



Addressing the Challenges of
Recovery & Rebuilding
from Hurricanes Katrina & Rita

The Road Home Housing Programs
March 5, 2006



LRA Strategy For Rebuilding

Pursue levee and coastal protection initiatives that maximize security in the quickest, most cost-effective manner

Abide by new state building code and FEMA base flood advisory elevations

Help communities identify and prioritize areas for investment and reconstruction through long-term community planning

Prioritize mixed-income, mixed-use communities that encourage ownership

Pursue policies to attract private sector investment

Rebuild public buildings and infrastructure in secure areas using appropriate mitigation measures

Prioritize mitigation funding and other state resources to help communities rebuild where and how they can do so safely

Rebuild a strong and prosperous economy that provides sufficient jobs and restores economic growth to the region

Strategy for
using
resources to
build back
safer,
stronger, and
smarter
communities
that are true
to the local
aspirations



State and LRA Have 6 Objectives

- Prioritize rebuilding in Louisiana communities in a way that ensures a safer and smarter recovery
- Get people back in their homes in a way that protects their equity ... home ownership is important
- Program criteria apply uniformly to all Louisiana homeowners.
- Local authorities should determine the safety of each neighborhood and community and pursue hazard mitigation to reduce risk
- Rebuild according to new state building codes and FEMA base flood advisory elevations
- Provide leadership and administration to ensure resources are used in most effective and efficient manner possible

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Proposal: *The Road Home* Housing Program

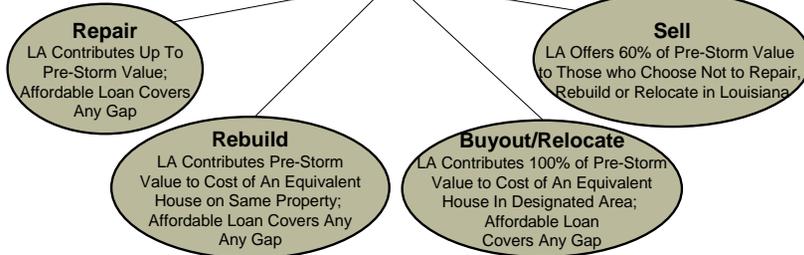
- **The Governor would like this to be the beginning of a public discussion about a statewide housing program.**
- **This program design is contingent on getting the additional \$4.2 billion in CDBG funding.**
- **Local input is critical to the development of a program that is equitable and affordable, given the importance of rebuilding safely and the many constraints our communities face.**
- **If the total loss calculations are greater than the available funds, a pro-rata reduction will be applied.**
- **What follows is a PRELIMINARY concept for public review and comment.**

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The Road Home Housing Program

Options for Dealing With a Damaged Home



In all cases, assistance will be capped at \$150,000, and will be decreased by insurance and FEMA repair aid. The assistance (based on total needs) will further be reduced 30% if the original property was in the floodplain and had no flood insurance



The Road Home Assistance

Repair - Homes that need repair/mitigation. Louisiana contributes up to pre-storm value; affordable loan covers any gaps

Rebuild - Homes that can't be repaired, but can be safely rebuilt. Louisiana contributes up to pre-storm value for equivalent home; affordable loan covers any gaps

Buyout/Relocate - Owner chooses to sell an existing property to rebuild or relocate elsewhere in a designated area. Louisiana contributes 100% pre-storm value for equivalent home; affordable loan covers any gaps.

Sell - Louisiana offers 60% of pre-storm value to those who Choose not to Repair, Rebuild or Relocate in Louisiana



Cost and payment principles

- Assistance is capped at \$150,000
- Homeowners without flood insurance who were in the floodplain will face a 30 percent penalty on funding cap
- Insurance and FEMA payments received for repairs will be counted against the calculation of total needs
- All programs are assignable on transfer of a free and clear title to a new owner after program inception date
- All money will be invested in Louisiana
- Homes had major or severe damage that was uninsured/uncompensated
- Cost-effective mitigation costs (elevations, hurricane shutters, etc) are allowable under the program cap
- Affordable loan packages will be incorporated into assistance

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Repair

Qualifying properties:

