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Louisiana Recovery Authority

Preliminary Proposal

The Road Home Housing Programs

Program Descriptions

March 16, 2006

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1. Introduction

Hurricane Katrina hit the state of Louisiana on August 29, 2005, and Rita slammed into the state on September 24, 2005. They were the second and third Category 5 hurricanes of the 2005 hurricane season. The storms were deadly and costly to communities throughout the Gulf and particularly destructive to Louisiana. More than 1,100 persons lost their lives in Louisiana; approximately 18,000 businesses were destroyed; roads, schools, public facilities, medical services were washed away; and thousands of people were forced to relocate.

In the wake of the storms an unprecedented number of homes were destroyed or severely damaged.

- 122,000 homes were destroyed or suffered major damage.
- 84,000 rental properties were destroyed or suffered major damaged.
- Repair costs are estimated at \$32 billion. Some, but not all, of this was insured.
- Of the rental and owner occupied units that are now uninhabitable, a substantial portion were occupied by low income households.

HR 2863, provided \$11.5 billion to the states of Mississippi, Louisiana, Alabama, Florida and Texas through the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) Program. Of the funds appropriated Louisiana received \$6.2 billion. An additional \$4.2 billion in resources are pending appropriation by Congress. The CDBG funds are available to the state subject to HUD's approval of Action Plans which describe how the funds will be used. The Louisiana Recovery Authority has been charged by the Governor and Louisiana Legislature with statutory responsibility for recommending policy and Action Plans for the Community Development Block Grant funds provided by Congress in response to Hurricanes Katrina and Rita. The Louisiana Office of Community Development, the agency that runs the state's regular CDBG Program, will administer the CDBG recovery program.

The State proposes three sets of programs for the restoration of Louisiana's housing stock and its communities: The Road Home - A Homeowner Assistance Program, Workforce and Affordable Rental Housing Programs, and Other Developer Incentives. The following describes the Homeowner Assistance Program in detail.

1.1 Goals of *The Road Home* Housing Recovery Programs

The Road Home Housing Programs have several goals. They will:

- Repair and rebuild quality housing in neighborhoods that are safe to live in;
- Restore pre-storm value to homeowners who want to return;
- Provide affordable rental housing opportunities for displaced residents; and
- Provide housing for the return of critical workforce.

The Road Home Housing Programs will achieve their goals by ensuring, among other things, that:

- Neighborhoods are rebuilt pursuant to locally driven plans that emphasize safety and reduce risks in rebuilding;

- 1 ▪ Homes are rebuilt in ways that ensure safer and smarter construction and meet the State’s
- 2 codes and FEMA advisory base flood elevations;
- 3 ▪ Neighborhoods are rebuilt in a manner that promotes mixed income communities; and
- 4 ▪ Households with special needs such as the elderly and those with disabilities are provided
- 5 housing opportunities;

6

7 **1.2 Basis for Recommendations**

8

9 The programs described in this Action Plan are based on the best available information on housing

10 needs, housing costs, potential public funding and the ability of the programs to leverage private

11 resources. Funds available to finance the homeowner programs will come from a special

12 appropriation of Community Development Block Grant Program funds and from FEMA Hazard

13 Mitigation Funds. In addition to grants already appropriated, the State is seeking an additional

14 \$4.2B in CDBG funds.

15

16 If federal agencies require changes to the State’s plans or Congress does not provide additional,

17 sufficient funding, Louisiana will be required to modify these proposed plans.

18

19 **1.3 Estimated Cost of The Road Home Programs**

20

21 Subject to further refinement of the program guidelines and structures for operations, following are

22 preliminary estimates of program costs:

23

24 Assistance to owner occupants	\$7.500 Billion	Includes \$1.7B Hazard Mitigation funds
25 Workforce and affordable rental housing	\$1.675 Billion	
26 Other developer incentives	\$0.075 Billion	
27		
28 Total	\$9.250 Billion	

29

30 The \$1.75 billion in CDBG funds directed to workforce and affordable rental housing and developer

31 incentives will be supplemented by an estimated \$1.7 billion in private equity investments derived

32 from Low Income Housing Tax Credits allotted to Louisiana through the Gulf Opportunity Zone

33 legislation.

