Chapter Three: Transitioning to Permanent Housing

This chapter describes MAHP's shift in focus from temporary installations to the demobilization of units, including the development of permanent housing. It reviews the policy issues encountered and the organizational changes caused by the transition. It also describes the attitudes and reactions of program participants, as well as the communities that were affected by the proposed demobilization activities and the looming March 2009 deadline. Because Mississippi was in the midst of this transition when this case study was written, this account covers only a portion of the permanent housing story. A progress update will be provided in the 2009 interim evaluation report.

Mississippi's proposal included the potential for converting the Cottages from temporary to permanent housing by installing units on permanent foundations. The State also anticipated that a small percentage of Cottages would bypass temporary installation entirely and be sited in permanent housing developments, which MAHP called "community-driven special projects." MAHP anticipated these Cottages would be incorporated into multi-family rental developments.[9]

MAHP also expected that local government and community organizations would be eager to partner on the permanent housing projects. Instead, MAHP experienced a general resistance to the Cottages from local governments and an especially negative reaction to the concept of developing group sites. As a result, MAHP emphasized the temporary nature of the units in the beginning of the program in order to make it clear that MEMA was committed to demobilizing all of the units by March 2009 unless the jurisdictions themselves authorized an alternative approach.

To more actively and publicly pursue permanent housing options at the same time would have undermined that important message. Referring to potential permanent housing developments as "special projects" helped mitigate this dilemma.

Despite the challenges, work on a handful of permanent housing projects did begin early on. For example, MAHP worked with staff from the City of Pascagoula to develop a 100-unit project. However, late in the planning process the Pascagoula City Council refused to support the project. Similarly, MAHP offered Cottages to the Biloxi Housing Authority (BHA) for use on land that BHA already owned, but BHA did not have the funds needed for site and infrastructure improvements. The extent of MAHP's communication and outreach efforts with community organizations in the early months is less well documented than their outreach to local governments. Initial discussions with public or private partners looked promising at the outset, but none were brought to closure.

Organizational Changes

MEMA and PBS&J recognized that new expertise was needed for disposition, permanent housing issues and demobilization. When MEMA drafted the RFP to competitively procure the project management role in 2008, a new emphasis was placed on permanent housing. In response to the RFP, PBS&J added strategic planning and housing development policy expertise to their team by subcontracting with the Hagerty Consulting Group.

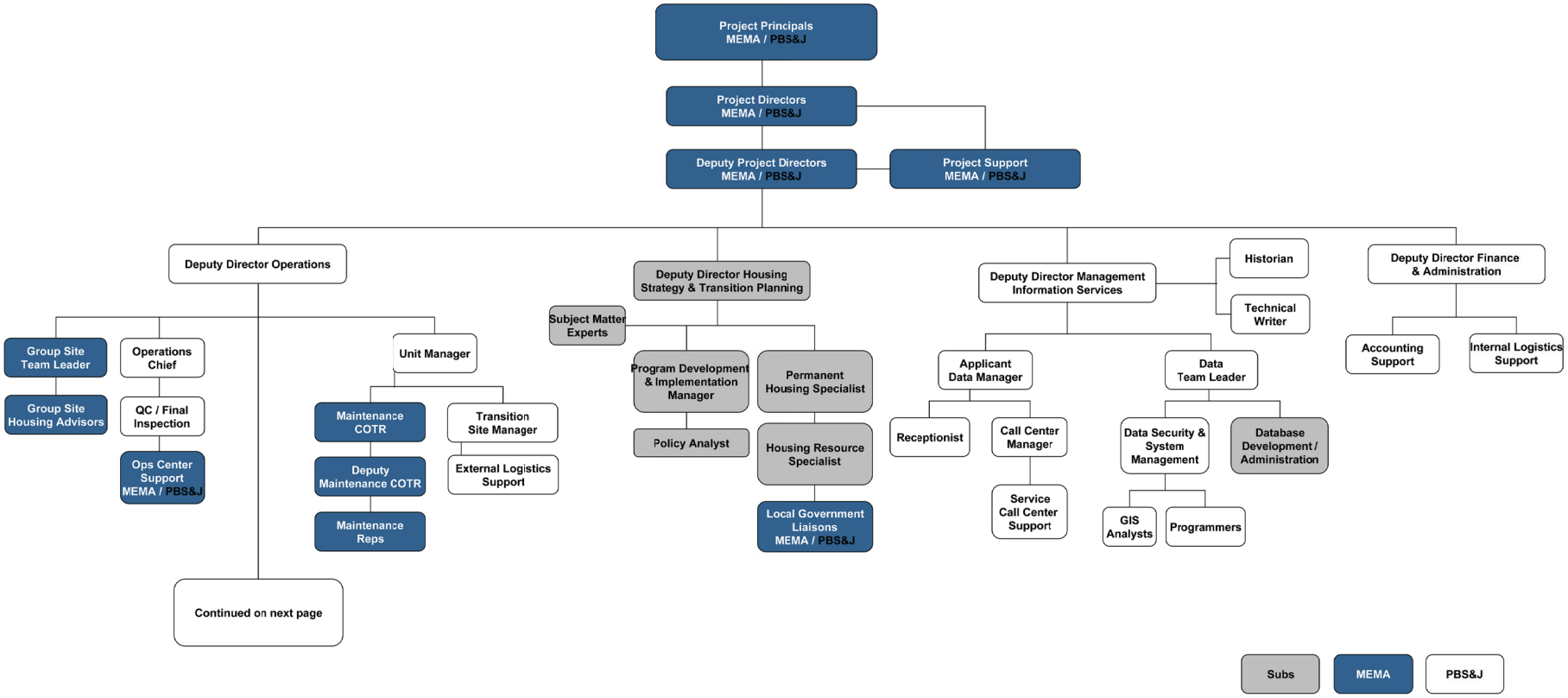
Along with the addition of Hagerty staff, other organizational changes occurred in late 2007 and early 2008. As a result of the shift to permanent installations, a number of PBS&J operations staff were removed from the project as the volume of temporary installations declined. PBS&J management assigned operations staff to other short-term projects to enable them to return to MAHP when demobilization began. This strategy will enable the program to maximize previous training and experience. Unrelated to the shift to permanent housing, MAHP experienced leadership transitions on both the MEMA and PBS&J sides of the organization. Both project directors left the organization and deputy project managers stepped into these roles. Exhibit 3-1 shows the most recent organizational chart (June 2008).

