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Louisiana Recovery Authority

Action Plan Amendment 15 (First Allocation) – Reallocation of Funds to the *Road Home*

Public Comment: July 19th, 2007
Original Submittal: September 28th, 2007
Revised: October 25th, 2007

November 9th, 2007



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Reallocation of Funds to the *Road Home*

The purpose of this Action Plan Amendment is to reallocate money from existing programs to *The Road Home Homeowner Assistance Program*. This Amendment does not change any policies, procedures, methods of distribution, or eligibility criteria associated with any of the affected programs, only the total amount of money that is allocated to each program. The Action Plan or Action Plan Amendments that created or revised the policies and procedures of each program still remain as the current policy document(s) for each of these programs.

Current budget projections for *The Road Home Homeowner Assistance Program* show that there are not enough funds remaining in the existing budget to fully fund the program. The State proposes to add funding to *The Road Home* program by reallocating funds from existing programs to *The Road Home*. In total, $166,740,868 will be reallocated from the first appropriation (First Action Plan) and $460,211,750 will be reallocated from the second appropriation (Second Action Plan).

Using state funds, the State will provide alternative funding for the State Buildings Infrastructure program and the Medical Center of Louisiana – New Orleans program. Therefore, the State proposes to reallocate all of the CDBG funds from these programs to *The Road Home*. No CDBG funds will be used for these programs.

In addition to the funds from the State Building Infrastructure program and the Medical Center of Louisiana – New Orleans program, the State proposes to partially reallocate funds from the Local Government Infrastructure program, the Private Non-Profit Schools Infrastructure program, the Small Firm Loan and Grant program, the Small Rental Property program, the Fisheries Infrastructure and Assistance Program, and the Low Income Housing Tax Credit Piggyback program. The original funding for these programs, and the new level of funding are shown in the chart that follows. The State is also proposing to use some additional funds that have not yet been allocated.

Reallocation of Funds to the *Road Home* – First Action Plan

Program	Previous Total	Reduction	New Total
State Building Infrastructure	$142,500,000	$142,500,000	-
Local Government Infrastructure	$495,000,000	$20,273,333	$474,726,667
Private Non-Profit Schools Infrastructure	$40,000,000	$2,000,000	$38,000,000
Small Firm Loan and Grant	$114,350,000	$1,967,535	$112,382,465
Total		**$166,740,868**	
Additions to *The Road Home*	**Previous Total**	**Addition**	**New Total**
	$3,851,250,000	**$166,740,868**	**$4,017,990,868**

Reallocation of Funds to the *Road Home* – Second Action Plan

Program	Previous Total	Reduction	New Total
Piggyback Program	$593,970,000	$12,924,000	$581,046,000
State Building Infrastructure	$135,000,000	$135,000,000	-
Small Rental Property Program	$492,700,000	$2,537,750	$490,162,250
Medical Center of Louisiana – New Orleans*	$74,000,000	$74,000,000	-
Unallocated	$341,000,000	$235,750,000	$86,250,000
Total		**$460,211,750**	
Additions to *The Road Home*	**Previous Total**	**Addition**	**New Total**
	$2,496,150,000	**$460,211,750**	**$2,956,361,750**

*Medical Center of Louisiana – New Orleans has only been partially approved by HUD

Appendix 1 - Summary and Response to Public Comments

This amendment was available for Public Comment from July 19th, 2007 to July 30th, 2007. Below is a summary of comments received and the State's response. In addition to the Public Comment period, this amendment was approved by the Louisiana Recovery Authority Board on July 30th, 2007 and the Louisiana Legislature on September 12th, 2007.

The following comment was received via email at 12:46 pm, Tuesday, July 24, 2007

I do not support the reallocation of CDBG funds from other worthy programs to the Road Home Program becasue of the program's ill advised payments to storm victims with wind damage only. I concurr with the Bush administration's position that covering wind only damage reflects a moral hazard and sends a message that responsible citizen home owners can always rely on the Government for all forms of disaster risk mitigation.

