

LOUISIANA RECOVERY AUTHORITY

Preliminary Approval to develop an Action Plan Amendment for the Reallocation of funds for a Homeownership Development Program

December 11, 2007

OVERVIEW: A resolution to request the Louisiana Recovery Authority (LRA) Board direct LRA and OCD staff to develop and publish for public comment an Action Plan Amendment to reallocate funds for a Community Development Block Grant (CDBG) funds for a Homeownership Development Program.

Whereas, the Road Home program is expected to acquire as many as 15,000 properties from homeowners who are choosing to relocate rather than rebuild;

Whereas, these properties become the responsibility of the Louisiana Land Trust (formerly the Road Home Corporation) and the cost for maintenance, security, and insurance will be born by state or local government until they are reintroduced into the marketplace;

Whereas, assistance for families seeking to become homeowners can produce advantages for property redevelopment, for government costs for property maintenance and security, and to accelerate the neighborhood rebuilding process;

Whereas, the market for property disposition and redevelopment will be limited to market rate housing development without additional targeted assistance designed to help reduce purchase costs for homeowners, especially those earning below 120% of the Area Median Income;

Whereas, the available single family housing stock in some of the most severely impacted parishes will far exceed demand at the current market prices for many months to come;

Whereas, other communities around the country have pioneered the use of soft second mortgages in property redevelopment in areas of significant blight or abandonment;

Whereas, disbursement of funds is intended to assist with parish disposal of bought-out properties from the Road Home program, and the formula for allocating these funds should reflect the percentages of buyouts by parish;

Whereas, funds can be made available from existing rental programs to be used as a soft second loan to help low to middle income families who rent their homes achieve homeownership through the redevelopment of Road Home acquired properties;

Whereas, the Road Home rental programs have similar goals to serving renters who are trying to get back into housing, and also helps those families build personal equity and better financial stability;

Whereas, the target level of funding may be as high as \$75 million for the creation of the Homeownership Development Program;

Whereas, acquiring property is currently economically out of reach for many low to moderate income families; and

Whereas, the loan would serve to encourage homeownership, prevent blight by assisting with the redevelopment of Road Home properties, and provide a path to building equity for low to moderate income families.

THEREFORE BE IT RESOLVED: that the LRA Board hereby directs LRA and OCD staff to develop and publish for public comment an Action Plan Amendment to reallocate \$35 million in Community Development Block Grant (CDBG) funds from the Piggyback Program. After final approval of this Action Plan Amendment by the LRA at a subsequent board meeting, it would be forwarded to the Governor and Louisiana Legislature for their approval, before submission to the federal Department of Housing and Urban Development (HUD).

LET IT BE FURTHER RESOLVED: that the LRA Board requests that the LRA Housing Task Force meet to consider the soft second mortgage proposal and discussion possible recommendations of funding amounts and sources of funds for the Homeownership Development Program, in advance of the publication of an Action Plan Amendment for public comment.