- Were owner occupied at the time of the storm
- Had major or severe damage that was uninsured/uncompensated
- Repair costs must be less than cost of replacing home
- Historic preservation given special consideration

Assistance:

- Up to \$150,000 for repairs
- A grant equal to the cost of the repairs or the owner's pre-storm home value, whichever is less
- Affordable loan packages will be provided for needs above the grant amount up to the program cap

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Rebuild

Qualifying properties:

- Were owner occupied at the time of the storm
- Had major or severe damage that was uninsured/uncompensated
- Home cannot be repaired cost-effectively

Assistance:

- Up to \$150,000 for replacement
- A grant equal to the cost of the replacement or the owner's pre-storm value, whichever is less
- Affordable loan packages will be provided for needs above the grant amount up to the program cap

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Buyout/Relocate

Qualifying properties:

- Were owner occupied at the time of the storm
- Had major or severe damage that was uninsured/uncompensated
- Homeowner chooses not to repair or replace
- Must be cost-effective

Assistance:

- Up to \$150,000 for relocation in designated area
- A grant equal to the cost of the new home or the owner's pre-storm value, whichever is less
- Affordable loan packages will be provided for needs above the grant amount up to the program cap
- Assistance is capped at estimated repair cost if repairs are feasible

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Sell

Qualifying properties:

- Were owner occupied at the time of the storm
- Had major or severe damage that was uninsured/uncompensated

Assistance:

- Louisiana offers 60% of pre-storm value not to exceed \$150,000 to those who choose not to repair, rebuild, or relocate in Louisiana

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Cost and payment principles

- Assistance is capped at \$150,000
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- All money will be invested in Louisiana
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The Road Home Funding Requirements

- Program is designed to meet projected housing needs with available resources, including the \$4.2 billion in funds proposed by the President last week.
- Total program costs projected to be \$7 - 7.5 billion
- *The Road Home* has been modeled based on current information about housing needs and the projected cost of the program design
- Actual costs can only be determined through experience, and since resources are limited, funding will be utilized until exhausted

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Formula

Eligible Basis = Either: a) Rebuilding Costs + Mitigation Costs – Insurance – FEMA Repair Payments, Or b) \$150K, Whichever Is Less

Penalty For No Flood Insurance = 30% (of grant amount before penalties)

Grant = (Amount Of Pre-Storm Value – Insurance – FEMA repair payments) x (100% – Any Penalty For No Insurance)

Affordable Loan Package = Eligible Basis – Grant

Total Assistance = Grant + Affordable Loan Package

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Older Adult on Fixed Income

House in the flood plain must be replaced
 Existing Home Value=\$50,000
 No mortgage
 Income= \$15,000/yr
 FEMA payment=\$10,500

Insurance = None

New \$100,000 home:

\$10,500 FEMA payment
 \$27,650 Grant
 \$61,850 Affordable loan package

Insurance=\$20,000

New \$100,000 home:

\$20,000 Insurance payment
 \$10,500 FEMA payment
 \$19,500 Grant
 \$50,000 Affordable loan package

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Fireman's Family

House outside the floodplain must be replaced
 Existing Home Value = \$100,000
 Existing Mortgage = \$60,000
 Income = \$35,000
 FEMA payment = \$10,500

Insurance = none

New \$120,000 home:

\$10,500 FEMA payment
 \$89,500 Grant
 \$20,000 Affordable loan
 (\$60,000 Existing mortgage)

Insurance=\$60,000

New \$120,000 home:

\$60,000 Insurance payment
 \$10,500 FEMA payment
 \$29,500 Grant
 \$20,000 Affordable loan
 (\$60,000 Existing mortgage)

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Corporate Executive Family

House in the flood plain needs
\$170,000 repairs
Existing Home Value=\$250,000
Existing Mortgage=\$150,000
Income= \$125,000
FEMA payment=\$10,500

Flood
Insurance=none

Case unlikely to exist because
mortgage would typically
require flood insurance through
escrow

Insurance=\$150,000

Repair home for \$170,000:

\$150,000 Insurance payment
\$10,500 FEMA payment
\$9,500 Grant
(\$150,000 Existing mortgage
retained)