FEMAs flood maps and the Corps' levees were the proximate cause of the loss of tens of thousands of homes. Neither agency adequately or accurately informed the citizens they are charged to protect about the risks due from either catastropic storm surges or the design adequacy of levees. That's what the Federal funds should be used for.

If my house had blown down, I would not have needed support from the Federal Government or State because I had full replacement cost for structure and content in my home owners policy. I was unaware that my flood insurance only covered my mortage and 10% of my contents Neither I, nor my insurance company thought that the levees would fail or that the surge would exceed the BFE by 800%. Using myself as a bench mark of responsibility, I can approve using state or Federal funds to prop up the otherwise justifiable Road Home program.

The solution to Road Home short fall is:

- Immediately stop payments to applicants with wind only damage
- Recover awards made to applicants with wind only damage in a equitable manner
- Fund unrecovered funds from the State's general fund, not from other Federally supported programs
- The Governor should appoligize to Louisiana citizens and American taxpayers for this tragic "mistake" in recovery planning

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Public Comment Response:

This Action Plan Amendment primarily reallocates funds that have been covered by the State of Louisiana through state dollars that were previously CDBG-funded into the Road Home Program. The comment is not specifically on the nature of the reallocation, *but on the structure of the Road Home program itself and a reflection on the Road Home budget shortfall.*

The State of Louisiana previously requested public comments on two different Action Plan Amendments describing the Road Home Program when the program description was defined as including damage of all types that occurred as a result of the hurricane season of 2005. During that process, homeowners were asked to give feedback to the program description in public forums, during a Legislative approval process for the action plan, through televised presentations on Louisiana Public Broadcasting describing the program, and through Internet, email, and written responses to requests for comments. Overwhelmingly, the public requested that the program be neutral to the source of damage given the conflicts that have arisen with insurance companies because of disputes over determining the source of damage to a property. In order to avoid the possibility of creating a "moral hazard" as noted in this comment, the Road Home Program penalizes homeowners who failed to carry the proper insurance and requires that homeowners carry insurance in the future in order to benefit from the program.

Like flood victims, homeowners who had wind damage with uninsured losses above their insured amount also require compensation to recover their pre-storm values of their properties. Their cost increases that exceed their insured value are also possibly caused by workforce demand pushing up labor costs, increased costs of materials, and other factors associated with the proximity to the damages caused by the levee breaches and flooding. The federal government was present during the public comment period, accepted and approved the Action Plan for the Road Home, and has allowed the program to run without comment for over nine months before raising the possibility of a concern over this matter.

Given the design of the federally approved homeowner assistance program budgeted on data from a federal recovery agency, the nature of the program's shortfall is more complicated than proposed here. The actual shortfall has three causes: 1) more homeowners who suffered major and severe damage than estimated by FEMA analysis, 2) more severe damages than estimated by FEMA damage assessments, and 3) less insurance coverage of damages than was estimated by during program budget negotiations with the federal recovery office. These three factors contributed to the program shortfall.

The reallocation of CDBG funds to this program is intended to address the need for additional funds, and demonstrate the state's commitment and willingness to contribute state funds to the shortfall.

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This comment from the Jeremiah Group was received at 8:20am on July 16th, 2007.

The Jeremiah Group
New Orleans, LA

July 16, 2007

Dear Mr. Walter Leger, LRA Housing Chair,

We are writing this letter as a follow-up to our conversation last week, to elaborate in writing on our concerns about the cuts made to rental assistance programs and propose a course of action. We hope to discuss this, and a potential resolution for the next board meeting, at our conference call on Tuesday, July 10th, at 10am. We will be sending out information about how to get onto that call later on today.

Having looked at the issue very closely and talked with LRA staff, board members and our own constituents, it the position of The Jeremiah Group and its sister organizations throughout the State in the Louisiana Industrial Areas Foundation that the decision to cut $21.1 million from rental programs made at the June 25th LRA board meeting was unnecessary and misguided.

We understand, and support, the goal of dedicating additional resources to the Road Home homeowner program, in order to leverage additional Federal resources. But there are several reasons the cuts should not be made to the rental funding:

1) The rental crisis is at least as severe as the homeowner crisis, with rents increasing dramatically since Katrina, a situation that only increased investment in affordable rental supply can remedy. This is one of the fundamental obstacles to our citizens returning, and a major obstacle to attracting teachers, police officers and other workers we need for the recovery.

