



April 19, 2006

BY HAND

Honorable Kathleen Blanco, Governor  
STATE OF LOUISIANA  
State Capitol  
Baton Rouge, Louisiana

Re: The Road Home Plan

Dear Governor Blanco:

As we move forward during this recovery phase from the devastation left by Hurricanes Katrina and Rita, the Republican Delegation realizes the need to implement a housing plan so our citizens can continue to rebuild their lives and homes. However, upon reviewing the Road Home plan, submitted by the Louisiana Recovery Authority with your approval, many of our members have serious reservations and lingering questions as it relates to the specifics of the plan.

Before any additional legislation moves forward with respect to the Road Home Plan, we submit to you the following questions associated with your housing initiative. Upon review of this document, we hope the following questions we have raised will be answered.

In the meantime, we will continue working with you and other members of the Legislature to ensure that *all* Louisiana residents adversely affected by both storms will receive proper assistance.

**Questions:**

**Category I—Programmatic**

1. The Road Home indicates that significant funding and priority treatment will be allotted to households earning 70 percent of area median income or AMI (see Page 7). According to recent data from the U.S. Department of Housing and Urban Development, 70 percent AMI in the Orleans Metropolitan Statistical Area equals approximately \$31,000. What is the

expected amount of assistance to be allocated for households with earnings greater than 70 percent AMI?

2. The total amount of funds available for disbursement under The Road Home is capped at \$8 billion and therefore limited. Further, while The Road Home and other related documentation seeks to estimate how homeowners will elect to repair their homes, these expenses are unknown. Given that funds are limited and expenses are unknown, how will the LRA or its designee make determinations on the order in which households will receive compensation? Will this be done on a first-come-first-serve basis or on some other merit scale yet to be developed or disclosed?
3. Given the state has not generally imposed rent control agreements, explain the need for such agreements--the anticipated number of units privately owned that will be subject to rent control--the duration of any rent control requirements--the process by which a project may convert from rent control to free market--and the state's contingency plan to ensure rent-controlled properties remain commercially viable over the course of the state-imposed rent control agreement.
4. The Road Home reads:  
Page 9—"...assistance will be reduced by any insurance payments for damage to the structure of the home, by any FEMA assistance for home repairs or replacement, and by other compensation for the loss."  
Page 9—"Insurance, FEMA, and any other grant payments received by the homeowner for structural repairs will be deducted from the amount of assistance for which the homeowner is eligible."

Given these statements, will any otherwise eligible homeowner that has received an insurance claim in excess of \$150,000 receive any compensation or assistance under The Road Home? If so, please explain explicitly the process by which a homeowner receiving an insurance payment of greater than \$150,000 will be assisted with necessary repairs exceeding \$150,000 in costs.

5. The Road Home anticipates some homeowners will elect to sell their property to the state. Please describe the methodology the LRA intends to use to dispose of these properties, including any plans to reintroduce the property into commerce or to limit, in perpetuity, the property's use to green space.
6. Where properties are acquired, describe how the LRA or its designee will obtain clear title to the property. Further, describe the efforts of the LRA or its designee to intervene with lenders and other lien-holders to ensure clean title.

7. If the LRA or its designee intends to return purchased properties to commerce, describe how downstream liabilities for future owners will be mitigated. Does the state have legal authority to halt the chain of environmental liability?
  
8. The Road Home, on Page 6, cites 122,000 owner-occupied homes as having been damaged or destroyed. Further, The Road Home indicates the data supporting this claim has been compiled by FEMA, based on data provided by other federal agencies. The latest FEMA data on this subject is dated 2/12/06 and acknowledges an undercount of properties by as much as 18 percent. Understanding the data set upon which the plan is based is flawed, how does the plan account for these errors in its overall funding?
  
9. The Road Home targets the lion's share of federal resources to housing restoration; however, the plan does not provide for the concurrent development of business or community infrastructure. Given that business operation and community services are vital to the rebuilding effort, please explain how the LRA will reinvigorate the business community and restore community services.
  
10. How will The Road to Home address outstanding mortgages on damaged properties? Will mortgage lenders participate in the rebuilding process or have a voice in which areas will be redeveloped?
  
11. If the outstanding mortgage balance is greater than the Eligible Assistance Amount, would the homeowner or lender be entitled to the assistance money?
  
12. What if the lender gets all of the assistance money as payment of the outstanding mortgage? Would there be any assistance available to homeowner under such an event?
  
13. The Road Home states that the Eligible Assistance Amount uses "Eligible Mitigation Costs" to determine assistance. What criteria or formula is used to determine Eligible Mitigation Costs?

14. The Road Home states that the Housing Development Loan Fund would be used by developers of rental and for sale housing for acquisition and predevelopment loans.

Page 23—“In a three-year period, it is expected that the funds will recycle two to three times.”

How was this determined and will the services of outside financial experts be engaged to maximize the return on recycled CDBG funds to expand the scope of available funds? Further, as recycled CDBG funds are reinvested, will such funds be available for other CDBG-authorized purposes such as assistance to small businesses and for restoration of community services?

