capital. Enterprise and our partners raised this capital with the assistance of the Living Cities community development funding consortium led by the nation's leading foundations, financial institutions and philanthropies.

Addressing the Needs of Public Housing Residents

When Katrina struck, more than 5,000 very low-income households, including many seniors, lived in public housing in New Orleans. Though before the storm they were provided with adequate shelter, public housing residents in New Orleans had to live with overcrowding, crime and drugs in antiquated apartments with obsolete utilities and poor infrastructure.



Enterprise is working in partnership with residents, local organizations and government agencies to ensure that the approach to rebuilding public housing in the Gulf does not result in the rebuilding of concentrated poverty, unhealthy building conditions and isolation from jobs, transportation and services. We believe we can do better.

After careful review of qualifications, HUD selected the team of Enterprise and Providence Community Housing to partner with them to redevelop a public housing development, the 27.5 acre former Lafitte public housing complex in the Treme neighborhood. Providence is the post-Katrina Catholic housing initiative. Its members represent the largest private providers of community services in the city.

Enterprise and Providence appreciate the opportunity to work with the residents of the Lafitte/Treme community to develop a shared vision for a new and stronger community. We are working closely with many of the Lafitte and Treme residents to plan a vibrant community that is equitable, affordable and sustainable and that delivers on the following commitments:

- Right of return for all 865 resident families who lived in the Lafitte development before Katrina to return to better quality homes and a healthier neighborhood.
- One for one replacement of 900 subsidized homes, the same number as in the Lafitte development before the storm, integrated in mixed-income communities on and around the site.
- Development of an additional 600 for-sale homes affordable to working families and first time homebuyers.

HUD has agreed to these conditions as terms of our continued partnership in redeveloping Lafitte. **We believe that these principles are necessary components of all Gulf Coast rebuilding.** HUD and housing authorities in the gulf coast region should commit to residents' right to return, if they so choose, to comparable units paying comparable rents, now or later, consistent with the federal Uniform Relocation Act. HUD and housing authorities should commit to one for one replacement of public housing in the gulf coast region, preserving affordability even if we can't physically preserve the existing housing units. This will take special allocation of resources beyond what has already been appropriated, but it absolutely can and must be done. We have seen this work, in successful HOPE VI and other community development efforts around the country. And residents and communities are better off because of it.

Additionally, Enterprise and Providence are committed to:

- Resident participation in planning and developing more vibrant Treme and Tulane/Gravier neighborhoods; and
- Assisting in the redevelopment and creation of minority- and women-owned businesses in the critical business corridors surrounding Lafitte.

It is also clear that displaced families – former public housing residents as well as other low-income families – need access to case management services, counseling and other



direct assistance. As part of the Lafitte development proposal, Providence has committed \$2.5 million for these purposes. Approximately 550 Lafitte families have completed comprehensive needs assessments and are accessing services. Working through a proven network of community-based and national non-profit organizations, we recommend that to the extent they have not done so, HUD and housing authorities in the gulf coast region should provide immediate relocation counseling to all displaced public housing households, wherever they are.

Providence is also contributing approximately 200 scattered-site properties in the neighborhood for immediate development of affordable housing for former Lafitte families. Through its affiliates, within one year Providence will provide 150 apartments for elderly former residents in the surrounding communities. We will aggressively explore additional opportunities for residents to return to New Orleans during a proposed phased redevelopment. The proposed redevelopment plans envision a major, long-term effort to return economic vitality to the Treme and Tulane/Gravier neighborhoods, including the construction of 1,500 new units of safe, quality, affordable housing on and around the Lafitte site.

Enterprise and Providence have obtained a capital commitment of up to \$20 million in loans to acquire other sites in connection with the redevelopment. The partnership has secured \$12.8 million in low income housing tax credits and \$27 million in block grant funds from the state of Louisiana and other resources from HANO and HUD toward the redevelopment of Lafitte.

