

Disaster Recovery Initiative
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**Louisiana Office of Community Development/Disaster Recovery Unit,
Division of Administration**

***Proposed* - Action Plan Amendment Number 51 –
Homeowner Blight Reduction Grant Adjustment**

Public Comment: April 29, 2011 – May 5, 2011

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Bobby Jindal
Governor

Jay Dardenne
Lieutenant Governor

Paul Rainwater
Commissioner of Administration



Office of Community Development
150 N. 3rd Street, Suite 700
Baton Rouge, LA 70801
P.O. Box 94095
Baton Rouge, LA 70804-9095
<http://www.doa.louisiana.gov/cdbg/cdbg.htm>

Action Plan Amendment Number Fifty-One: Homeowner Blight Reduction Grant Adjustment

Activity Amount: No change to existing budget

Overview

This amendment provides for additional activities under the homeowner assistance program with a dual goal. It provides for further limited additional assistance to Road Home Option 1 grant recipients in the four parishes with the highest levels of non-returned homeowners, whose grants were based on the pre-storm value of their home and who have been unable to comply with the Option 1 covenant of re-occupancy of the property. This amendment does not add new applicants to the Road Home Program nor allow for payment of grants above the established \$150,000 maximum. The estimated funds necessary for this amendment is \$62,000,000.

Approval of this action plan amendment is necessary in order to allow the use of some Road Home funds to provide the assistance detailed in the amendment. The limited assistance is not available to all Road Home Option 1 grant recipients, but to a sub-set within certain geographic areas. Accordingly, the amendment constitutes a substantial amendment which requires approval by HUD

Background

As set forth in Action Plan Amendment Number One, the overarching purpose of The Road Home is to rebuild Louisiana's impacted communities. The original intent of the Road Home program was to provide compensation for loss due to Hurricanes Katrina and Rita, thereby providing an incentive and a means for homeowners to return to their damaged homes. Due to the extent of devastation from Hurricanes Katrina and Rita and the limited resources available, the program was never intended or funded to the level to make every impacted homeowner 'whole', and that is not the intent of this amendment. However, this amendment does provide additional relief to Road Home applicants who chose to rebuild or repair (Option 1 homeowners) and may have remaining challenges in returning.

To continue furthering the overarching purpose of The Road Home to rebuild communities and help individuals restore their lives, the State, working with HUD and other stakeholders, seeks to provide additional resources to the most challenged of the Road Home Option 1 grant recipients who have not yet been able to return to their homes in the four parishes whose communities remain most impacted by the non-return of the Option 1 grant recipients. This proposal raises the pre-storm value used in the original Road Home calculation to effectively bring these homeowners up above the median pre-storm value for their parish. The difference is provided to the homeowner through a ***Blight Reduction Grant Adjustment (BRGA)*** that can be used as an additional asset to help the homeowner get back into their damaged home.

Eligibility for Blight Reduction Grant Adjustment (BRGA)

Due to the limited funding available and the blight reduction function of these dollars, **BRGAs are only available to a limited population and is targeted towards those who have been unable to return to their home.** To be eligible, applicants must meet *all* of the criteria below:

- 1) Must be a Road Home applicant who selected Option 1 and intends on repairing or rebuilding their damaged home;
- 2) The damaged home must have been in one of the four most impacted parishes (Orleans, St. Bernard, Plaquemines or Cameron);

- 3) The applicant's original Road Home grant is significantly constrained by the Road Home determined Pre-Storm Value (PSV), meaning that:
 - a. The PSV was more than \$10,000 less than the Road Home determined Estimated Cost of Damage (ECD);
 - b. The applicant did not receive the Additional Compensation Grant (ACG) for low and moderate income households;
 - c. The applicant is not receiving additional rebuilding assistance through the Hazard Mitigation Grant Program (HMGP); and
 - d. The applicant has not already received their maximum Road Home award (total award of \$150,000 or a compensation grant of \$105,000 if subject to the uninsured penalty);
- 4) The PSV upon which the original grant is based was relatively low as defined by a PSV/Square foot that is at or below the 55th percentile¹ of the parish. This equates to:
 - a. \$60.98/SQFT in Cameron Parish;
 - b. \$80.60/SQFT in Orleans Parish;
 - c. \$60.39/SQFT in Plaquemines Parish; and
 - d. \$77.39/SQFT in St. Bernard Parish;
- 5) As of May 1, 2011, the homeowner has been unable to complete repairs and return to their damaged property or has returned without repairing the property and it is uninhabitable under the applicable codes and ordinances of the local jurisdiction; and
- 6) The homeowner agrees to participate in the construction advisory services program offered by the State to help guide the homeowners in the continued efforts to restore their lives.

