

LOUISIANA RECOVERY AUTHORITY

Reallocation of Unallocated Funds from the Small Rental Program to the Soft Second Loan Program Recommendation Approval

July 30, 2008

OVERVIEW: A resolution to request the Louisiana Recovery Authority Board for approval of Amendment No. 24 to Action Plan No. 1 to reallocate \$75 million of Community Development Block Grant (CDBG) funds from unallocated Small Rental Program funds to the Soft Second Loan Program to promote homeownership and to expand housing opportunities for existing low and moderate income renter households, using the supply of Louisiana Land Trust (LLT) Properties.

Whereas, the State is committed to promoting homeownership opportunities for low and moderate income households;

Whereas, to assist additional homebuyers, the State will develop its own pilot program(s) to provide incentives, not only to encourage the return of damaged properties, but also incentivize the conversion of these properties to owner-occupied housing;

Whereas, by targeting financial support to the redevelopment of LLT properties selected by the local governments, this program will also promote neighborhood revitalization in critical areas throughout the Louisiana Gulf Coast;

Whereas, funding for this initiative will be subject to the guiding principles of the Small Rental Program detailed as follows:

1. All funding will be restricted to one to four unit properties;
2. All funds will be restricted to restoring property that received severe or major damage through Hurricanes Rita or Katrina;
3. All funding will be limited to the 13 parishes suffering the most severe damage to their rental housing stocks;
4. Further, this funding will be subject to the requirement that all Small Rental funds be allocated amongst eligible Parishes according to the amount of rental housing damage each Parish suffered; and
5. All program beneficiaries must earn less than 80% of the area median income.

Whereas, parish government officials will be asked to select a pool of LLT parcels to be targeted for re-development as first time homebuyer properties. These properties will be grouped together in clusters whenever possible in order to take advantage of economies of scale and to ensure that their development will have a significant positive impact on the area;

Whereas, the selected properties and commitments for any necessary CDBG subsidies will be offered through a competitive process to qualified developers, including nonprofit

and for-profit organizations, that are able to provide a finished property that meets the Program's quality standards and is affordable to the pool of income eligible buyers;

Whereas, upon completion the properties will be sold at a "market price" set at the full cost of development, but the actual cost to the qualified first time homebuyers will be significantly less. The difference – or gap – will be provided in the form of a no interest, "soft second" mortgage to the purchaser;

Whereas, the amount of the "soft second" loan will be scaled to ensure that the actual cost of purchasing the property is affordable to eligible buyers taking into consideration prevailing interest rates, construction and operating costs, and industry standards for affordability, such as 30% of income for housing costs;

Whereas, this "soft second" loan will be forgiven over time for the period the purchaser remains in the home. However, the program will be structured to provide recapture of benefits in the event of sale;

Whereas, this Action Plan Amendment No. 24 to Action Plan No. 1 was drafted and published for public comment on June 3, 2008;

Whereas, the Louisiana Recovery Authority recommends that \$75 million of Community Development Block Grant (CDBG) funds be reallocated from unallocated Small Rental Program funds to the Soft Second Loan Program.

THEREFORE BE IT RESOLVED: that the Louisiana Recovery Authority Board does hereby approve Amendment No. 24 to Action Plan No. 1 to reallocate \$75 million of Community Development Block Grant (CDBG) funds from unallocated Small Rental Program funds to the Soft Second Loan Program to promote homeownership and to expand housing opportunities for existing low and moderate income renter households, using the supply of Louisiana Land Trust (LLT) Properties.

THEREFORE BE IT FURTHER RESOLVED: that the Louisiana Recovery Authority Board does hereby recommend that Amendment No. 24 to Action Plan No. 1 be sent to the Governor and the Louisiana Legislature for approval.