2. Assistance to Owner Occupants¹

2.1 Overview of The Road Home – A Homeowner Assistance Program

In the aftermath of Hurricanes Katrina and Rita, an estimated 122,000 owner-occupied homes were destroyed or suffered major damage, according to FEMA. In response to this unprecedented disaster – if Congress appropriates additional funds – the state will use \$7.5 billion in federal disaster recovery funds to help owner-occupants repair or rebuild their homes, buy replacement homes in Louisiana, or sell unwanted properties so they can be redeveloped or converted to open space. In order to avoid future flood losses, all reconstruction work will meet or exceed the latest available FEMA guidance on flood hazard mitigation. Implementation of the The Road Home - A Homeowner Assistance Program is contingent upon an appropriation of \$4.2 billion in federal disaster recovery funds in addition to funds already appropriated.

The overarching purpose of the program is to rebuild lives and communities, not just to provide compensation for losses. Devastated communities will be blighted by abandoned homes, clouded land titles, and disinvestments if a large portion of the financial assistance is not directly invested in rebuilding homes or buying replacement homes. Therefore, the most comprehensive financial and technical assistance packages will be made available to those pre-Katrina and Rita homeowners who make the effort and take the risks to move back to play a part in rebuilding Southern Louisiana.

Financial assistance and advisory services will be available for homeowners who wish to:

- Repair – rehabilitate their property up to the minimum standards of the program;
- Rebuild – construct new home on the same lot because repairs are too costly or cannot be made to be compliant with local codes;
- Buyout/Relocate – purchase of the home by the program in exchange for an agreement to resettle in Louisiana, which is particularly beneficial to owners in areas with little or no redevelopment activity; or
- Sell – voluntarily sell the home with no requirements to resettle or otherwise remain in the community.

The Homeowner Assistance Program is designed to achieve the overarching goals of the The Road Home Housing Programs. In addition, given the magnitude of the task, the diversity of the population to be served, and the importance of moving quickly, the Homeowner Assistance Program will strive to achieve balance among the following principals:

- Fairness – treating households in similar circumstances in a similar manner
- Simplicity and speed – given the large number of homeowners to be assisted and their immediate needs, the program must provide resources in a way that minimizes bureaucracy and maximizes speed of delivering services.

¹ For the purpose of this paper homeowner and owner occupant are used interchangeably.

- 1 ▪ Accessibility – some owners will need little more than a phone number to call or address to
2 visit to obtain assistance. Others will need help from professionals to make hard choices
3 about their options related to repair, replacing or selling their home. The program will
4 endeavor to provide services to those who need a little extra help but provide streamlined
5 processing for those who do not.

6

7 **2.2 Eligibility for Homeowner Assistance**

8

9 To be eligible for the Homeowner Assistance Program:

- 10 ▪ The owner must have occupied the property as a primary residence at the time of the
11 Katrina/Rita disasters, prior to August 29, 2005;
- 12 ▪ The home must in be a single structure²;
- 13 ▪ The applicant must be able to prove that he or she owns the home; and
- 14 ▪ The owner must have registered for FEMA Individual Assistance and the home must be
15 categorized by FEMA as having been “destroyed” or having suffered “major” damage.
16 Homeowners who were approved by FEMA for \$5,200 or more in FEMA home repair
17 assistance (a component of the Individual Assistance Program) will fall into one of these
18 categories.

19 Applicants must meet all of the above requirements to receive assistance.

20

21 **2.3 Requirements for Receipt of Funds**

22

23 In pursuing assistance from the Homeowner Assistance Program, homeowners must:

24

- 25 ▪ Be registered and have been approved for FEMA Individual (Household) Assistance;
- 26 ▪ Be willing to sign a release so that information given to FEMA can be verified by the
27 Program;
- 28 ▪ Independently from FEMA, agree to verification of their ownership status and the amount
29 of disaster-related damage to the home;
- 30 ▪ Swear to the accuracy and completeness of all information provided to the Program under
31 penalty of law;
- 32 ▪ Agree to bring their properties up to the minimum rehabilitation standards to be prescribed
33 by the program or local authorities³, conform with the State’s adopted Uniform

² Properties that housed an owner-occupant and renters are currently eligible only for the Homeowner Assistance Program, but not the rental property assistance programs.