15. Under Section 5.2 of The Road Home, there is provided an additional \$2 million for home purchases. Please explain the difference between this buyout program and the buyout program envisioned under Section 2.4.4. Are the criteria the same and will homeowners be eligible for the same rate of compensation. And, is the process for redevelopment of tracts acquired under either program similar or different. If different, please provide an explanation of the development plan.
16. On Page 10 of The Road Home, in calculating the formula for the Eligible Assistance Amount to Repair/Rebuild homes, Percent Damage to the Home is included. Many homes are considered beyond repair when they have received more than 50 percent damage. Therefore, a home sustaining 60 percent damage may need to be rebuilt as much as a home sustaining 90 damage. Will this be given consideration in determining the Eligible Assistance Amount?
17. On Page 4 of The Road Home, the LRA anticipates total administrative costs for a fully funded program of \$120 million. However, on Page 24, under Sections 5.4, 6,7 and 8 the plan itemizes a seemingly additional list of administrative costs for a total of \$222.3 million. Are total administrative costs projected at \$120 million or \$222.3 million?
18. On Page 4 of The Road Home, a chart discussing program budgets shows an \$18 million allocation for housing costs in Action Plan #1. Please provide an explanation of this budget line item, which includes a description of activities and scope of work and justification for seeming duplication in the administrative structure of the plan.
19. Under Section 2.7 of The Road Home, Homeowner Assistance Centers will be established to assist homeowners in determining the most appropriate form of assistance to meet their recovery and rebuilding needs. On Page

14, The Road Home indicates the state will rely on its own staff as well as the staff of outside consultants. The plan offers additional explanation under Section 5, yet no explanation is provided under that section. Further, the April 10 Solicitation for Offers requires, under Appendix A Phase I and II, the state contractor to secure, equip and staff Homeowner Assistance Centers. If the state intends for these services to be performed on large scale by third parties, why is it necessary for the state to hire its own staff to perform these seemingly duplicative services?

20. When a homeowner is contemplating options available under The Road Home, what provision is given to include lenders with an interest in the property in the decision process? Further, given the lien held against a property by a lender, will assistance payments made under the program be made payable to only the owner, only the lien-holder or jointly to both?

### **Category II: Process Questions**

1. The FEMA data cited by The Road Home shows damaged or destroyed housing at 122,592 (owner-occupied) and 52,640 single-family rental units. However, in the LRA's Solicitation for Offers to manage The Road Home, bidders are instructed to plan for only 122,000 properties. Does the plan intend to repair any single-family rental properties?
2. An arbitrary 10-day review period for public comment has been established for The Road Home. Given the need for the public and elected officials to thoroughly understand and vet the proposal, what is the compelling reason for this short period of time?
3. The Road Home cites projected total recovery costs of no less than \$12.1 billion (Page 4). Further, the LRA notes the plan has received to date \$6.2 billion in funding, with an additional request for \$4.2 billion pending for a total of \$10.4 billion in funding (Page 4). At the same time, The Road Home budget notes that only \$8 billion will be expended to execute the homeowner assistance program. Can the LRA or other state entity account for the remaining \$2.4 billion in Community Development Block Grant funding, coupled with additional funds available under the Hazard Mitigation Grant Program, which is expected to exceed an additional \$2 billion? In short, where are the funds and what will they are used for? How can the people assess, let alone the Legislature approve, an incomplete plan?
4. The LRA recently published a Solicitation for Offers (SFO) requesting bids from private contractors to implement The Road Home. The details of the contract are considerable, as are the qualifications for a successful contractor. Does the state believe there are sufficient Louisiana-based firms to bid on this contract? If the state fails to receive any bids meeting

the SFO's minimum requirements, what will be the process of awarding a contract to a firm? In any case, will the state resort to sole-source contracting?

5. Who is the ultimate author of The Road Home, and will these persons be available to explain to the Legislature in detail the process by which the plan was developed including but not limited to the role of outside contractors, state officials and federal officials? Further, will the state produce documentation to support the assertions, assumptions and hypotheses upon which The Road Home is based?
6. In electing to contract out responsibility for management and implementation of The Road Home, is the state government abdicating its responsibility to its citizens? Does the state lack the capability and/or competency to implement its plan? Will the LRA provide the justification for the SFO?

### **Category III: Big Picture Questions**

1. Given the recent announcement by FEMA that homes in the affected area around New Orleans will need to be raised by a minimum of 3 feet to comply with advisory base flood elevations, will additional resources be provided to cover these expenses? Further, if a homeowner should qualify for Increased Cost of Compliance funding under the National Flood Insurance Program, will these resources also be deducted from the total amount of compensation made available under The Road Home?

2. What are the areas where rebuilding is most likely and least likely to occur?

Page 7—"In areas where a high proportion of homeowners are choosing not to invest, state or local authorities may limit access only to Buyout/Relocate and Sell programs.

Given this statement, what constitutes a high proportion of homeowners? Will homeowners be given the opportunity to revise or reconsider their decision? What amount of time is allowed for homeowners to determine

how to proceed? Further, will buyouts be executed with funds made available under the Hazard Mitigation Grant Program?

3. Under the Road to Home plan, what specific areas will be given priority to be rebuilt?
4. Which entity will decide and based on what criteria, which area will be rebuilt first? How will community areas be determined? By zip code, voting precincts, streets, block?
5. What is the anticipated timeline for The Road to Home assistance to homeowners and developers? What is the amount of time estimated for the rebuild?

Governor, we realize time is of the essence, but we also realize the need for Road Home Plan to be transparent and beneficial to all our homeowners. As this plan moves forward, we hope you rethink some of the priorities which were initially set forth in the plan. It is imperative that we provide our citizens with an environment where communities can flourish and families can thrive once again. Our Delegation welcomes the opportunity to work with you.

Sincerely yours,

TOM SCHEDLER, CHAIRMAN  
CHAIRMAN  
Senate Republican Delegation  
Delegation

JIM TUCKER,  
House Republican

ON BEHALF OF MANY MEMBERS OF THE REPUBLICAN DELEGATION

cc: Mr. Andy Kopplin, Executive Director  
Louisiana Recovery Authority

Capitol Press