Important Note: Meeting all of the criteria above does not guarantee recipients of a BRGA award. No awards will be granted that are calculated at less than \$2,000, and homeowners must demonstrate a commitment to return through their participation in construction advisory services and/or demonstrated progress toward compliance with the covenants.

Calculating the Blight Reduction Grant Adjustment (BRGA)

Below are the specific steps proposed for the calculation of the BRGA:

- 1) Determine if the difference between the original PSV and the ECD is greater than \$10,000. If not, the applicant is not eligible. If so, continue to step 2.
- 2) Determine the Pre-Storm Value per square foot (PSV/SQFT) for each homeowner and compare the PSV/SQFT to the 55th percentile of the PSV/SQFT for the parish. These values are:
 - a. \$60.98/SQFT in Cameron Parish;
 - b. \$80.60/SQFT in Orleans Parish;
 - c. \$60.39/SQFT in Plaquemines Parish; and
 - d. \$77.39/SQFT in St Bernard Parish.
- 3) Where the PSV/SQFT of the homeowner is less than the 55th percentile, recalculate their PSV using the formula (55th Percentile PSV/sqft) x Square Footage of the home. This results in a revised Pre-Storm Value for the homeowner that has been adjusted upward.

¹ The 55th percentile is a level that puts homeowners at slightly above the median PSV/Square foot for their parish (by definition, the median value is the 50th percentile).

- 4) Recalculate the Compensation Grant (CG) using the original Road Home formula with the revised PSV: (Lesser of revised PSV and ECD) minus (Duplication of Benefit) not to exceed \$150,000 where the Duplication of Benefit (DOB) is equal to the sum of resources received through home insurance, flood insurance and FEMA. Note that any insurance penalty would still apply and would be recalculated based on the 'new' Compensation Grant.
- 5) The Blight Reduction Grant Adjustment (BRGA) = the 'new CG' minus the original CG.
- 6) Apply the appropriate \$2000 floor to the calculated BRGA. If the BRGA is less than \$2,000, then no award is provided (BRGA = \$0)
- 7) Check that the total award does not exceed \$150,000. If it does, then the BRGA is reduced to \$150,000 minus CG minus EG minus ACG minus IMM (CDBG only, not HMGP). Note that no BRGA recipients should have a positive ACG award since they have already been brought up to their ECD or \$150,000.

Example Calculation using steps 1-6:

Pre-Storm Value = \$100,000

Estimated Cost of Damage = \$220,000

Duplication of Benefit (Insurance and FEMA) = \$60,000

Square footage = 2,000 square feet

Location = Orleans Parish with a 55th percentile PSV/SQFT of \$80.60

Original CG = PSV – Duplication of Benefit = \$100,000 - \$60,000 = \$40,000

EG = \$30,000; IMM = \$7500.

- 1) ECD minus PSV = \$220,000 - \$100,000 = \$120,000 (Greater than \$10,000, therefore eligible)
- 2) PSV/SQFT = \$100,000/2000 = \$50/sqft (less than \$80.60, therefore eligible)
- 3) New PSV = \$80.60/sqft x 2,000 sqft = \$161,200 (which is still less than the ECD)
- 4) New CG = revised PSV minus Duplication of Benefit = \$161,200 - \$60,000 = \$101,200
- 5) BRGA = \$101,200 - \$40,000 = \$61,200.
- 6) BRGA is greater than \$2000, therefore the BRGA = **\$61,200**
- 7) Current total award = \$40,000 + \$30,000 + \$7,500 + \$61,200 = \$138,700, which is less than \$150,000. Therefore, the BRGA remains at \$61,200.

