

# HUD, Barbour Under Fire for Diverting Money from Poor

by Adam Lynch  
December 11, 2008

Mississippi organizations are suing the U.S. Department of Housing and Urban Development for allowing Gov. Haley Barbour to divert nearly \$600 million in federal funding away from affordable housing recovery after Hurricanes Katrina and Rita and into a pet port project that Congress had refused earlier to fund with controversial earmarked money.



JARO VACEK/FILE PHOTO

The Mississippi Conference of the NAACP and the Gulf Coast Fair Housing Center are taking HUD to task for allowing Mississippi Gov. Haley Barbour to divert almost \$600 million in money slated for the construction of moderately priced housing and rental units for a commercial port expansion project. Plaintiffs seek a declaration that HUD Secretary Steven C. Preston “was required to review and assess” whether or not the state’s port expansion proposal met FHA guidelines and Community Development Block Grant’s low-to-moderate income benefit requirements. They also seek a declaration that the HUD secretary violated his duties in approving the port plan and an injunction stopping the \$570 million heading to the ports.

“Mississippi was required to demonstrate and certify ... that the funds would be used to affirmatively further CDBG’s fair housing mandate, and that at least 50 percent of the grant money would be used for activities that benefit low-to-moderate income households,” the suit claims.

Congress appropriated \$5.481 billion in emergency recovery funds to Mississippi in the wake of Hurricanes Katrina and Rita. The suit claims HUD acknowledged at the time that the primary purpose of the \$5 billion was to address critical housing needs, not commercial development.

Fifty percent of the money was slated for 50 low- and moderate-income housing, but the suit claims HUD ultimately approved waivers of the requirement to the point where Barbour and the Mississippi Development Authority was allowed to drop the state’s commitment to lower-income households from 50 percent to 13 percent, despite median households catching the brunt of the storm. Sixty-five percent of decimated properties in the coastal counties of Harrison, Hancock and Jackson that suffered storm-surge damage were medium- to low-income units, and 57 percent of units suffering flood damage in those areas were below the U.S. median household income level.

NAACP President Derrick Johnson pointed out that the hurricane damage was unfairly distributed along racial lines, because blacks and Latinos were much more likely to occupy the homes below the U.S. median household income level.

“Though the storm did not intentionally discriminate, the damage did reveal the impact of decades-long discrimination against poor, African American people who were already living in substandard housing,” Johnson said in a statement. “For the first time in our state’s history, we have the resources to right this wrong. It is a matter of priorities. Now is not the time to pull the carpet back over the ugly stain of segregation.”

Congress appropriated the \$5 billion in CDBG grant money for Mississippi the year Katrina struck in 2005. In 2006 it gave the state another \$400 million. But Barbour and Mississippi Sens. Trent Lott and Thad Cochran were pushing other projects in 2006. Barbour was gunning for big congressional money to expand the port, and worked in tandem with the Republican senators to move the CSX railroad further inland. Estimates put the railroad project at about \$750 million, and—in the wake of Republican Alaska Ted Steven’s infamous “Bridge to Nowhere” battle in the 2006 National Appropriations Bill—Congress began cutting sensational appropriations. Barbour’s railroad and port consequently bit the dust.

In 2007, Barbour conceived the idea of salvaging the port expansion by diverting the \$600 million from housing on the Gulf Coast.

Mississippi Center for Justice Attorney Reilly Morse said Barbour and the Mississippi Development Authority, a state agency that is a surrogate of the governor, essentially “wrote a check to itself.”

“The MDA functions as oversight. It’s a state-owned entity. The state port is a state-owned enterprise and MDA is, in a way, writing a check to itself, writing a check to an organization that it oversees. ... So the state is building itself back four times bigger and better than before while whole groups of people are getting zero; if you were wind-damaged and a homeowner, you get nothing. If you’re a renter, you have to depend on landlords to rebuild, and landlords have to go through an excruciating process to rebuild, and that’s going very, very slow.”

HUD has not returned calls for response, and has declined comment on pending litigation to other news organizations. The agency did refer MSNBC reporters to a January 2008 letter to Barbour from former HUD Secretary Alphonso Jackson, saying the agency’s hands were tied in approving the \$600 million diversion.

“The Congressional language associated with these CDBG funds allows me little discretion and, therefore, the Mississippi Development Authority may reprogram the \$600 million originally intended for the Homeowners Assistance Program to be used for the Port Restoration program,” Jackson wrote.

The letter, however, addressed the governor’s decision to appropriate an extra \$100 million to housing, with Jackson saying he applauded the move because of anxiety he felt over the original \$600 million diversion:

“Although economic development is important and the port expansion will create jobs and serve as a

significant regional economic driver, I remain concerned that this expansion does indeed divert emergency federal funding from other more pressing recovery needs, most notably affordable housing,” Jackson wrote. “To that end, I was pleased to learn that just last week you announced an additional \$100 million to the reprogrammed to address the critical housing needs of low-and moderate-income households in the Gulf region of Mississippi.

[PDF: HUD Complaint as filed \(1.4 MB\)](#)

© Jackson Free Press, Inc.