Disposition Planning and Challenges

An Official Start

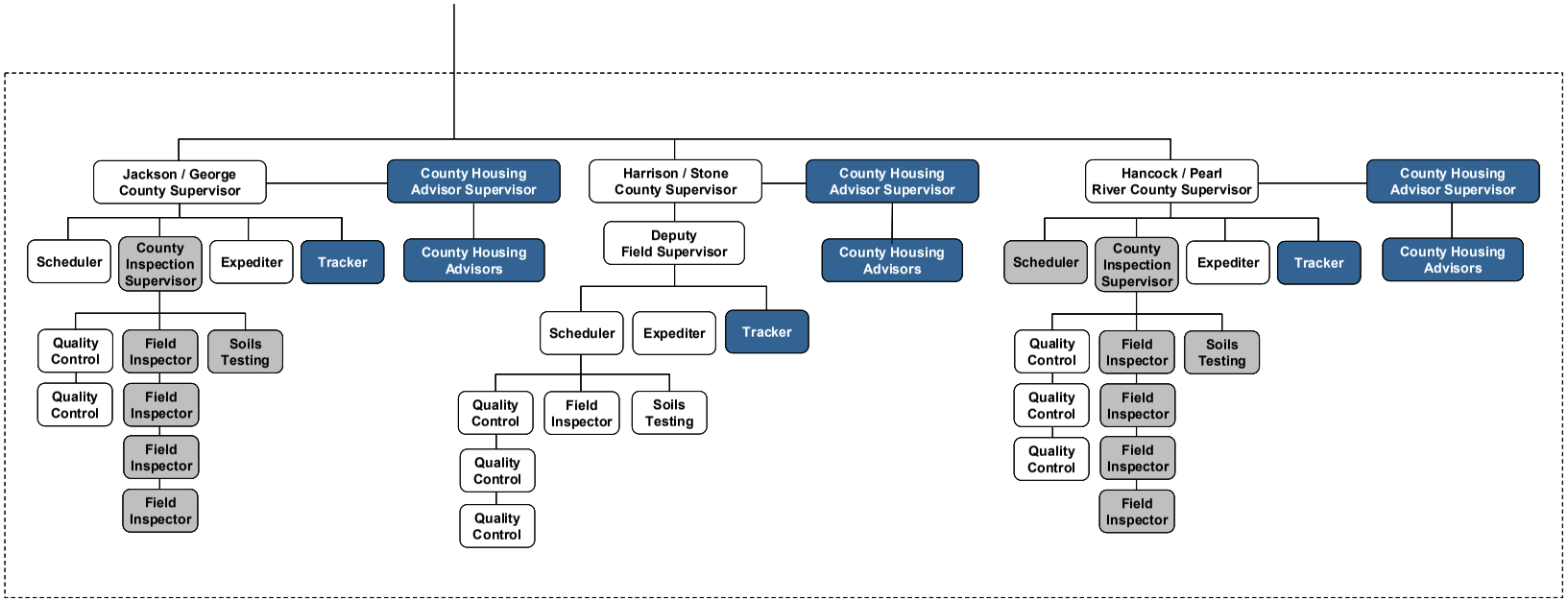
Minimal attention was given to planning for the transition to permanent housing until early 2008. In addition to local government resistance, another reason was that the organizational start-up and temporary housing activities alone were an ambitious undertaking for the first nine months of

