

**Disaster Recovery Initiative  
U.S. Department of Housing and Urban Development (HUD)**

*Public Law 109-234*

*The Emergency Supplemental Appropriations Act for Defense, the Global War on  
Terror, and Hurricane Recovery*

**Louisiana Office of Community Development,  
Division of Administration**

**Louisiana Recovery Authority**

**Action Plan Amendment 7 (Second Appropriation)**

**Road Home Property Disposition and Redevelopment Process**

**Public Comment: January 30, 2008**

**Original HUD Submittal: June 13<sup>th</sup>, 2008**

**Final HUD Submittal: July 29<sup>th</sup>, 2008**

**August 13<sup>th</sup>, 2008**



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# **Road Home Property Disposition and Redevelopment Process**

## **Background**

As part of The Road Home Program, homeowners are given the option to retain ownership of their property (Option 1), sell their property and relocate in Louisiana (Option 2), and sell their property and relocate outside the state or become a renter (Option 3). The state first published a description of the Road Home Homeowner Assistance program in Spring 2006 (Action Plan Amendment 1), describing a principle that parishes and local entities should direct the property disposition outcomes, or ask the state to manage the process on their behalf if they don't have the resources. It also outlined that disposition plans should be consistent with local recovery planning and the Louisiana Speaks plan. Action Plan Amendment 14 is the most recent Action Plan Amendment affecting the description of the Road Home Homeowner Assistance Program. This Action Plan Amendment expands on the section titled "Redevelopment of Purchased Properties" (section 2.5) of the previous Action Plan Amendments. The Road Home Corporation dba the Louisiana Land Trust (LLT) is the publicly chartered nonprofit corporation created to take title to properties purchased by the Road Home Homeowner Assistance Program. In conjunction with parish leadership, Louisiana Recovery Authority (LRA), and Office of Community Development (OCD), the Louisiana Land Trust will facilitate the recovery process in order to assist with local redevelopment of areas affected by Hurricanes Katrina and Rita. Redevelopment initiatives shall be reviewed and carried out in conformance with Community Development Block Grant (CDBG) guidelines, state Action Plan, locally adopted Long Term Recovery Plans, and Parish Redevelopment and Disposition Plans.

## **Redevelopment Process/Internal Procedures**

In order to effectively facilitate the redevelopment process, the Louisiana Recovery Authority (LRA), Louisiana Land Trust (LLT), and Office of Community Development (OCD) have developed the following internal procedures and redevelopment policies in order to provide parishes and LLT with guidance for the disposition of properties acquired as part of the state's disaster recovery efforts.

The first step in the parish redevelopment process is the completion of Long Term Recovery Plans by parishes. Once approved by the LRA, the plans serve as foundation for the development of the Parish Redevelopment and Disposition plans for properties acquired as part of the Road Home Program. In order to receive Road Home Properties, the parishes will be required to complete the Parish Redevelopment and Disposition Plans addressing all of the issues contained in the attached template. These plans will then be reviewed by the LRA, OCD, and LLT. LRA will review the plans in order to ensure consistency with the parish's Long Term Recovery Plan and the Louisiana Speaks plan. OCD will review parish plans for compliance with the state's approved Action Plan and CDBG regulations. LLT will review the plans for any issues related to implementation of the plan and transfer of the properties to the parish. Once the panel reviews the Parish Redevelopment and Disposition Plans, they will be submitted to LRA Board for final approval. Parish plans will then be posted on the LRA web site and linked from the LLT, OCD and Road Home program web sites, in order to communicate local recovery initiatives to citizens interested in the redevelopment of

properties. Parish Redevelopment and Disposition Plans must be submitted for review and approval of the LRA no later than June 30, 2008, unless otherwise allowed by the Director of the Louisiana Recovery Authority. After this date, for any parishes who have not submitted plans, it will be the responsibility of the LLT to dispose of properties in partnership with the LRA and in accordance with the state's Action Plan and CDBG regulations.

Until parishes are prepared to request properties to initiate their redevelopment, the Louisiana Land Trust shall be responsible, unless this responsibility is otherwise delegated, for all disposition activities and costs related to Road Home properties. In addition, the LLT will be responsible for tracking and reporting on all Road Home properties in accordance with CDBG regulations. OCD will be responsible for ensuring that the LLT follows CDBG guidelines regarding the tracking and disposition of properties. In addition, the LLT will also be responsible for ensuring that environmental reviews and appraisals are completed prior to disposition or reuse of any properties. OCD, LLT, or the local jurisdiction will conduct environmental reviews and serve as the responsible entity for these reviews. In the case that LLT utilizes FEMA Public Assistance Funds for demolition of properties and pool removal, FEMA will be responsible for conducting the environmental review for demolition activities. If other sources of funds are used for demolition, the LLT will ensure that environmental reviews are performed as required. OCD will ensure that proper environmental reviews are conducted prior to the disposition or reuse of Road Home properties.