Extension of Covenant Period

Any Option 1 grant recipient receiving a BRGA will be deemed to automatically have a one year deadline extension, calculated from the date of disbursement of the BRGA, to comply with his or her Option 1 Road Home Covenants. As additional relief to individuals who are not eligible to receive a BRGA, but who received an Road Home Option 1 compensation grant based upon PSV which was below the maximum allowed grant, and who was not eligible for an Additional Compensation Grant, upon application to the State through its covenant extension program, the applicant will receive a one year extension of the deadline, which shall be calculated from the prior Covenant deadline, to comply with his or her Road Home covenants.

Appendix 1 – Summary of Public Comments and State’s Response

Summary

The proposed Action Plan Amendment 51 was published for Public Comment on April 29, 2011 – May 5, 2011. The State received twenty-seven separate comments that can be categorized as follows:

- Fifteen comments were of a personal nature involving citizens’ individual situations, asking if they would qualify for the grant adjustment or inquiring about additional resources that may be available.
- Two comments stated an opinion without a specific recommendation: one stating that homeowners should have been insured and no more money should be provided and the other stating that those who had to finance their own repairs were unfairly treated.
- Ten comments provided recommendations to this initiative, and these can be further classified as follows:
 - One recommendation that the State expand federal funding and remove restrictions on SBA funds including making SBA loans forgivable. Although the Disaster Recovery Unit agrees that damages exceeded the federal assistance provided and that SBA loans should not be considered a duplication of benefit for Road Home grants, this recommendation is beyond the scope of what the State can address within this action plan amendment.
 - Four recommendations to expand the eligible pool of Blight Reduction Grant Adjustments.
 - Four comments with program specific recommendations including a contractor with four distinct recommendations.
 - One joint letter from the Greater New Orleans Fair Housing Alliance (GNOFHA) and the National Fair Housing Alliance (NFHA) with six specific recommendations.

Response

Question regarding personal eligibility will be responded to individually. The responses below focus on the recommendations made through the public comment period. The State seeks to clarify the action plan and identify the main reasons why individuals may or may not be eligible. It is important to note that the available resources are very limited, and only a small percentage of applicants will be eligible. Eligible applicants must:

- Have remaining challenges to rebuilding and re-occupying their home. If construction is complete, the home is habitable or there is a certificate of occupancy, then the household is not eligible.
- Have a grant that was based on the pre-storm value of the home. Any Road Home recipient that had their grant based on the estimated cost of damage, which includes any household that received the Additional Compensation Grant (ACG) is not eligible.
- The pre-storm value must be on the low end for that particular parish; only households with a pre-storm value per square foot that is less than the parish 55th percentile (slightly higher than the parish median value) as provided in the action plan will be eligible.
- Finally, further restrictions as described in the action plan including a difference of at least \$10,000 between the estimated cost of damage and the pre-storm value and a minimum grant adjustment calculation of \$2,000.

Important clarification: *if the original Road Home compensation grant calculation was zero because insurance proceeds exceeded the pre-storm value of the home, a homeowner may still be eligible provided they meet the above criteria.* However, acceptance of the Blight Reduction Grant Adjustment will require the homeowner to commit to re-occupy through the Road Home covenant.

The remaining recommendations will be addressed through question and answer as indicated below:

Expanding Eligibility

Q: Why are the Blight Reduction Grant Adjustments (BRGAs) limited to those who have not yet rebuilt and limited to the four most impacted parishes?

