



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

**Housing Panel Discussion
LRA Board of Directors Meeting
January 13, 2006**



OBJECTIVES OF CDBG FUNDING

Objectives

Infrastructure

Rebuild infrastructure required for rebuilding that can significantly improve the state's long-term productivity

Economic Development

Provide short-term capital assistance and invest for long-term recovery and growth

Housing

Accelerate the repair and rebuilding of state's permanent housing stock and rental units

Develop programs that amplify impact of funding leveraging public and private sector investments



HOUSING NEEDS AND STRATEGIES

Objective

Accelerate the repair and rebuilding of state's permanent housing stock and rental units

Housing needs and strategies

Needs

- Repair or replace of 300,000 damaged/destroyed homes and rental units
- Selectively and equitably buy out properties for open space and assemble sites for redevelopment
- Provide public funds and tax incentives to attract private capital

Strategies

- Bridge homeowner gaps to get people back in homes
- Create affordable, mixed income developments and communities (e.g. incentives)



THE STATE MUST ADDRESS HOUSING THAT WAS IMPACTED BY THE STORMS

	# of units impacted*	Damage assessment**
Owner occupied	160,000	\$14-16B
Rental units	110,000	\$7-9B
Vacant	35,000	\$1-2B
Total	~305,000 impacted (~220,000 destroyed)	\$22-27B

\$22 – 27 billion in total housing damage

* Number of units impacted refers to number of units flooded or ~305,000; Assumed ~220,000 destroyed based on Red Cross and FEMA estimates; Remaining units or 85,000 units assumed damaged

** Destroyed assessment based on property values in 2000, adjusted for 2005; Assume cost of damaged home ~20% of cost of destroyed

Source: GCR, 2000 US Census



THE STATE MUST BRIDGE THE GAP BETWEEN INDIVIDUAL NEEDS AND AVAILABLE RESOURCES

“To help them succeed, we will create high leverage programs to bridge the gap between their needs and what their means allow them to do on their own”

