



Road Home **Clarifications** **and** **Amendments**

**Senate Committee on Local and
Municipal Affairs**
August 9, 2006



Collaborative Effort

Changes and clarifications were negotiated jointly by the LRA, ICF International, Office of Community Development (OCD) and US Dept of Housing and Urban Development (HUD) to:



The Road Home
BUILDING A SAFER,
STRONGER, SMARTER LOUISIANA

- **Ensure policy goals of LRA are met**
- **Program is feasible and cost-effective to implement by ICF and monitor by OCD**
- **Program design meets the HUD requirements for the allowable use of CDBG funds.**



The Road Home Policy Goals:

- **Provide compensation to homeowners for damages to homes related to Hurricanes Katrina and Rita;**
- **Repair and rebuild quality housing in neighborhoods that are safe to live in;**
- **Help restore pre-storm value to homeowners who want to return to Louisiana;**
- **Provide affordable rental housing opportunities for displaced residents; and**
- **Provide housing for the return of critical workforce.**



Clarifications and Amendments

- **Details of Homeowner Covenant**
- **Details of disbursements**
- **Modification of benefit calculations**
- **Role of “The Road Home Corporation”**



Homeowner Covenant

- Homeowners will build to code and comply with the latest available FEMA guidance for base flood elevations, unless exceptions are granted by the LRA based on reasonable alternatives where safety is not minimized;
- If staying in the state, a home will remain owner-occupied for at least three years after receipt of funds from *Road Home* as the homeowner's primary residence;
- A home will be covered by the appropriate flood or hazard insurance;
- Claims for unpaid and outstanding insurance payments and other reimbursements that may duplicate program benefits will be subrogated back to the *Road Home*.



Disbursement of Compensation

Homeowners with a mortgage...

- In exchange for subordination of the mortgage lien, lender will ask that payments be deposited in a disbursement account for the benefit of the borrower;
- Homeowner and first mortgage lender will jointly manage the account.

Homeowners without a mortgage...

- Same Covenants apply;
- Payments will be made in installments to ensure compliance with program requirements.



Calculation of Benefit Modifications

- **Calculation based on current cost of repairs or rebuilding up to pre-storm value rather than % damage**
 - **This will account for increased cost of construction**
 - **Allows more properties to be considered “totaled” for purposes of grant calculation**
- **More details on affordable loan**
 - **Available to those with income less than 80% of Area Median Income (AMI)**
 - **Forgivable over a period of years as long as owner occupancy is maintained**



Description of Compensation

***The Road Home* can be thought of as three programs in one...**

- A **compensation grant** for uncompensated, uninsured losses up to pre-storm value of the home or \$150,000;
- A **mitigation grant** (if required) based on estimated mitigation costs up to \$30,000 (mitigation plus compensation cannot exceed \$150,000)
- An **affordable loan** for those that are eligible capped at the estimated cost to get them back into a home not to exceed the maximum \$150,000 total assistance cap.



Example: Insured Retired Couple

An older couple owns a home with a pre-storm value of \$120,000. Their home was severely damaged and the estimated cost for replacement housing is \$140,000. The home is in a flood plain and requires elevation to meet the Advisory Base Flood Elevations (ABFEs). After receiving an insurance award of \$40,000, they still have \$80,000 in uncompensated loss of pre-storm value.



Example: Insured Retired Couple (cont.)

Homeowner Summary

Pre-storm Value:	\$120,000
Estimated Cost to Replace Housing:	\$140,000
Insurance:	\$40,000
FEMA Assistance:	\$0
Elevation estimate to meet ABFEs:	\$40,000



Example: Insured Retired Couple (cont.)

Compensation Grant is lesser of....

Uncompensated Replacement Cost
(\$140k - \$40k = \$100,000)

OR

Uncompensated Loss of Value
(\$120k - \$40k = **\$80,000)**

OR

Program Cap of \$150,000



Example: Insured Retired Couple (cont.)

Mitigation Grant is lesser of....

**Estimated Mitigation Expenses
(= \$40,000)**

OR

**Mitigation Allowance Cap
(= \$30,000)**

OR

**Balance of \$150,000
(\$150k - \$80k = \$70,000)**



Example: Insured Retired Couple (cont.)

Affordable Loan (if eligible) is lesser of....

Gap between expenses and compensation

Expenses: $\$140k + \$40k = \$180k$

Compensation: $\$40k + \$80k + \$30k = \$150k$

Gap: $\$180k - \$150k = \$30,000$

OR

**Balance of $\$150,000$ Road Home Cap
($\$150k - \$80k - \$30k = \$40,000$)**



Example: Insured Retired Couple (cont.)

Total Road Home Benefit

Compensation	\$ 80,000
Mitigation	30,000
<u>Affordable Loan</u>	<u>30,000</u>
TOTAL	\$140,000

Note: In this case their total compensation with insurance is equal to \$180,000, which is equal to their rebuilding and mitigation expenses.



Example: Insured Retired Couple (cont.)

What if they decide to relocate within LA?

Compensation grant calculation is the same at \$80,000

Mitigation allowance is available if required and would be dependent on the estimated mitigation costs of the new home.

The affordable loan amount will be the same *unless* the cost to get into their new home is less than their rebuilding cost. Applicants will not receive an affordable loan that exceeds the cost to get into a new home.



Example: Insured Retired Couple (cont.)

What if they decide to sell?

Compensation grant is the lesser of

Grant they would receive if they retained their property
(\$80,000)

OR

60% of the pre-storm value minus other compensation
(60% x \$120k) - \$40k insurance = \$72k - \$40k = **\$32,000**)

OR

\$150,000

Note: Generally, the sell option is less advantageous than retaining the property or relocating within the state.



The Road Home Corporation

The new amendment describes basic functions of the Road Home Corporation which may:

- Develop properties by packaging for redevelopment and overseeing redevelopment of properties consistent with local and regional plans;
- Transfer properties to local redevelopment agency that take into account local land use guidelines;
- Maintain properties as green space based on decisions by local authorities.



Conclusion

"The revisions and clarifications announced today illustrate the kind of evolution we expected as this program moves from design to implementation. These amendments will help us get homeowners the assistance they need to get back in their homes."

**Walter J. Leger, Jr.,
LRA Housing Task Force Chairman**