³ The program will publish minimum design and construction standards and provide technical resources to ensure that homes are rebuilt with features that meet or exceed minimum code and the latest available FEMA guidance for base flood elevations. These guidelines and resources will emphasize the benefits of—and practical ways to achieve—energy conservation, durability, mold mitigation, preservation of historic features, and other ways in which the housing stock can become better than ever.

1 Construction Code⁴ and if applicable, comply with local zoning, and comply with FEMA
2 guidance for base flood elevations;⁵

- 3 ■ Guarantee that a home will remain owner-occupied for at least three years after the
4 repairs, replacement or relocation has occurred; and
- 5 ■ Agree to subrogate claims for unpaid and outstanding insurance claims back to the
6 Program.

7
8 For owners who have received Small Business Administration Loans for repairing the “structure” (as
9 opposed to replacing “contents”), the amount of the grant assistance will be reduced by a formula that takes
10 into account the value of the SBA interest rate discount.

11
12 **2.4 Amounts and Forms of Assistance**

13
14 Maximum Assistance

15 The maximum assistance for owner-occupants is \$150,000. The proposed ceiling assumes that:

- 16 ■ All federal funds allocated to and sought for the program will be available; and
- 17 ■ Estimates of likely demand for assistance derived from FEMA data are accurate.

18
19 If sufficient funds are not made available or demand exceeds estimates, the maximum amount of
20 assistance per household will be lowered.

21
22 Not every homeowner is necessarily entitled to the maximum amount of assistance and in most
23 cases the Program will not provide 100% of the required financing. All homeowners will be required
24 to contribute their insurance payments for damage to the structure of the home and their FEMA
25 payments towards the cost of repairs or replacement. And, assistance will be tailored to
26 homeowner’s losses and needs. For example, a homeowner that suffered only 40% damage to the
27 home may not receive as much repair assistance as an owner with 80% damage.

28
29 The amount of eligible assistance will be:

<p>30 31 Eligible Assistance = Lesser of:</p> <ul style="list-style-type: none">32 ● Allowable Repair or Rebuilding Costs + Mitigation 33 Costs (minus) Insurance (minus) FEMA Repair 34 Payment <p style="text-align: center;">35 OR</p> <ul style="list-style-type: none">36 ● \$150,000

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⁴ A number of communities have not yet adopted or implemented the State Uniform Construction Code. Pursuant to the State’s commitment to rebuild safer and stronger communities, homeowner assistance provided by The Road Home will be contingent upon adoption and enforcement of the code..

⁵ Home in historic districts will be required to meet additional standards.

1 To establish the allowable cost basis for the eligible assistance necessary to help owners return to
2 a home equivalent to their pre-storm structure, the program will enlist damage inspectors to
3 determine the appropriate level of repair or replacement costs. It is the State's policy that
4 participants in the Homeowner Assistance Program deserve a fair and independent projection of
5 those costs, so the inspectors will base their estimates on a standard, equitable model of
6 equivalent housing. The program also reserves the right to use damage estimates catalogued by
7 FEMA and insurance companies for calculation of allowable repair or replacement costs where
8 those estimates are deemed reliable.

9
10
11 Forms of Assistance

12
13 Homeowners may receive two tiers of financing depending on their circumstances: a Program
14 Grant and an Affordable Loan Package. The proportion of the financing that is structured as a grant
15 and a loan will vary depending on a range of issues such as pre-storm value and whether the
16 property, if in a flood zone, was insured against floods.

17
18 Pre-storm value will be set as the greater of the fair market value as determined by automated
19 valuation methods (AMV), the home's assessed value for property tax purposes, insured value, or
20 value established by a recent pre-storm appraisal, with an opportunity for appeal.

21
22 A. Assistance to owners outside FEMA flood zones and for owners inside FEMA flood
23 zones with a flood insurance policy in force at the time of the disaster:

24
25 The financing generally will be structured in two tiers.