2) The funding allocated to help resolve the rental crisis was woefully inadequate from the beginning, and most of those resources, with the exception of the Small Rental program, won't begin to affect the rental market until late in 2008. That means that every bit of funding is desperately needed and every cut hurts deeply.

3) The $21.1 million in rental funding that was cut could create around 500 units of affordable rental housing, which is a very significant number of families affected.

4) The LRA board's resolution on June 25th was made in direct contradiction to a resolution introduced by The Jeremiah Group at the June meeting of the LRA Housing Task Force, which was supported unanimously by the LRA's own Housing Task Force. Despite our work with the LRA Board and the Housing Task Force, neither we, nor any of the members of the LRA Housing Task Force, were informed about the board's proposal to cut rental funding before that decision was made.

5) $5.7 million of the $21.1 million in cuts were completely unnecessary, because that amount is an "overage" to the $1 billion desired to send to the homeowner program. (See the last page of the powerpoint presentation made on June 25th, which shows the $5.7 million overage.) The existence of this $5.7 million "overage" shows the remarkable bureaucratic disinterest with which the cuts were decided upon, with the LRA staff apparently opting to keep a clean, whole number of 5% cuts, even though that meant that $5.7 million of investment would be removed needlessly from the goal of helping our community recover.

6) Other sources of funds seem not even to have been considered as a source of savings, in particular the $211.8 million in CDBG administrative costs. $189.9 million of that amount is for a <u>ten year</u> <u>estimate</u> of an administrative budget, and a modest adjustment of that amount could

save the LRA from cuts that will affect 500 families directly. Still, no cuts whatsoever were proposed to the administrative budget.

7) The cuts are alleged to be "short-term" "place-holder" cuts, which will be restored when additional federal funding is acquired. If that is the case, then the "short-term" "place-holder" cuts should be made to administrative costs that will not be incurred until 2016, not to funding that is needed this year to help ease an urgent and unsustainable rental crisis.

So what is to be done?

The Jeremiah Group is proposing that the LRA board introduce and support a resolution at its July 30th meeting, which restores the $21.1 million made in cuts to rental funding. We will be bringing a large constituency of community leaders to the July 30th board meeting in support of this objective.

We look forward to speaking with you further about this, and hope we can count on your support on this urgent matter.

Yours very truly,

Rev. Jaime Oviedo
The Jeremiah Group (Christ Temple Church Holiness)

Mr. Karl Weber
The Jeremiah Group (St. Joseph the Worker Catholic Church)

Ms. Nell Bolton
The Jeremiah Group (Housing Team Co-Chair, Trinity Episcopal Church)

This response is written to the public comment submitted by the Jeremiah Group above, as well as to the comments from the Louisiana Housing Alliance received on July 24th, 2007 and from the Louisiana Supportive Housing Coalition on July 29th.

Public Comment Response:
In response to public comments from the Louisiana Housing Alliance and the Louisiana Supportive Housing Coalition, as well as meetings about this action plan amendment for reallocation that took place with the Jeremiah Group (a faith based recovery coalition based in New Orleans, LA), the Louisiana Recovery Authority Board voted to adjust the reallocations that would have affected the Small Rental Property Program and the service grants for supportive housing units. The LRA shares a strong commitment to the need for all types of housing, in particular the need for affordable housing units. The Board designed and recommended the creation of the Small Rental Property Program the, LIHTC Piggyback Program, and the funds for Supportive Housing services grants in order to directly aid the recovery for low and moderate income families. These programs are still on course to create nearly 35,000 units of rental housing. Through the public comment process, the LRA Board and staff met with the concerned groups and made revisions to the program reallocations that were arrived at collaboratively. The Jeremiah Group spoke in favor of the reallocations at the public LRA Board meeting where these action plans were finally approved.

The LRA Board and Governor Blanco are already actively advocating in Washington for the requests for additional funds for rental housing assistance, especially those that will aid the state's supportive housing goals.