A: There are two primary reasons:

- 1) This is a grant adjustment aimed at reducing blight. The Disaster Recovery Unit recognizes that many households incurred substantial debt or relied on friends and family to get back into their homes, and have taken into consideration those ongoing challenges. However, it is imperative to address the current level of blight in these highly impacted parishes, and providing additional resources to those who have already returned does not further this pressing need to address blight. Addressing blight does have an indirect positive impact on other homeowners by providing safer, more livable neighborhoods that result in surrounding homes maintaining their value.
- 2) There are simply not enough resources remaining to serve those who have returned and those in less impacted parishes. With no limitation, the State would have made these grant adjustments available to all parishes and even to those who have returned. Unfortunately, there are not enough resources to bring every homeowner with a pre-storm based grant up above the median pre-storm value for their area, and there are nowhere near the resources to bring everyone up to their estimated cost of damage. From the inception of the Road Home program, there was never the funding to fully repair every home and make every homeowner whole. The intent of the Road Home program remains to provide enough of a resource to provide an incentive for homeowners to return.

Q: Why are option 2 participants not eligible for the BRGAs?

A: Consistent with the response in Question #1, providing additional resources to Option 2 grant recipients does not contribute to the effort to remediate blight and it reduces resources available to those who are rebuilding their damaged home. By program design, the option 2 participant was compensated up to the lost equity in their damaged home, which should get them into a comparable home elsewhere.

Q: Why are Additional Grant Compensation (ACG) recipients excluded from receiving BRGAs?

A: With the lifting of the \$50,000 cap on ACGs, these recipients have already received or are eligible for compensation up to their estimated cost of damage or \$150,000. Any grant adjustment would not bring them over those amounts. Other programs such as the Non-Profit Rebuilding Pilot Program funded through CDBG and other local and non-profit programs are available to this population.

Programmatic Recommendations

Q: Why not include low or no interest loans with the program?

A: Loans were strongly considered as the State worked with HUD to craft alternatives, but there were several factors that favored the grant adjustment approach. These are:

- 1) The loan does not remedy the issue of low pre-storm values since it must be repaid,
- 2) The time and expense of managing a loan process and repayments would exceed that of providing resources through a grant adjustment, and
- 3) The State runs the risk of triggering a number of federal requirements including environmental reviews and labor compliance regulations that would cause further delays for homeowners.

Having said that, there are loan products available through local entities and community development lenders that can and should be used in conjunction with these additional resources.

Q: Can community groups determine which households are eligible and can they have input into which case managers are selected?

A: If this were a separate program targeted only at one or two specific communities, this might be feasible. However, this is an initiative that needs to be implemented in a short period of time over four parishes. There is a huge amount of variability in community capacity across neighborhoods and parishes. This would create disparate standards, disadvantage those in communities with limited capacity and further delay the delivery of grants and services. Strong community groups will already be reaching out to non-returned households and partnering with non-profits that can provide additional services. Nothing in this action plan prevents communities from taking that initiative. Additionally, the State continues to work with non-profits and the City of New Orleans to identify and assist struggling homeowners.

Q: Given that some households may not rebuild, why doesn't the State limit eligibility to only those who have a contractor?

A: Requiring a contractor would likely trigger the federal requirements mentioned previously. The construction advisory services are intended to evaluate the progress and next steps required for homeowners, and to provide assistance with the construction process.

Q: Can the State issue the BRGAs through two-party checks or other mechanism to prevent homeowners from taking the grant and not rebuilding?

A: This would likely trigger additional federal requirements that would increase costs and delay recovery. The BRGA is an adjustment to the original compensation grant, and with the compensation grant there remains an obligation to rebuild as defined in the Road Home covenant.

Q: Can the State develop a list of registered contractors and establish a system of performance metrics to monitor their quality?

A: Similar functionality already exists through the LSU Agriculture Center and there is a State licensing board. Additionally the State has developed a registry of contractors by area of expertise. The State will make this resource available to grant recipients via website. The Construction Advisory services provide a list of licensed, qualified contractors along with help through the construction process.

Q: Can the State improve communications by acknowledging application receipt, contact homeowner once every 30 days, provide appropriate training so that customer service representatives are well-informed (and all have the same message), and post eligibility criteria online?

A: There will not be a new application process as this is not a new program. It is merely a grant adjustment for those who have already applied. Homeowners will be notified if they are eligible via mail, with the request to respond within a designated time. Additional homeowners may be found eligible through our non-profit partners or through the compliance process. Consistent training will be provided and eligibility criteria, specifically, this action plan, will be posted online. Communication with the homeowner will be maintained through Construction Advisory services.

