TESTIMONY OF WALTER LEGER, JR.

HOUSING TASK FORCE CHAIRMAN

OF THE

LOUISIANA RECOVERY AUTHORITY,

BEFORE

GOVERNOR ELECT JINDAL'S

Hurricane Recovery Advisory Council

November 27, 2007

Chairman Roach, Vice Chairman Francis, and members of the Advisory Council, my name is Walter Leger and my St. Bernard Parish home was destroyed on August 29, 2005.

Thank you for inviting me to speak to you today on behalf of the Louisiana Recovery Authority and our Housing Task Force.

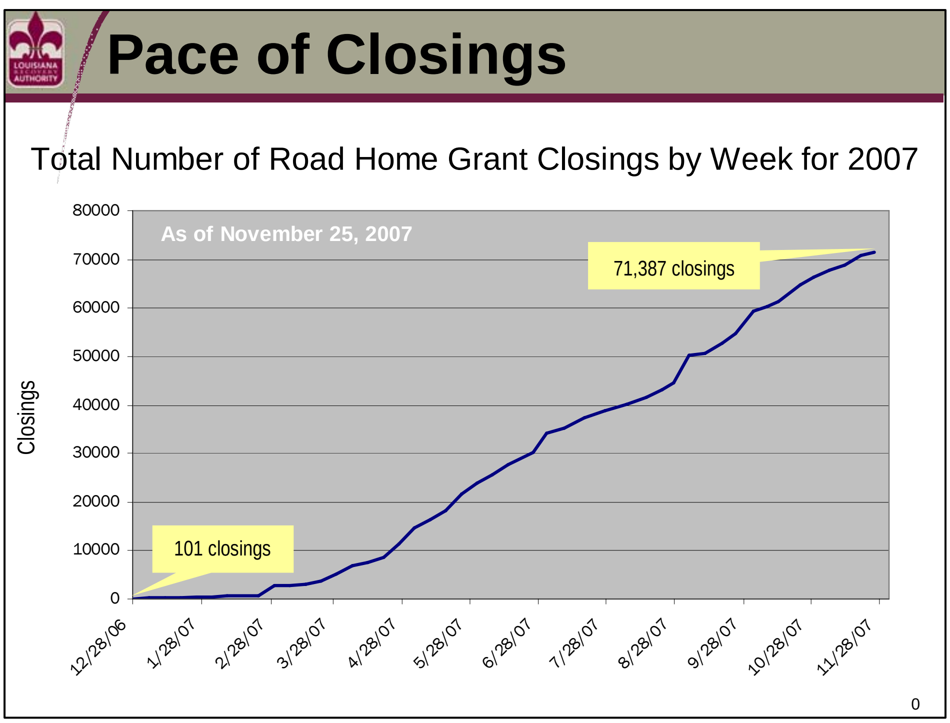
You all know the story—Katrina and Rita destroyed or severely damaged over 200,000 units of housing in Louisiana. That meant 200,000 families could not immediately reoccupy their homes or apartments without major repairs or reconstruction.

The federal government’s usual hurricane recovery programs—small FEMA grants and SBA loans—were not adequate for damages of this magnitude and which, for many homeowners, were caused by breaches of federal levees.

So we fought for federal funding to create programs that could help both homeowners and renters return home. Getting that funding from Congress took a full year.

We have participated in public forums and radio and TV shows trying to help problems and identify quality control issues for the program's contractor, ICF International, which was hired by the Division of Administration.

But these programs have now hit their stride. ICF has closed 72,000 grants and is contractually obligated to complete 90,000 closings by December 31, 2007 or they face significant financial penalties. At the current pace of 10,000 closings per month that ICF has maintained since last April, almost all applicants should have their grants by the middle of next summer.



Although original federal estimates suggested 123,000 homeowners would be eligible for assistance, ICF's projections suggest that 164,000 homeowners will ultimately receive a Road Home grant to cover their uninsured losses.

Grants are averaging $68,000. Total grant costs are projected at $11.2 billion.

Current Program Data

As of November 25, 2007

Total Applications Received	229,311
Applications Declared Duplicate or Invalid	43,344
Applications Recorded (Eligible for an appointment)	185,967
Initial Appointments Held	164,361
Benefits Calculated	145,498
Benefit Options Letters Sent	133,872
Benefit Options Selected:	
Number of Option One Selections	93,696
Number of Option Two Selections	9,275
Number of Option Three Selections	2,472
Total Benefit Options Letters Returned by Homeowners	111,338
Files Transferred for Closing	89,442
Closings Scheduled	1,161
Closings Held	**71,387**

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This is the largest single housing program in American history. No state has ever gotten assistance for a program like this before. We now meet homeowners daily who offer thanks as these grants are making it possible for them to rebuild and return home.

The recent hard-won appropriation of $3 billion from Congress covers over 90% of the Road Home program's projected shortfall and removes the uncertainty about whether all the grants will be paid. It delivers on the commitment Speaker Pelosi and Whip Clyburn made in August to fully-fund the Road Home and puts to rest the red herring issue of who deserves help, those with uninsured flood damage or those with uninsured wind damage.