Exhibit 3-1: MAHP Organizational Chart June 2008



Updated June 25, 2008

Exhibit 3-1: MAHP Organizational Chart June 2008 (continued)



operations. Mississippi identified April 1, 2008 as the official start of MAHP's permanent housing program, although some planning efforts were underway by January 2008. For example, during the first quarter of 2008, engineering specifications were developed for the permanent foundations on which Mississippi Cottages and Park Models would be placed. Installation design and procedures were two of many issues that had to be revisited with permanent housing in mind. MEMA also worked with the state legislature to amend a statute that allowed MEMA to sell, transfer or lease units to non-profit organizations.

In much the same way as they had done with the temporary program months earlier, MAHP now had to establish disposition policies and procedures for the permanent program including: (1) who was eligible to receive a Cottage, and under what type of ownership or long-term rental arrangement; (2) how the units would be transferred to eligible households or other owners; and (3) how units would have to be installed to receive approval from local governments. New issues arose as well, such as what to do with units that were not destined to become permanent housing and what steps MAHP could take to ensure that some or all of the Cottages continued to be used for affordable housing after the grant period ended.

When PBS&J's new contract began on April 1, the new subcontractor, Hagerty Consulting, began to develop recommendations for permanent housing policies and procedures. Designing this disposition strategy was made more difficult by a lack of reliable and updated information on the MAHP participants. Early in the temporary housing phase, MAHP relied on FEMA data to identify potential participants and only collected additional information if it was required to complete the approval and move-in processes. Once the units were occupied, housing advisors conducted monthly visits and completed a brief survey with each household, but the information collected was limited and was not entered into the MAHP database for analysis.

The largest information gap was that MAHP did not have current income information to determine what types of permanent housing resources participants could afford. This is one of several areas, discussed later in this chapter, in which MEMA's lack of permanent housing expertise and focus on temporary housing was a hindrance to the permanent program.

The Disposition Plan

Before the permanent housing phase began in April 2008, MAHP identified the primary disposition options, but the details of how each option might be implemented were not yet settled. The options available for disposition were to:

1. Sell the units to current occupants for permanent housing.
2. Sell or donate the units to eligible organizations who would establish the units as affordable rentals or assist families to achieve homeownership.
3. Transfer ownership of the units to federal, state or local government entities.

4. Auction the units through the State's normal procurement and disposition process.

The issues and barriers that had to be addressed in order to execute these options are discussed below.

Compliance with Flood Plain Requirements

Permanent placement of units requires compliance with flood plain management requirements. These rules affect both where and how the Cottages can be permanently placed.

V-Zone Restrictions

During the temporary housing phase, approximately 300 Cottages had replaced FEMA trailers in Coastal High Hazard Areas known as Velocity-Zones, commonly called VE or V-Zones. V-Zones are areas where the wave velocity is the greatest and typically include the first row of beachfront properties. MAHP's grant agreement with FEMA prohibits permanent installation of Cottages in these areas. This means that all units placed temporarily in these areas will have to be demobilized. Some of the households living in these Cottages will have finished rebuilding their homes by the March 2009 deadline, but others will have to seek alternative housing or find a suitable site outside the V-Zone on which to place the Cottages.

Elevation Requirements

To obtain flood insurance in flood hazard areas, occupants may be required to elevate units to heights established by the National Flood Insurance Program (NFIP). Some elevation requirements were changed by the federal government as a result of Hurricane Katrina and the specified heights vary substantially along the coast. Because some households had rebuilt before the new requirements were established, some beachfront communities have dwellings elevated to varying heights. Locals call this variation the "fishing camp" look. Exhibit 3-2 shows an elevated home next to a Cottage.

Exhibit 3-2: Elevation requirements vary along the Mississippi Gulf Coast. Elevated home in Waveland, MS; July 2008.

The 2003 International Residential Code (IRC) specifies that the Cottage elevations may not exceed 5'7". In some areas elevation requirements far exceed this limit. Therefore, an additional number of participants may be unable to permanently install their temporary Cottage, even if they own the land.