- 26
27
28
29
30
- The first tier will be a Program Grant that is intended to restore the pre-storm value of the property. The Grant tier, up to the pre-storm value of the home at the time of the disaster, carries a forgivable lien on the owner's equity in the repaired or rebuilt home, up to the value of the original grant, which will be reduced incrementally over the life of the three-year owner-occupancy requirement.

31
32 **Program Grant** = Lesser of Pre-Storm Value (minus) Insurance (minus)
33 FEMA Payments OR Eligible Assistance Amount

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- The second tier, if additional funds are required, will be a Program Loan Package that provides the balance of funds for repair, rebuilding, or relocation. The Loan Package may consist of a loan from the Program, from a private mortgage lender, or both. In any case, the Loan Package will be structured so that monthly payments are affordable to the homeowner. Such affordability determinations may take into consideration a spectrum of issues including, but not limited to age, disability, and income levels.

42
43 **Affordable Loan Package** = Eligible Assistance (minus) amount of Program
44 Grant

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For instances in which the sum of remaining pre-storm loans and the affordable loan portion of the assistance package exceed the market value of the home, policies will be developed to mitigate the impacts of "negative equity" positions on the home and homeowner by adjusting the repayment terms, but not the maximum amount of assistance (\$150,000).

B. For owners inside FEMA flood zones who did not have flood insurance in force at the time of the disaster:

The financing will be the same as above, except that the Program Grant portion of assistance will be reduced by 30% and the assistance provided as a loan will be increased by that amount deducted from the Grant. Owners in this category still will be eligible to receive up to the same maximum financial assistance at affordable terms as other homeowners. They will, though, have more responsibility for repaying the assistance than their neighbors who followed prudent practices for homes in flood zones and bought flood insurance.

EXAMPLE HOMEOWNER #1	
PROJECT STATS	
Program Maximum Assistance	\$150,000
Rebuilding Costs	\$ 50,000
Insurance Payments	\$ 19,800
FEMA Funds Available	\$ 5,200
Pre-Storm Value	\$100,000

Maximum Assistance Amount is Lesser of :			
\$150,000 Program Ceiling	or	\$ 50,000	Rebuild Costs
		- \$ 19,800	Insurance
		- \$ 5,200	FEMA
		= \$ 25,000	

Grant Amount is Lesser of :			
\$25,000 Maximum Assistance Amount (from above)	or	\$ 100,000	Pre-storm Value
		- \$ 19,800	Insurance
		- \$ 5,200	FEMA
		= \$ 75,000	

Loan is:			
\$25,000 Maximum Assistance Amount	-	\$25,000 Grant	= \$0

18

1

EXAMPLE HOMEOWNER #2	
PROJECT STATS	
Program Maximum Assistance	\$ 150,000
Rebuilding Costs	\$ 150,000
Insurance Payments	\$ -
FEMA Funds Available	\$ 5,200
Pre-Storm Value	\$ 100,000

Maximum Assistance Amount is Lesser of :			
\$150,000 Program Ceiling	or	\$ 150,000	Rebuild Costs
		- \$ -	Insurance
		- \$ 5,200	FEMA
		= \$ 144,800	

Grant Amount is Lesser of :			
\$145,000 Maximum Assistance Amount (from above)	or	\$ 100,000	Pre-storm Value
		- \$ -	Insurance
		- \$ 5,200	FEMA
		= \$ 94,800	

Affordable Loan is:		
\$144,800 Maximum Assistance Amount	- \$94,800 Grant =	\$50,000

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2.5 Owners' Options for Assistance

Homeowners will have four options for using financial assistance.

Option 1: Repair

Homeowners may elect to repair their properties. However, if the cost of repair is greater than the costs of replacing the home, the funds must be used to replace the home or the owner must pay the extra cost by placing additional funds into an escrow account before the project commences.

Option 2: Replace

Where existing homes are beyond repair, or repairs cost more than a replacement home, many homeowners will choose to rebuild a comparable home on the site of their former home. When owners rebuild they will be provided financial assistance calculated as follows: The lesser of eligible rebuilding costs minus insurance payments for structural losses and FEMA payments OR \$150,000.

1 The program will enlist damage inspectors to determine the appropriate level of repair or
2 replacement costs for properties in question.