The program's remaining funding gap is now estimated at $300 million, an amount that could vary somewhat based on the final number of eligible applicants and grant award amounts. In addition, we are counting on being able to access $1.2 billion in already appropriated FEMA Hazard Mitigation funds. After nearly 18 months of battling this issue and with the help of Congress, we are finally making progress with FEMA in getting the flexibility we need to access these funds for our program.

I want to take a moment to highlight the buyout provision of the Road Home program. Although local governments were hesitant to declare some areas of their communities "no build zones," we knew that some homeowners wanted the chance to sell their properties and move elsewhere. Because of this voluntary program, nearly 12,000 homeowners have already chosen to sell their houses to the state and we expect this number to climb by a few thousand more. These buyouts give our communities the opportunity to create flood-plains and green space on a voluntary basis. They also allow properties that are appropriate for redevelopment to be brought back into commerce and populated with houses built to new elevation standards and codes.

Over eighty percent of these bought-out properties are in St. Bernard and Orleans Parishes. The Louisiana Land Trust has title to these properties and is responsible for maintaining and securing them until they can be transferred to local government. Organizations like the New Orleans Redevelopment Authority and the St. Bernard Parish council and other local redevelopment agencies will need to be creative as they design thoughtful plans that address priorities like greenspacing, opportunities for homeownership, affordable housing, and quality redevelopment while at the same time avoiding causing harm to existing property values.

I also want to point out that at $11.2 billion in funding, the Road Home program only represents about one-third of the $38.3 billion in capital which will be invested in restoring Louisiana's owner-occupied housing stock. In addition, $13.6 billion of NFIP payments, $8.1 billion in private insurance payments, and $5.3 billion in SBA loans have been made to Louisiana homeowners. So there will be a residential construction boom in South Louisiana for years to come.

Housing Dollars Summary

Source	Billions $$	Percent
NFIP	$13.6	36%
SBA	$5.3	14%
Road Home (projected)	$11.2	29%
Private Insurance	$8.1	21%
Total	$38.2	100%

Louisiana also suffered the loss of 82,000 units of rental housing which has severely constrained our economy by limiting the available housing for our workforce. There has been an abundant need for replacement rental units in the market, and especially at rates that are more affordable than current post-storm market rates.

The LRA also created two programs to rebuild and energize the rental housing market.

LOUISIANA RECOVERY AUTHORITY

Small Rental Program Update

In the most recent round of the Small Rental Program awarded almost $375 million to owners of small rental properties, paying for repairs that will create 9,504 rental units in the affected areas.

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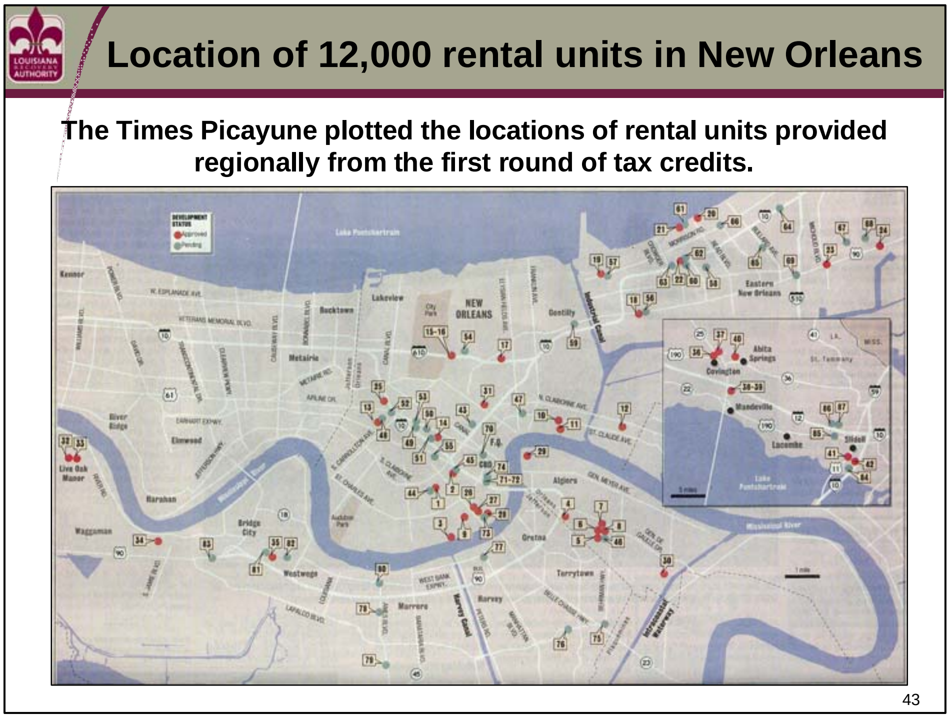
The Small Rental Property Program was created to help the financially-strapped mom and pop landlords restore their property. Because rental housing in the most impacted areas was predominantly small, 1-4 unit properties, often owned by small property owners, we were concerned that without financial assistance these units would not be restored and blight would result. The Small Rental Property Program provides 100 percent forgiveable loans to small property owners to help them repair and replace their units. To date, the Division of Administration has awarded $500 million to 5,900 applicants who will use the funds to restore 11,500 rental units.