Cost of the elevations is also a feasibility issue. MAHP has estimated that permanent installations without elevation will cost $20,000 per unit, while installation with elevations up to 5'7" could cost an additional $10,000 per unit. MAHP allocated $15

million of the AHPP funds for permanent installations, which is estimated to be enough to install approximately 500 units. Although the hope is that partner organizations can bring additional funding to the table to cover some of these costs, it is possible that a portion of the cost will need to be passed on to the MAHP participant purchasing the unit. This could make purchasing less feasible for some participants.

Community Approvals for Permanent Housing

Obtaining local jurisdiction approvals for permanent housing is both a technical and a political challenge. Each participant wishing to convert a Cottage to permanent housing has to comply with local zoning and code requirements. For example, units will have to be placed on permanent foundations and the above-ground utility lines that were acceptable for temporary housing will not be permitted long-term. Some units will have to be placed in different locations on the site to meet local "set-back" requirements that were waived for temporary housing. In cases where temporary Cottages sat in front of damaged homes, owners must to decide which unit to keep because in some jurisdictions two structures cannot remain permanently on the same lot.

Despite the fact that the Cottages were built to meet modular housing standards, several jurisdictions have 1,000 square foot minimum requirement for residential units. This requirement alone disqualifies both the Park Model and the Cottages in those jurisdictions. One MAHP partner, Habitat for Humanity Bay Waveland, pursued options for adding on to the Cottages and worked with a manufacturer and MAHP to create specifications. Four prototype units with additions are being constructed in Diamondhead (a small unincorporated area of Hancock County). Two were installed and ready for occupancy by the end of August 2008. Exhibit 3-3 shows Cottages with additions. MAHP and potential partners will use this pilot to demonstrate to other local communities what the units could look like with the addition. As one government representative said, "Mississippi is kind of a 'show me' state where plans and talk only go so far." Several MAHP staff and non-profit partners believe that once permanent options for the Cottage are demonstrated, others in the community will come around.

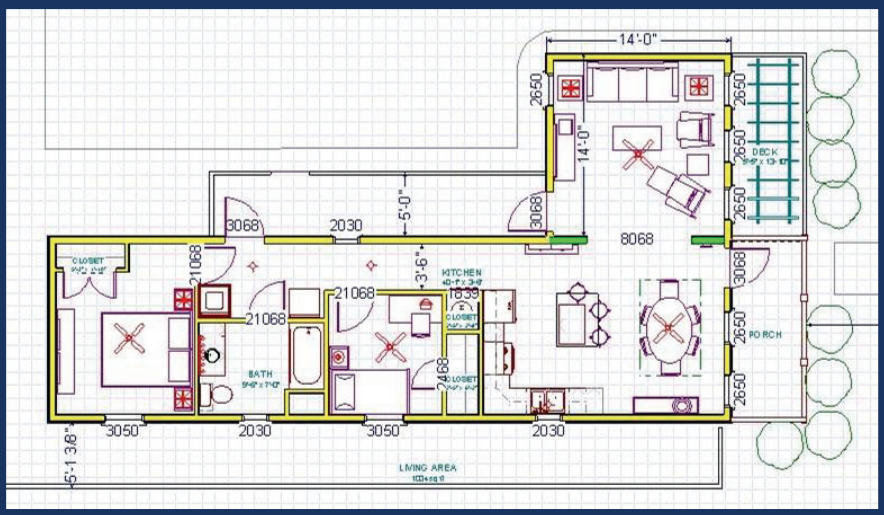
In general, the idea of cottages as permanent housing is less controversial in the three northern counties and more contentious in the coastal counties, particularly in incorporated areas. The northern counties are predominantly unincorporated and have fewer zoning, development and flood hazard restrictions than coastal areas. Given the frustrating experience with the MOU process, MAHP decided to approach Pearl River, George and Stone Counties for approvals on a case-by-case basis. Far fewer Cottages were placed in these areas—only 46 units in Pearl River County, a handful in George County, and none at all in Stone County as of the end of August 2008.

Exhibit 3-3:

Above: Habitat for Humanity of Bay Waveland worked with a manufacturer to design an addition for Cottages and Park Models.

Right: A prototype of an expanded unit.

Below: A floor plan for an expanded cottage.



Among the three coastal counties, permanent placements were approved by unincorporated areas by June 2008. Hancock County approved the units for areas where mobile homes are permitted; Harrison County approved the units in areas zoned for manufactured or modular homes; and Jackson County approved the units for areas where mobile homes and modular housing is allowed.