### **Applicable CDBG Requirements**

Properties acquired through the Road Home Program were purchased with Community Development Block Grant (CDBG) funds. Since CDBG funds were used to acquire the properties, disposition and reuse of these properties must meet CDBG guidelines. Federal regulation, 24 CFR 570.489 (j), specifically applies to the change in use of real property acquired or improved in whole or in part utilizing CDBG funds. This provision requires the new use of acquired properties to meet one of three national objectives (Urgent Need, Elimination of Slums and Blight, or Benefit to Low to Moderate Income Families). If a national objective cannot be met, the property must be disposed of for the current fair market value of the property. Proceeds from property sales, less disposition costs, are considered to be program income and continue to be subject to CDBG Supplemental Disaster requirements. Parishes are encouraged to meet a national objective during the disposition and redevelopment process, but must ultimately determine which strategies meet their recovery plans. Proceeds from the sale of LLT properties, less disposition costs, must follow one of two possible outcomes. The funds shall be returned to the state CDBG Supplemental Disaster program in the amount of the current fair market of the property less any portion necessary for expenditures of funds for program delivery costs or other necessary and reasonable costs for handling the properties during disposition or redevelopment. Alternatively, if approved by the LRA Board and Governor, program income may be allocated to the parish for CDBG eligible activities. At least 51% of any program income from property disposition must be used to benefit Low to Moderate Income Families, unless otherwise approved by the Governor and LRA Board.

In addition to CDBG requirements, it should be noted that the description of the state's Road Home Homeowner Assistance Program as written in the Disaster Recovery Action Plan (most recently updated in Amendment 14) requires the following:

- ✓ Properties must be redeveloped and returned to commerce or preserved as green space consistent with local land use plans, Louisiana Speaks, and with the findings and recommendations of the American Institute of Architects and the American Planning Association planning conference held on behalf of the LRA in November 2005;
- ✓ 25% of all acquired properties be used for affordable housing according to HUD guidelines for the HOME program; and
- ✓ Program income generated from the sales of these properties is reinvested to support community redevelopment activities already supported by supplemental CDBG funds allocated through state programs, such as housing restoration, affordable housing for homeowners and renters, infrastructure enhancements, and certain economic development activities.

Therefore, the following guidelines must be considered by each parish in the development of the parish redevelopment and disposition plan:

- Properties must be redeveloped and returned to commerce or preserved as green space consistent with local land use plans, Louisiana Speaks, and with the findings and recommendations of the American Institute of Architects and the American Planning Association planning conference held on behalf of the LRA in November 2005;

- Properties shall be disposed of in a manner where their reuse meets a national objective of the Department of Housing and Urban Development Community Development Block Grant Program, or they shall be disposed of for their current fair market value. If properties are transferred to the parishes for disposition, the parishes will be responsible for ensuring that these requirements are met.

- Proceeds from the sale of the properties are considered to be program income and continue to be subject to CDBG Supplemental Disaster requirements. Proceeds from the sale of LLT properties must follow one of two possible outcomes. The funds shall be returned to the state CDBG Supplemental Disaster program in the amount of the current fair market of the property less any portion necessary for expenditures of funds for other allowable costs for handling the properties during disposition or redevelopment. Alternatively, if approved by the LRA Board and Governor, program income may be allocated to the parish for CDBG eligible activities. Some funds can be used for property disposition costs related to direct costs for program implementation. Expenditures of program income funds must meet CDBG Supplemental Disaster requirements or be recaptured from the parish. Parishes will be responsible for tracking costs on a per parcel basis utilizing the format provided by the Louisiana Land Trust. Parishes will have to submit Program Income reports in order to track the use of the funds and reporting any necessary and reasonable disposition costs to the state.

- As described in the Road Home Homeowner Assistance Program Action Plan previously, parishes must ensure that 25% of properties are reused for affordable housing. Affordable housing means that a homeowner or renter, whose income is equal to or less than 100% of median family income (MFI) as defined by HUD, pays no more than 30% of their gross income for housing costs.

## **Methods of Disposition**

Parishes will be given the option of receiving properties acquired through the Road Home Program or deferring this responsibility to the Louisiana Land Trust. In either case, the parishes will be asked to submit a Parish Disposition and Redevelopment Plan to outline local intent for property redevelopment initiatives. A parish disposition plan must be consistent with each parish's Long Term Recovery Plan and with the findings and recommendations of the American Institute of Architects and the American Planning Association planning conference held on behalf of the LRA in November 2005.