Role of Federal Resources in Rebuilding the Gulf Coast

The rebuilding resources that Congress has provided to the Gulf Coast states present a unique opportunity to create revitalized, mixed income communities of choice.

The Low Income Housing Tax Credit program is the most critical tool for ensuring affordable housing is preserved across the Gulf Coast, particularly in New Orleans. The Gulf Opportunity Zone Act of 2005 provided the five states directly impacted by these hurricanes – Louisiana, Mississippi, Alabama, Texas and Florida – with a valuable resource: increased allocations of Low Income Housing Tax Credits. The tax credit program is a tried and true vehicle for building affordable rental housing and is absolutely essential to rebuilding affordable rental housing in the Gulf. Louisiana received an annual allocation of \$56.8 million and Mississippi received \$35.4 million in GO-Zone tax credits for each of three years, nearly seven times pre-hurricane allocations. In Louisiana alone, these credits will potentially leverage more than \$1 billion in private investment to create as many as 20,000 affordable apartments for the working poor, seniors and other vulnerable populations.

Section 8 housing voucher assistance is instrumental in disasters to minimize hotel and shelter stays for families seeking transitional housing, and to provide families with greater choice and stability. Properties with project-based Section 8 have proven to be far

more viable for investment from the private sector in the face of a highly volatile market and also allow developers to serve the lowest income individuals in the region.

Addressing Challenges to Redevelopment

Sound public policies will profoundly shape the region's recovery, and will give low-income people and communities a vital role and a real voice. In my 25 years of affordable housing development experience, including seven years leading development for the Seattle Housing Authority, I have seen projects succeed and fail based both on underlying policies and commitment to residents and community.

I would like to outline the difficulties we see in Gulf Coast redevelopment, and recommend ways that Congress can help to address these problems. Without mitigation, these issues will eventually jeopardize our ability to rebuild.

GO-Zone Tax Credit Extension

In recognition of the efficacy of the Low Income Housing Tax Credit in building urgently needed affordable rental housing, Congress generously allocated approximately \$136 million in Gulf Opportunity Zone, or GO-Zone, tax credits to the five states directly impacted by the 2005 hurricanes. However, the current deadline requires that any project seeking these GO-Zone credits must be "placed in service" by December 2008. This is quite simply an unworkable timeframe given the serious challenges facing development in the Gulf, including unstable land and construction costs; unavailability of insurance coverage; uncertain FEMA elevation requirements; and a short-handed local construction workforce.

The placed-in-service deadline for these credits must be extended beyond December 2008 in order to maximize the amount of affordable and market rate housing units that can be produced. If not, any credits allocated in 2007 or 2008 will effectively be unusable as developers do not have adequate time to finance and construct these developments. Real estate speculators and developers have already acquired substantial land parcels for market-rate uses. Congress must move quickly to address this urgent situation, and pass legislation to extend the completion time for the Gulf Opportunity Zone Tax Credits until 2010 at minimum.

Rising Insurance Costs

Insurance costs have made financing projects difficult and in some cases impossible. In our experience, investors have not been willing to invest in tax credit developments that do not have a firm commitment of insurance coverage, including coverage for excess flood and complete property insurance. Our own estimates show that insurance premiums are in some cases more than 10 times that of pre-Katrina rates. Since any increase in operating cost affects the level of rent and therefore housing affordability, the high cost of insurance will make the cost of operating affordable housing far higher than most projects can absorb.

One specific example is a brand-new, 76-unit senior housing development currently sitting vacant on the Mississippi coast because the owner cannot afford to insure the property. The quote the owner has received for insurance on small efficiency units in this development is \$8,000 per unit, per year. The total rental income for that unit is only \$6,000 per year. And this is without the levee and elevation concerns compounding development in New Orleans.

Another example is a portfolio of elderly housing rehabs in Louisiana with average insurance estimates at \$1,800 per unit, per year – just for wind coverage. Before the hurricanes, insurance costs were only \$300 per unit, per year for this development. In 2005, Enterprise's national portfolio average for property insurance was \$327 per unit, per year. We estimate that for a 100-unit property, every \$100 increase in annual insurance costs per unit will require a \$130,000 increase in the building's operating reserve. No project can offer affordable rents given this economic reality.