However, at the time of this case study, some incorporated jurisdictions (Biloxi, Pass

Christian, Gautier) remain adamant that no Cottages be placed permanently, either in future Cottage developments or on private land. Others recognize that the March 2009 deadline is fast approaching and that many of their residents are still seeking permanent housing. These jurisdictions have begun exploring the ways in which the Cottages might be able play a role in solving the general affordable housing crisis that exists along the coast. They are especially open to solutions that would aid elderly or disabled residents and seem to favor small, permanent developments using the Cottages as opposed to allowing citizens to permanently install Cottages on private property. Ocean City and Gulfport have developed concepts for small, permanent group projects using the Cottages.

Decision-making was not easy for community leaders who heard from constituents on both sides of the issue. In at least one area, the opinions of those who had the ear of local officials were persuasive because local representatives did not have first hand knowledge of MAHP and some had not personally seen the inside of a Cottage. Property owners, especially those who had already gone through the emotional and financial expense of rebuilding, feared the Cottages would reduce the value of their properties. Opinions of some local government representatives and community members were based on perceptions of how "deserving" a family might be. Generally, those who were perceived as deserving were low-income elderly or disabled persons, while households without permanent housing plans that included unemployed adults were sometimes perceived as looking for a permanent handout.

On the other hand, community organizations and major employers expressed an urgent need for affordable, workforce housing. One local government official expressed a concern that industries may relocate to other areas where housing is more plentiful if the jurisdictions do not solve the housing problem. This could result in further damage to the economy of the region. At one city council meeting a representative of Northrop Grumman reported that the company could fill as many as a thousand vacant positions if the workers had affordable places to live that were closer to Pascagoula. The local newspaper chastised the City for a lack of attention to the needs of its citizens and largest employer, asking, "How long do [officials] think thousands of Northrop Grumman employees now living in Mobile County [Alabama]—because they cannot find a home in Jackson County—are going to keep making such an expensive commute?"[10]

Based upon their experience with FEMA, some jurisdictions were not convinced that the March 2009 demobilization deadline was real and feared the Cottages would remain permanently by default. Others seemed to be assuming that MAHP would extend the deadline for residents who were not finished rebuilding. One mayor stated that when March 2009 arrived, if some citizens still needed their Cottages, the city would be open to a MEMA request for an extension of the deadline. This idea seemed not to take into consideration MEMA's firm determination not to ask for extensions and to

close down the program by March 31 one way or another.

Both MEMA and the local jurisdictions expressed some concern about what was going to happen at the end of March if residents refused to leave their units. In an attempt to make clear to the jurisdictions just how serious MEMA was about the deadline and to allay jurisdictions' fears about permanency, the Governor suggested that he would "call out the National Guard" if necessary to retrieve the Cottages. Housing advisors also expressed concerns about the deadline and gave examples of households that might resort to violence to keep their Cottages.

> **"You have to remember that we're still dealing with desperate people here."**
>
> **Housing Advisor in July 2008 expressing concerns about the March 2009 demobilization date**

Developing a Viable Homeownership Program

Before the first MAHP unit was temporarily installed, applicants began asking questions about purchasing the Cottages. These inquiries intensified, especially as the March 2009 deadline moved closer and housing advisors reiterated the need to develop permanent housing plans during their monthly visits. MAHP staff report that participants have become increasingly frustrated with the lack of information about a purchase plan. The Advisors, who are greatly invested in resident outcomes, feel some of the same frustration that residents do, noting it is hard for families to plan for permanent housing when they have no idea if they can afford the Cottage. It is also possible that the absence of a purchase plan has stalled participants from exploring other permanent options because they assume they will be able to purchase the unit.

After analyzing available data, MAHP recognized that it needed more information to inform the development of a Cottage purchase program. In June 2008, MAHP undertook a participant survey, called the Permanent Housing Survey, which will include approximately 2,800 responses when it is complete. The survey asked for basic demographic information and included questions about resident interest in purchasing a Cottage, how much they felt they could afford to pay for housing costs (rent or mortgage payment, utilities, insurance and taxes) and whether the occupant had access to a site on which to place the unit permanently. MAHP knew that 63 percent of the temporary units were placed on private sites that participants did not own, sometimes in a friend's or relative's yard or on land available for lease from others. This arrangement makes it likely that many of these sites might not be available or appropriate for permanent housing. The survey was implemented by housing advisors in June 2008 and is expected to be complete in fall 2008.