The second program, which we call the Piggyback program, combines block grant funding with low income housing tax credits to construct high quality mixed income developments, something recommended in every hurricane recovery plan I have seen as the best way to avoid reconcentrating poverty.

As part of the Gulf Opportunity Zone Act passed by Congress in late 2005, Louisiana was awarded Low Income Housing Tax Credits which will produce nearly 16,000 units and trigger the investment of $1.7 billion in private equity. These tax credits are awarded by the Louisiana Housing Finance Agency and used by developers to build larger rental properties. Rental units built with these funds must be rented at affordable rates.



In the Piggyback program, we leveraged a portion of these development credits with $440 million of block grants to create over 5,700 units that will be in mixed income housing developments. Thirty-three separate mixed income developments received funding under this program, and I am excited about projects like 200 Carondelet which is bringing new affordable housing to the CBD and the two Domain Company developments—the Preserve and the Crescent—which will provide strong residential anchors to the Tulane Avenue Medical Corridor.

From Historic Landmark to Quality Housing

200 Carondelet

•Adaptive reuse of historic American National Bank Building

• Historic tax credits used

•$26.5 million deal to restore and refurbish the former National American Bank building as a mixed-income rental property.

•Part of the state's Low Income Housing Tax Credit Piggyback Program that leverages tax credits to spur mixed-income rental properties.

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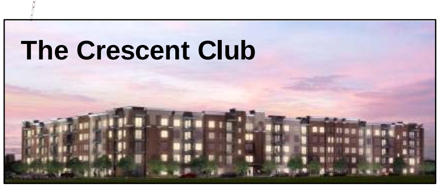
Tulane Avenue Residential Renaissance



The Preserve and The Crescent Club broke ground on Tulane Avenue in New Orleans in August. The projects received $36.7 million worth of GO Zone Housing Tax Credits through the LHFA and $35.5 million in Community Development Block Grant (CDBG) funds through OCD.

Conceived by the LRA and designed in collaboration with OCD and the LHFA, the "Piggyback Program" leverages CDBG funds and tax credits to promote the development of high quality market rate and affordable workforce housing in hurricane damaged areas.

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Despite this progress, there continue to be significant challenges. We all know the shortcomings of the Road Home, and that's why we fight to improve the quality and pace of the program every day. While the LRA doesn't run the Road Home, we designed its broad policies, have fought to see that it is fully funded, and are committed to doing everything we can to continue moving the program forward as expeditiously and fairly as possible and stressing that all homeowners should be treated with respect throughout the process.

Since August, the LRA's has been working hand-in-hand with RAND to conduct an independent review of the Road Home program's implementation by the state Division of Administration's contractor, ICF International (ICF). This “in-flight" review will result in recommendations to assure that applicants to the Road Home receive the high quality customer service they deserve.

Working with the auditing firm KPMG, the Office of Community Development is also conducting an internal review of the program, and when the report is final they will present its findings publicly to me and the members of our Housing Task Force. This is tremendously important, as we must review every aspect of the program and continue working with OCD and ICF to develop common-sense solutions that can be implemented immediately.

There is also an ongoing need for assistance for families seeking to return “home,” or seeking to relocate from temporary back into permanent housing remains a challenge. Many of them have "maxed out" their eligibility levels under FEMA assistance, but the magnitude of the disaster and its recovery has delayed their ability to return.

Homeowners and landlords who are rebuilding continue to need access to capital for gap financing and additional contractors, as well as financial counseling and construction management assistance. The ability to provide property insurance that is both available and affordable continues to be a challenge for many regions of the state. In addition, the disruption of the credit markets resulting from widespread defaults of subprime mortgages will make it more difficult for households to obtain mortgages for new home purchases.

Many devastated communities in Southwest and Southeast Louisiana have ongoing needs for funding to help neighborhoods and businesses to recover. Parishes need the additional assistance of redevelopment funds to help advance these neighborhoods as housing comes back. Now that the Road Home program has its financial roof back over it, the LRA should be able to address some of these needs by moving forward the additional $500 million in block grants that have been on hold since this Spring pending the outcome of our efforts to secure more funding from Washington.

Bought-out properties could help transform neighborhoods that are rebuilding, but with many housing units on the market already, they may also depress real estate values for many years if not managed properly. In the meantime, the costs of property maintenance, security, and insurance over time could cause cash-flow problems for local communities or the Louisiana Land Trust, which will hold title until communities take ownership.

Thank you again for offering me the chance to testify today. I would be happy to answer any questions that you may have.