3
4 No discussions have yet been held with respect to existing mortgages. Some of the issues that
5 may be negotiated with lenders include refinancing of existing debt and time extensions for
6 repaying mortgages.

7 8 Option 3: Buyout/Relocate

9
10 The buyout/relocation option allows homeowners to receive compensation for their damaged or
11 destroyed property and purchase an existing home or build a new home in Louisiana.

12
13 This option will be particularly beneficial to individuals that resided in areas that are no longer
14 believed to be safely inhabitable, either by local authorities or by homeowners themselves, for risk
15 of severe or recurring damage.

16
17 The maximum buyout/relocation assistance is the lesser of the allowable rebuild/replacement cost
18 minus insurance payments for structural losses and FEMA payments **OR** \$150,000.

19
20 The program will impose requirements, in addition to the general restrictions, on owners who elect
21 the buyout/relocate option:

- 22
- 23 ▪ The home selected or built for resettlement must be of comparable proportions to
 - 24 the owner's old home and located within the State of Louisiana.
 - 25 ▪ Owners generally will be required to convey their original property to the State or
 - 26 another designated agency in exchange for assistance in purchasing a new home.
 - 27 ▪ Holders of secured loans or other legitimate liens on the original properties will
 - 28 generally be required to "transport" the liens to the new home and/or to refinance
 - 29 the new home purchase, as a condition of the owners receiving assistance and the
 - 30 lien holders' security being restored.

31 32 Option 4 – Sale of Home

33
34 Some owner-occupants may choose none of the basic options: to repair, replace or
35 relocate in Louisiana. In these instances, the State or its agent may—subject to the
36 availability of funds—negotiate a purchase of the property up to the maximum amount of
37 assistance, not to exceed 60% of the pre-storm market value of the home. For these buy-
38 outs to occur, a lien holder may be asked to write off a portion of the current outstanding
39 principal balances of the loan or other lien

40 41 **2.6 Treatment of Homeowners with Special Circumstances**

42
43 Assignability: The program will allow an owner to sell his or her home on the open market,
44 permitting the owner to assign rights to program grant assistance to the new buyer. Assigned
45 grants will require the new buyer to carry the same three-year owner-occupancy requirement
46 that governs the repair and rebuild options.

1 Owner Occupants Who Have Already Sold Their Principal Residence: Equitable policies and
2 procedures will be determined at a later date that may provide Program assistance to an
3 owner who has sold a home and otherwise would have qualified for assistance. These policies
4 and procedures are not yet determined.

5
6 Owners Who Have Started or Completed Repairs: Assistance will be provided to owners who
7 have already commenced or completed home repairs or the construction of replacement
8 homes, so long as all the requirements of the Program are met. Policies will be set for
9 discounting assistance amounts for any grants or below-market interest rate loans from
10 government agencies that may have been received by an owner from for these purposes.

11
12 Owners Who Have Received Other Assistance: Policies will be set for discounting
13 compensation amounts for any grants or below-market interest rate loans from government
14 agencies that may have been received by an owner from for these purposes.

15 16 **2.7 Accounts for Receipt of Funds**

17
18 To ensure that funds provided to homeowners are invested in housing, Program funds will be
19 placed in accounts in the owner's name. The accounts will be managed by financial institutions that
20 are registered with the program, and will be subject to standard terms and conditions for releasing
21 funds. There will likely be fees charged for managing the account and making payments. Rules
22 and formulas will be set to guide the disbursement of funds to applicants who decide to opt out of
23 the program, or to sell out his or her property before work is brought to completion.

24 25 **2.8 Homeowner Assistance Centers – Process for Receiving Assistance**

26
27 Louisiana has initiated a Call Center to allow former homeowners to indicate their interest in
28 returning to their neighborhoods and investing in their homes. The Call Center is the first step in
29 what will be an aggressive campaign to solicit applications for the home ownership programs.

30
31 When the program commences, eligible homeowners will be notified by mail and telephone to the
32 greatest extent possible of the opportunity to apply for assistance. Information about financing
33 programs and counseling services will be posted on public websites as well as provided through
34 other resources such as Assistance Centers that will be established in various locations.