The preliminary results, including 1,166 pre-disaster homeowners and 636 pre-disaster renters, indicate that 72 percent of owners and 92 percent of renters are interested in purchasing their Cottages. Just over half of the pre-disaster homeowners believe they are

financially prepared to purchase the unit, while only a third of pre-disaster renters feel financially ready for ownership. However, even these more conservative estimates may be unrealistic. About three-quarters of both groups indicated they could afford to pay between $0–$400 per month in mortgage, utilities, taxes and insurance. Based upon MAHP's preliminary assessment that $250–$400 is the threshold for ownership expenses other than purchase price—that is for maintenance, taxes, insurance and utilities—it appears that a significant number of the interested occupants will not be able to afford a Cottage even if it were provided at no cost. Considering the self-described purchasing power of the target audience, the ownership disposition option presents a number of policy and implementation challenges described below.

Affordability and Pricing

MAHP is seeking a pricing strategy that supports the preservation of the Cottages as affordable housing over an extended period. Even if a household can afford the initial purchase price, the ongoing costs of insurance, taxes and utilities could present a burden. MAHP requires anyone who purchases a unit to maintain homeowner/hazard insurance on the unit and, if required, flood insurance. As a result, MAHP is considering an income-based pricing structure that also considers unit condition. A standard exception was also added to make the units more affordable for elderly and disabled households. The proposed, draft pricing structure is displayed in Exhibit 3-4.

Financing

MAHP is anticipating that participants with low incomes and those with poor credit scores

Exhibit 3-4 Draft Pricing Structure for Cottages

Percent of Median Household Income ($34,473)	Affordability Discount	Price of New Park Model	Price of New 2-Bedroom Mississippi Cottage	Price of New 3-Bedroom Mississippi Cottage
200% +	0%	$12,347	$22,699	$26,191
115% - 200%	35%	$8,026	$14,754	$17,024
80% - 115%	50%	$6,174	$11,350	$13,096
50% - 80%	75%	$3,087	$5,675	$6,548
At or below 50% (or disabled or senior citizen)	95%	$617	$1,135	$1,310

will find it challenging to secure financing because both mobile home and traditional mortgages lenders require acceptable credit scores. In addition, lenders may have minimum required loan amounts for their existing products and be uninterested in changing policies for the relatively small purchase amounts anticipated.

In July 2008, MAHP convened a lender forum to explain the program to area banks, lenders and brokers and to get feedback on potential barriers. The lenders indicated they would be willing to finance units installed on permanent foundations and suggested that MEMA have the Cottage appraised to determine the unit value. They also gave suggestions for notifying participants about the purchase program and encouraging them to begin preparing for ownership. Lenders noted that helping households under $25,000 in annual income achieve ownership will be difficult. One lender described a promising loan product that finances site preparation, infrastructure and installation on a permanent foundation in addition to the housing unit itself.

An additional issue that makes financing even more complex is the distinction between real and personal property under State guidelines for mobile and manufactured housing. Whether mobile homes are considered personal property or real property is generally a matter of State law, and, in Mississippi, an owner has the option of classifying a mobile home as real or personal property upon registration. Manufactured housing that is permanently affixed to land is generally considered real property. It appears that the Cottages could be considered in either category. They arrived on wheels and initially were installed in a manner similar to a mobile home, but they meet IRC standards and can be affixed to a permanent foundation.

Each option offers advantages and disadvantages. If the Cottages are considered real property, traditional mortgage lending products can be used. If the Cottages are considered personal property, traditional mortgage instruments could not be used for such sales and typical personal property instruments (such as those used for mobile homes) would need to be used. Considering the Cottages as real property would result in higher closing costs than a personal property transaction. In addition, if Cottages are sold as real property, the owner pays annual property taxes, a possible disincentive for program participants, but a possible selling point for local jurisdictions. (However, several government representatives made it clear that their preference is for residents to build larger, and in their view higher quality, units that would generate more property tax revenue than the Cottages.)

Over time this classification may also affect the value of the Cottage. Typically, well maintained real estate retains its value and sometimes appreciates. Rapid depreciation is the norm for personal property. It is not clear whether the Cottages will appreciate or depreciate in value over time, but some MAHP staff and local government officials suggested that it is conceivable that a properly installed Cottage with an expected lifespan of 30 years could appreciate.

Applicant Communication and Counseling

MAHP recognizes that participants will require financial and homeownership counseling beyond what the housing advisors are able to provide. PBS&J's re-bid proposal for program management included Enterprise Corporation of the Delta (ECD), a non-profit subcontractor to be responsible for facilitating MAHP participants' transitions to permanent housing, particularly with respect to homeownership and financial counseling. However, ECD and PBS&J could not agree on contract terms and ECD decided not to participate in the program.