Q: Will the State consider whether a property was demolished when establishing damages?

A: The BRGA is a grant adjustment based on information already collected on the property. We do not anticipate reviewing past damage assessments. However, if it is determined that there was an error in the damages calculation through Construction Advisory services, these will be addressed on a case-by-case basis.

Fair Housing Recommendations

The Greater New Orleans Fair Housing Alliance (GNOFHA) and the National Fair Housing Alliance (NFHA) provided a specific list of six recommendations. Below are the responses:

Recommendation: Extend the public comment period to 30 days.

Response: Further delay will hurt homeowners and possibly put the entire grant adjustment process at risk. Due to a legal injunction that took effect in August of 2010 that has only recently been dismissed, the State has already experienced substantial delays in developing and implementing relief for homeowners. The federal Office of Management and Budget (OMB) is already inquiring about the use of unspent funds in the Road Home program and questioning Louisiana's need for these dollars. A concrete plan, approved by HUD, will greatly improve chances of retaining these resources and getting them into the hands of homeowners.

Recommendation: Any verification process should be straightforward and simple for homeowners to satisfy, and should use an objective standard that can be easily applied.

Responses: The State will use a variety of sources to determine return status including but not limited to postal data, utilities and assessor data. This data will be used to notify potentially eligible applicants and the applicants will verify their non-return status. The State acknowledges that this will not be a simple process and that it may require identification of additional non-returns through the existing compliance and monitoring processes and the Nonprofit Rebuilding Pilot Program. However, it is a process that will allow the State to quickly identify and contact the bulk of eligible homeowners.

Recommendation: OCD should provide displaced homeowners ample time to learn about and apply for the BRGA, particularly since the program is primarily intended to assist homeowners who have not yet returned to their homes. We recommend that homeowners have at least 90 days from the date the program is publicly announced to respond and that the announcement be widely disseminated to interested parties, including organizations working regularly with families displaced by Hurricanes Katrina and Rita and regional media outlets in the Gulf region (including minority media outlets).

Response: There will be no application process as this is not a new program. Current applicants will be contacted directly. At this time the State does not intend to impose a strict deadline as it is expected additional homeowners will to be identified through the compliance process who may require this assistance.

Recommendation: OCD should revise APA 51 to provide contingencies in the event that the program is oversubscribed to ensure that all eligible homeowners receive a BRGA. If the remaining federal funds are insufficient to provide full BRGAs based on the proposed formula, we recommend reducing the maximum amount of BRGAs so that each eligible homeowner may still receive a BRGA. (The proposed maximum BRGA is currently \$50,000).

Response: The State has conducted a thorough analysis and is confident that dollars are available to fulfill the APA 51 as currently written without the originally proposed \$50,000 cap. In reviewing the recommendation, the State has determined that there is no need for any such cap. Imposing such a cap would not fulfill one important intent of the BRGA, which is to bring homeowners in the most impacted areas up above the median pre-storm value in their area. Imposing a cap would negatively impact those with the largest rebuilding gap and lowest relative pre-storm values.

Recommendation: Participation in Construction Advisory Services should be made optional, not mandatory, or homeowners should be permitted to choose from authorized designated “Construction Advisors.”

Response: The State’s primary concern is that construction advising services are available to those who need it. If the homeowner demonstrates a plan and progress, then these services will be limited. The State will perform these services with existing staff or contracts, but is open to further recommendations regarding scope of services and implementation.

Recommendation: APA 51 should set forth what will happen to the remaining federal funds available to the Road Home program, given that the State estimates that it will spend only \$62 million on the proposed APA 51.

Response: The GNOFHA has an inaccurate perception of dollars remaining in the Homeowner Assistance Program (HAP) budget. Regardless, it is not appropriate to include discussion of potential remaining HAP funds within the confines of a limited APA. Any remaining funds will be utilized within the confines of the Road Home program as required by Congress.