35
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37

<p>38 The Program will not publish application forms or detailed 39 descriptions of the process for receiving assistance until the 40 comment period has ended and the State of Louisiana has 41 determined the amount of federal funds that will be available for all 42 recovery programs.</p>
--

43 In order to rebuild, most homeowners will have to navigate a maze of obstacles such as
44 negotiating insurance settlements, dealing with mortgage issues, understanding the implications of
45 new flood maps, and dealing with building contractors. Before the amount of financial assistance
46 can be determined, an owner will have make decisions on whether to repair their home, replace it
47 on-site, accept a buyout and relocate, or sell. If an owner has been unable to return to the

1 community, he or she will likely need temporary housing to live in while managing this process.
2 While some homeowners can overcome these barriers themselves, many homeowners will need
3 expert, trustworthy advisors, in addition to receiving financial assistance.

4
5 To respond to these needs, Assistance Centers will be the “storefronts” where homeowners can
6 apply for assistance and gain access to advisory services. Rebuilding Advisors will help
7 homeowners accomplish the following:

- 8
9 • Evaluate the four assistance options—repair, replace, relocate or sell—and the amount of
10 financial assistance allowed for each;
- 11
12 • Advise owners on how to deal with mortgage issues, or refinance if necessary;
- 13
14 • Assist owners in selecting professional services providers such as home inspectors,
15 architects, surveyors (for replacement homes) to design and prepare for repairing or
16 replacing homes; and
- 17
18 • Assist owners in selecting repair contractors, homebuilders and manufactured housing
19 companies.

20
21 The Assistance Centers will help mitigate the potential for misunderstanding and abuse by
22 providing standardized, structured, and guided relationships between homeowners and service
23 providers. In addition, the Assistance Centers will maintain registries of professional service
24 providers and building contractors and homeowners will have a reasonable allowance to pay for
25 professional design services.

26
27 The State of Louisiana will rely on its own staff as well as contracted services to run the Assistance
28 Centers. See Section 5 for more details.

29
30 To open lines of contact between displaced Louisiana residents and *The Road Home*, citizens may
31 now register key information about their damaged homes by calling 888-ROAD 2 LA (888-762-
32 3252; TTY 1-800-566-4224) to submit that data to the State's registry, or logging on to a new, one-
33 stop web portal - www.LouisianaRebuilds.info. This registry pertains only to homes that were
34 occupied by homeowners and damaged by hurricanes Katrina or Rita.

35 Registrants calling *The Road Home* or logging onto www.LouisianaRebuilds.info will be asked to
36 provide important information, including the resident's name, current address and the location of
37 the affected home, phone numbers, mortgage information, the status of any insurance settlements
38 and any FEMA or U.S. Small Business Association (SBA) applications or assistance.

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1 **5. Implementation**

2
3 The Governor’s goal for implementation of the *The Road Home* Housing Programs is to rely
4 primarily on the strengths of the private sector, while providing enough oversight to assure that the
5 program is properly planned, managed and audited.

6
7 **5.1 Oversight by the State of Louisiana**

8
9 To assure that the oversight of the program has proper checks and balances to minimize fraud,
10 waste and abuse, the following critical government functions will be assigned to three separate
11 divisions of state government.

- 12
- 13 • Program planning, awards of implementation contracts and contract monitoring;
 - 14
 - 15 • Disbursing and receiving funds, such as for payment of homeowner assistance and receipt
16 of income from land sales; and
 - 17
 - 18 • Internal audit.
 - 19

20 **5.2 Implementation Contracts**

21
22 Subject to more detailed planning and negotiations with local and federal government agencies,
23 the state envisions having a competitive process of awarding contracts to private-sector entities to:

- 24
- 25 ▪ Prepare federally required environmental reviews;
 - 26
 - 27 ▪ Help design operating plans, detailed policies, procedures and budgets for respective
28 housing programs;
 - 29
 - 30 ▪ Operate and manage various aspects of the Assistance Centers including provision of
31 management information services, escrow services, financial advice, and support services;
 - 32
 - 33 ▪ Performing property acquisition, asset management and disposition functions; and
 - 34
 - 35 ▪ Manage the rental assistance and developer incentive programs.
 - 36
 - 37