In early August 2008, PBS&J began negotiating a partnership with International Relief and Development's (IRD) Gulf Coast Community Service Center to provide financial and homeownership counseling for MAHP participants interested in ownership. IRD has been providing emergency relief and long-term recovery services along the Mississippi coast since the 2005 storms and had a presence in the region before Katrina. The organization has a resource center in each county, offers lending products and has an online housing counselor program. PBS&J's project manager said that, in retrospect, they should have been better informed about available local resources such as Gulf Coast Housing Resource Centers at the time of the re-bid.

The expected timeline for Cottage purchases is also an issue. For many families, preparation for homeownership can be a lengthy process. Some need months or even years to repair credit, collect savings and find workable financing. The March 2009 deadline will not be compatible with the needs of such families.

Donation or Sale to Third Party for Affordable Housing Development

Donating new and refurbished Cottages to non-profit housing and development organizations may offer a way to maintain affordable rental housing or create additional homeownership opportunities along the coast. A renewed interest in acquiring Cottages among community organizations surfaced in the beginning of 2008. This interest was likely encouraged by the Mississippi Development Authority's reallocation of $241 million in Community Development Block Grant funding from the Homeowner Assistance Grant Program to the Long Term Workforce Housing Program (LTWHP). The first round of funding was announced in September 2007, a second in April 2008 and a third round is expected in fall 2008. Defined as housing benefiting households with incomes at or below 120 percent of the Area Median Income, the LTWHP is designed to provide grants and loans to local government, and non-profit and for-profit organizations to help develop long-term affordable housing.

In July 2008, MAHP initiated a Letter of Interest (LOI) application process for community organizations that are ready to propose specific projects. The LOI will act as a starting point for negotiations between MAHP and the organizations. Prior to this formal process, MAHP, MEMA and the Governor's Office committed Cottages and MAHP installation funding to two organizations that expressed early interest in the units. Just over

200 new Cottages were committed to the two partners. Other partners will receive remaining new Cottages and refurbished Cottages as they are demobilized.

The donation and sale options to non-profits raise three related policy concerns discussed below.

Planning for Permanent Developments

Until IRD begins providing financial and homeownership counseling, it will be unclear how many households who want to purchase their unit are actually able to do so, and, therefore, how many and what type of units will be available to partners for permanent developments. Moreover, MAHP is unable to provide anything more than an estimated timeline for when the partners may receive refurbished units—mostly likely November 2008 to March 2009—since the volume and pace of demobilization is unknown. These constraints make it difficult for partners to plan and suggest that MAHP will need to work very closely with prospective organizations.

Sustainability of the Cottages as Affordable Housing

MAHP will monitor the Cottages to ensure they are used for affordable housing purposes and that the uses conform to the MAHP grant agreement until the end of the AHPP grant in 2011. MAHP is investigating options for sustaining affordability past the grant term, including restrictions in formal agreements with community organizations and requirements for deed or title restrictions.

Minimizing Profiteering

Several of the non-profit organizations that have expressed interest in the Cottages have partnered with private, for-profit organizations to access development capacity and leverage funding. MAHP wants to put mechanisms in place to prevent excessive profits to for-profit entities once the MAHP grant closes out in 2011. MAHP also intends to ensure that donation policies address limits on how the nonprofits can use Cottages and the terms under which they could be sold after the grant expires.

Transfer to Government

Transferring the Cottages to another federal, state or local government is not a preferred option for MAHP, unless the transfer is for a permanent housing activity or immediate use in another disaster area. It would be possible for a government entity to store units to be used as temporary housing for the next disaster, but, to date, this option has not received much interest.

Sale at Auction

Although possibly the easiest solution to implement, selling the Cottages at auction is the least desirable disposition approach because it is unlikely to result in an increase in the availability of affordable housing. Several MAHP staff said that a widespread sale of Cottages for guest houses, hunting cabins or other secondary uses would be the worst possible outcome of the permanent housing phase. At the same time, the quality of the Cottages has generated great interest in

these uses among MAHP participants who are rebuilding homes and other coastal residents. MAHP will auction units that are in poor condition and units that do not become permanent housing at the end of the program in "as is" condition. It is unclear how many units will be returned in poor condition or otherwise sold at auction, but MAHP is anticipating a small number.

Exhibit 3-5: A Cottage in a mobile home park in Gautier, July 2008. MAHP has placed 323 Cottages in commercial mobile home parks. MRHA will take ownership of these units on a rolling basis through 2009 and pair them with Housing Choice Vouchers for income-eligible families.