Enterprise is working hard to underwrite the risk of development in the Gulf Opportunity Zone and to get investors comfortable with affordable housing properties being developed by our partners. Very few insurers are active in the impacted GO-Zone region and those that remain are awaiting resolution on an overall industry approach to underwriting multi-family housing. Investors will not be comfortable with placing equity in tax credit development until this issue is resolved.

Congress has the opportunity to take a very proactive approach in alleviating these insurance issues. We encourage Congress to form a reserve fund to help mitigate insurance risks, write down insurance costs and restore investor confidence the Gulf. Congress should work with states to support the development of flexible pilot initiatives that will become models to help solve this problem, not only in the Gulf but in places where future disasters are likely to occur. In some states, such funds already exist. Congress should study the models for these funds in disaster-prone states and enact federal legislation to support state efforts to overcome these insurance issues.

Additional Policy Recommendations

Enact Affordable Housing Fund Legislation

Solutions in the Gulf demand creativity. Enterprise commends Chairman Frank, Representative Waters and all the members of this Committee who are dedicated to creating new resources for affordable housing through an Affordable Housing Fund. The 109th Congress passed H.R. 1461, the Federal Housing Reform Act. This government-sponsored enterprises reform legislation included an affordable housing fund. For the first two years, those resources would have been dedicated to the Gulf Coast in response to the hurricanes. We urge Congress to enact legislation to create an affordable housing fund with specific targeting to the Gulf Coast. These resources should be used for the production, preservation, and rehabilitation of rental housing for extremely low- and very low-income families, as well as homeownership assistance for families in danger of



foreclosure. The proposed leveraged fund and insurance risk pool detailed above could be implemented as part of an affordable housing fund, ensuring the federal government the most impact for its investment.

Continue to Fund Proven Community Development Programs

Low Income Housing Tax Credits, supplemental CDBG funds with waivers and project-based Section 8 resources have the ability to fund an array of housing recovery activities for all income levels, blend well and are relatively quick to deploy. These resources, along with Section 202 elderly housing resources and Section 4 Capacity Building investments, have not only led the way for revitalization in many of America's cities, but have been vital resources for Gulf recovery and rebuilding activities. Fully funding these critical programs helps to ensure state and local flexibility, but with clear direction and oversight from Congress to meet the needs of low-income renters and homeowners.

Leverage Existing Resources to Preserve Affordability

In conclusion, developers, advocates and Congress must focus on preserving affordability for low and moderate income residents, in healthier, mixed income neighborhoods with opportunities, instead of preserving building structures, many of which have already been lost.

By utilizing and leveraging existing resources – in this case, large allocations of Low Income Housing Tax Credits; Section 8 housing vouchers and project-based assistance; Section 202 elderly housing resources; Section 4 investments; and Community Development Block Grants – we will help to find the best possible ways to preserve and increase housing affordability in the Gulf. In turn, this will help to overcome historic concentration of poverty and to address low-income families' lack of access to jobs, schools, transportation and services.

Congress can ensure that existing federal resources are put to the best possible and most efficient use. Congress can also lead new approaches and support creative innovations that will help the Gulf to rebuild and will help to ensure that there is a comprehensive strategy for overcoming future disasters.

Enterprise stands with the former residents of the Gulf Coast, concerned citizens across this nation and members of this Committee to say that we are committed to responding to what we believe is a moral mandate to create stronger communities free of the injustices laid bare by Katrina. As our founder James Rouse said: What ought to be, can be, with the will to make it so. I thank the Subcommittee for this opportunity to comment and hope that this dialogue will continue. We look forward to working with you to “make it so” – to ensure the best possible outcomes not only for expenditures of public dollars, but for the families whose homes and lives were forever damaged by this disaster, and who will need and count on all our help to return the Gulf Coast to a vibrant, safe and equitable community.