- Governor Blanco

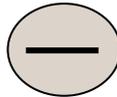


APPROACH TO DETERMINE FUNDS REQUIRED TO BRIDGE GAP

**OWNER OCCUPIED
HOUSING EXAMPLE**

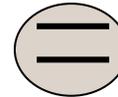
**Homeowner
needs**

- Keep or refinance existing debt
- Construction cost
- Transaction costs



**Available
Resources**

- FEMA
- NFIP
- Private insurance
- Keep or refinance existing debt



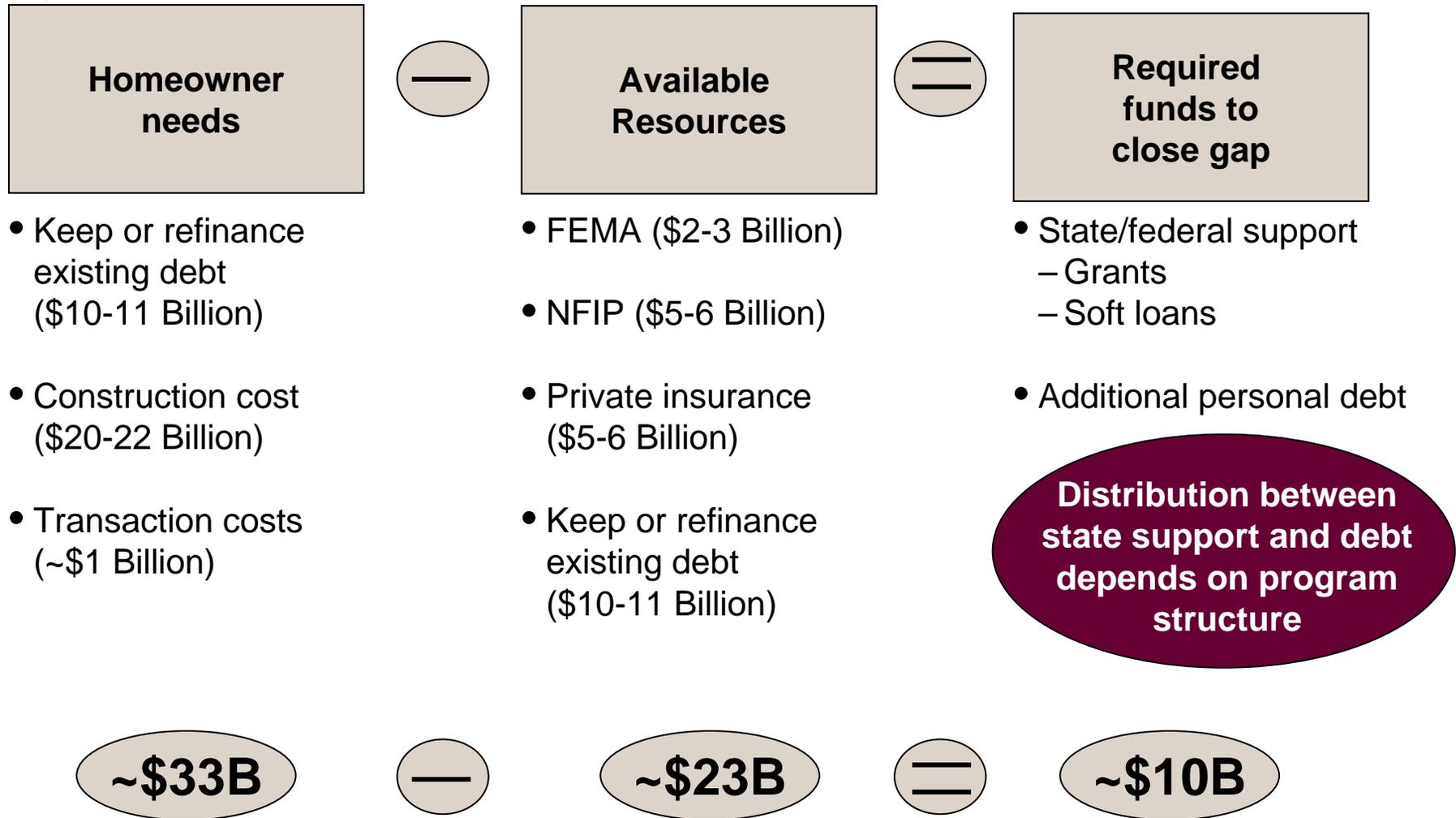
**Required
funds to
close gap**

- State/federal support
 - Grants
 - Soft loans
- Additional personal debt



~\$10B IS REQUIRED TO BRIDGE THE GAP BETWEEN HOMEOWNER NEEDS AND AVAILABLE RESOURCES

NUMBERS ONLY FOR OWNER OCCUPIED HOUSING





CASE EXAMPLE: OVERVIEW (P. 1 OF 3)

OWNER OCCUPIED
HOUSING EXAMPLE

Boudreaux is a homeowner who lost his \$100,000 home outside the floodplain. Boudreaux had 30% equity, 70% debt in his home before the storms. Based on damage, he qualified for \$20,000 of FEMA assistance and private insurance. Boudreaux does not qualify for NFIP because he lived outside floodplain. Boudreaux has a household income of \$30,000 per year. Because of construction premiums, it will cost him \$130,000 to rebuild his home.



CONTINUED CASE EXAMPLE: FUNDS REQUIRED TO BRIDGE GAP (P. 2 OF 3)

**OWNER OCCUPIED
HOUSING EXAMPLE –
ESTIMATES**

Homeowner needs

- Keep or refinance existing debt (\$70K)
- Construction cost (\$130K)
- Transaction costs (\$10K)

\$210K

Available resources

- FEMA (\$10K)
- NFIP (\$0)
- Private insurance (\$10K)
- Keep or refinance existing debt (\$70K)

\$90K

Required funds to close gap

- State/federal support (TBD)
 - Grants
 - Soft loans
- Additional personal debt (TBD)

\$120K

**Availability of
resources and
ability for
Boudreaux to
secure debt will
determine
Boudreaux's
position post
Katrina**



CONTINUED CASE EXAMPLE: HOW TO BRIDGE THE GAP (P. 3 OF 3)

OWNER OCCUPIED HOUSING EXAMPLE - ESTIMATES

	Home value*	Debt*	Equity*	Total required funds*
<p>Do not bridge any of the gap (no state support): \$0K</p>	\$20K	\$70K	-- \$30K**	\$0B
<p>Bridge gap to restore home and protect <u>some</u> equity: \$100K</p>	\$100K***	\$90K or less***	At least \$10K	At least \$3B
<p>Bridge gap to restore homes <u>and</u> protect equity: \$120K</p>	\$100K	\$70K	\$30K	\$10B