Progress on Special Projects and Disposition Activities

MAHP has had some success in moving permanent housing projects forward. Interest and planning for such projects rapidly accelerated in April 2008. This section offers a description of potential partnerships, as well as projects already under development.

Mississippi Regional Housing Authority

One of MAHP's most promising partners is the Mississippi Regional Housing Authority (MRHA). MHRA manages 1,200 public housing units and 5,672 Housing Choice Vouchers (HCV) in Mississippi's 14 southern counties. Katrina's devastating impact on the availability of affordable rental stock made it impossible for MRHA to use its full HCV budget authority. After the storms, Congress allowed Gulf Coast public housing authorities to use excess HCV budget authority for other housing related projects. MRHA contributed a large portion of the excess to Low-Income Housing Tax Credit development activities that the organization undertook to build new affordable housing in the region.

In December 2007, HCV funds previously obligated by MRHA to other housing authorities were freed-up. (Under voucher portability procedures families may be assisted in another jurisdiction. The PHA at the "receiving" jurisdiction can bill MRHA for the amount of the subsidy. December was MRHA's deadline for fulfilling these outstanding obligations.) This change enabled MHRA to partner more actively with MAHP. The partnership could be beneficial for both parties since MAHP has units and a supply of low-income tenants and MRHA has rental subsidies that could not otherwise be used because of the shortage of rental housing.

MAHP and MRHA are partnering on three permanent housing efforts to date. First, MAHP is transitioning all 323 Mississippi Cottages in commercial mobile home parks to the South Mississippi Development Corporation (SMDC), a nonprofit subsidiary of MRHA. SMDC will own the units and lease the pads from park owners. Exhibit 3-5 shows a Cottage sited in a mobile home park.

MRHA will offer Housing Choice Vouchers to current commercial park occupants who are eligible for the program. When vacancies occur, SMDC will offer the units first to other MAHP participants and then to other low-income households. MAHP staff is helping participants living in commercial parks to apply for the Housing Choice Voucher program. Those who are not eligible or are not interested in participating in the program can remain in their current unit and will be charged market rent when their MAHP lease expires in 2009.

MRHA has also proposed three new permanent developments using 227 new and refurbished Cottages. MAHP has agreed to provide $4.4 million in installation and infrastructure funding for the developments, which SMDC will own and manage as rental housing. The units will be available to families that have Housing Choice Vouchers and also to market-rate renters. Two developments will be located in unincorporated areas of Harrison County; the third will be a 27-unit senior village in Gulfport.

Lastly, MRHA (through SMDC) has offered to take ownership of and manage the 80 units of Eco Cottages that are expected to be sited in Picayune, Mississippi. An architecture firm was hired in December 2007 to complete the technical design for the Eco Cottage. Revisions to the floor plan to make the units more cost effective to construct were underway as of August 2008. Paralleling the design process, MAHP identified a suitable parcel on which to place a community of 80 Eco Cottages in Picayune. A long-term lease was signed with the owner of the property, and the project is moving its way through the county approval process.

Other Partnerships

Habitat for Humanity Bay Waveland is currently installing four prototype Cottages with additions in Diamondhead (Hancock County). The first two units were completed in preparation for the third anniversary of Katrina. For these units, the organization worked with Lexington Homes, one of the Cottage manufacturers, to design an addition to be used with MAHP Cottages. Exhibit 3-3 shows a completed Cottage with an addition and a floor plan for the unit. The organization also received the jurisdiction's approval for 40 units of infill development using Cottages with the expanded square footage.

In July 2008, the City Council of Pascagoula agreed to negotiate with MAHP for three permanent Cottage installations. The city approved: (1) the installation of 6-8 Cottages to be used as housing for two years and then as commercial space for small shops; (2) five cottages with expanded square footage to be owned by Habitat for Humanity Mississippi Gulf Coast and sited on infill lots within the city, and (3) 15 Cottages with expanded square footage developed by the Gulf Coast Community Foundation.

Enterprise Community Partners will develop the Ocean Springs Cottage Village, which will be a mixed-used development containing 8 Park Models.

The Renaissance Development Corporation requested 40 units for a Cottage development in

Hancock County. The units will include additional square footage. Overall, Renaissance hopes to provide permanent placements for all 200 to 300 Cottages that are temporarily installed in V-Zones.

MAHP's disposition program is now taking shape. It is too soon to tell how successful interested MAHP participants will be at purchasing their units for permanent housing or how well the partnerships with local governments and nonprofits will meet the needs of low-income renters and special populations. An update on these issues will be presented in future reports. Chapter Four reviews building sciences assessments to date, while additional observations about the permanent program and lessons learned are discussed in Chapter Five.