* Assumes house value of \$100K

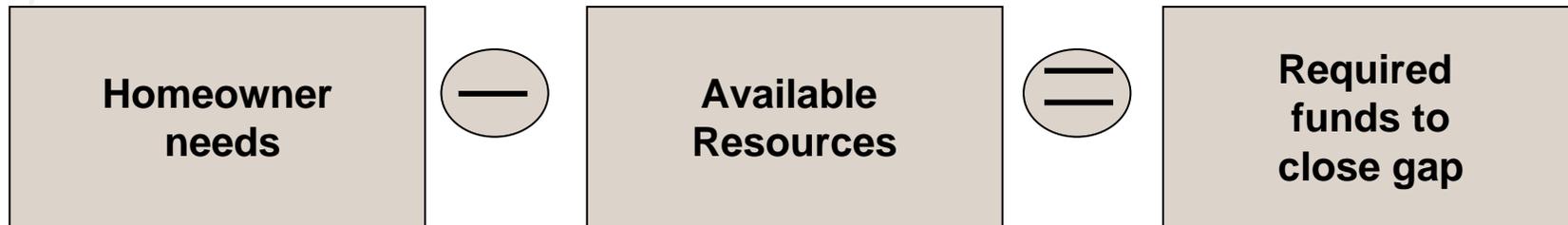
** Assets = ~\$40K based on land value (\$20K) and FEMA/Insurance (\$20K); Debt = \$70K; Equity = Assets - Debt

*** Assumes individual is able to leverage 3X annual income



CRITICAL QUESTIONS TO ADDRESS TO BRIDGE GAP BETWEEN HOMEOWNER NEEDS AND AVAILABLE RESOURCES

OWNER OCCUPIED
HOUSING EXAMPLE



Critical questions

- To what extent can existing debt be renegotiated?
- Are there ways to manage construction premiums?
- To what extent will CDGB/housing funds be used for mitigation (e.g. elevation)?
- Should people be required to use all resources available to them before getting aid?
- What can we do to help homeowners to qualify for affordable debt (e.g. subsidized rates)?
- To what extent should we maximize debt available to people?
- How can we increase its leverage of CDBG funds? (e.g., soft loans)
- How many previous homeowners can be helped?

The Baker Bill will allow the State to better address the needs of more people



STATE MUST ADMINISTER PROGRAMS IN A SIMPLE WAY WITH APPROPRIATE SUPPORT FOR HOMEOWNERS

Available resources

Hazard mitigation

CDBG

Tax credits

State/government bonds (Baker Bill)

FEMA

Private lenders

Concept:

Coordinated mechanism to deliver aid

Roles and activities:

- Financial and credit counseling and program packaging
- Assistance with selecting and applying for aid to match needs and circumstances
- Assistance writing/bidding projects from simple repairs to broader construction management

Individual property owners and renters



THE STATE MUST ADDRESS THE NEEDS OF VARIOUS HOUSING IMPACTED BY THE STORMS

	<u># of units impacted*</u>	<u>Damage assessment**</u>	
Owner occupied	160,000	\$14-16B	
Rental units	110,000	\$7-9B	
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POTENTIAL INCENTIVES FOR AFFORDABLE AND MARKET RATE HOUSING AND RENTAL DEVELOPMENT

Incentives available for:

Housing and rental development

- Assembly of land for feasibly priced for development (e.g., Baker Bill)
- Availability of initial high-risk capital to attract additional funds (e.g., developer/bank)
- Technical assistance

Rental development

- Low-income housing tax credits (LIHTC): to generate affordable rentals
- State/Federal Grants: to offset high construction cost environment (may combine with LIHTC to achieve affordable rent)
- Incentives for mixed income development (e.g. incentive based zoning)

Housing development

- Primary incentives tied to homeowner (e.g., 'gap financing')



STATE MUST ADMINISTER PROGRAMS IN A SIMPLE WAY WITH APPROPRIATE SUPPORT FOR COMMUNITIES/HOMEOWNERS

Available resources

CDBG

Tax credits

Equity raised from tax credit incentives

Land packaged for redevelopment

Mortgage Lenders

Tax exempt bond financing

Concept:

Coordinated mechanism to incent private investment

Roles and Activities:

- Assembly of land
- Availability of high capital risk
- Technical assistance
- Low-income housing tax credit
- State/Federal Grants
- Incentives for mixed income development
- Primary incentives tied to homeowner

Developers of For-Sale and Rental Housing



SUMMARY

- Significant work still remains to advocate need for additional funding to bridge the gap between homeowner/renter needs and their available resources
- The Baker Bill will significantly help the state bridge this gap by increasing individuals' access to resources
- The level of state support will determine to what extent
 - Housing can be restored
 - Prior equity can be protected
 - Mixed income/affordable communities can be restored
- Nonetheless, the state will look to get maximum leverage out of these funds now to provide the support for those people that were affected by the storm



PATH FORWARD

- Louisiana Recovery Planning Day (A National planning event on January 21st)
- Continue advocacy for Baker Bill
- Develop and approve housing assistance programs
 - Distribution of funds between owner-occupied and rental
 - Develop programs and criteria
- Provide adequate support and parameters to help local communities determine which state/federal programs are applicable to them (local planning process)
- Build organization to help people leverage programs available to them