If the parish elects to receive properties, the plan will designate a specific entity (local jurisdiction, non-profit organization, etc.) to receive and manage the properties. The designated agency must demonstrate their experience and capacity to manage the parish's portfolio of properties in accordance with CDBG Supplemental Disaster Guidelines. As part of the planning process, the parish must outline proposed disposition policies and procedures in order to address whether or not the parish will bundle properties for auction, sell them for targeted development, offer them to adjacent property owners or reintroduce them to the marketplace through other strategies. If properties are to be assembled and offered through a competitive process, the plan must outline the methods by which the parish will prioritize, evaluate, and select redevelopment proposals. If the parish designates the Louisiana Land Trust to dispose of properties on behalf of the parish, the parish will submit a plan that recommends the preferred method for the Trust to follow for disposition. Parish plans that include disposition of properties to individuals must outline the methods to prioritize requests, assess fair market value, and/or distribute lots for the development of affordable housing.

In addition to disposition policies and procedures, parish plans must include methods in which to assure compliance with CDBG procedures and designate staff responsible for ensuring the CDBG Supplemental Disaster Guidelines are met. Should the parish contract this work to an outside contractor or non-profit, the plan must outline the proposed method of procurement and selection criteria. In addition, the plan must also describe the methods and redevelopment policies to be used in order to ensure that the properties meet the redevelopment requirements outlined above. Parishes that have identified areas where properties will be converted to green space must outline the method by which the parish will identify properties to be used for green space, the agency responsible for the maintenance of these areas, and include a timeline for the conversion of these properties. In addition to parish green space initiatives, the parish will have to outline their strategy to finance the disposition costs of all properties received by the parish. Redevelopment and disposition priorities and timelines will also be described in the plan. Prior to approval of the plan by the parish, a minimum of one public workshop, charrette, or open house is required prior to submittal of the disposition plan to the LRA Board.

Parishes can elect to incrementally receive Road Home Properties. However, a parish must outline a timeline for the redevelopment and disposition of properties to the LLT. A parish must take over disposition responsibilities for a property within three years of its acquisition under the Road Home Program. A Memorandum of Understanding will be developed between the LLT and the parish outlining disposition procedures and responsibilities according to their LRA-approved Disposition and Redevelopment Plan, including compliance with the state's Action Plan and CDBG Supplemental Disaster

regulations. Once received, the parish shall redevelop or dispose of the properties within the timeframes outlined below:

<b>Number of Properties</b>	<b>Disposition Timeframe</b>
1-100	12 months
101-500	24 months
501-1000	36 months
1001-3000	48 months
3001-5000	60 months
5001+	72 months

The parish must pay current fair market value for any Road Home properties remaining within the parish's portfolio longer than the timeframe outlined above from the date of transfer from LLT to the parish. The LRA Executive Director or Governor may provide flexibility or extensions to these timelines, if necessary. Once the properties are received by the parish, the parish shall be responsible for all disposition costs related to the Road Home Properties and ensuring that disposition of properties meet CDBG Supplemental Disaster requirements. Fair market value is defined as the current post-storm value of a property as determined by a Louisiana certified appraiser or by auction.

Parishes may designate the Louisiana Land Trust as the redevelopment entity for properties located in their parish. In these cases the Louisiana Land Trust shall facilitate the redevelopment and disposition of properties in accordance with the Parish Disposition and Redevelopment plans (if submitted and approved), state Action Plan, and CDBG Supplemental Disaster regulations.

Redevelopment and disposition options available parishes and the LLT are as follows:

**Redevelopment Agency.** Upon the approval by the LRA Board of the Parish Disposition and Redevelopment Plan that designates a local redevelopment agency to receive the properties, the LLT can transfer properties to the designated agency after a Memorandum of Understanding (MOU) has been approved and signed by LLT. The MOU shall contain provisions regarding consistency with their approved disposition plan, local recovery plans, the state's Action Plan, and CDBG Supplemental Disaster Guidelines. The local redevelopment agency can assemble the properties, offer them for redevelopment through a competitive process, and will oversee the redevelopment of the properties. The agency will also be responsible for ensuring that properties are properly secured and maintained until redeveloped. LLT is responsible for monitoring the local redevelopment agency for conformance with the provisions outlined in the MOU. OCD will be responsible for monitoring LLT for compliance with the Disaster Recovery Action Plan and CDBG Supplemental Disaster regulations.

**Auction.** Parishes (or their designee) or LLT may dispose of individual properties or bundles of properties at auction. The amount bid on the property or properties shall establish the fair market value. Proceeds from the sale of these properties, less disposition costs, will be considered program income.

**Properties sold for targeted development.** Where a number of parcels are located in proximity to each other in an area designated by a parish for redevelopment, the parish (or the designee) or the LLT may solicit development proposals. Proposals must be competitively bid, ranked, and scored. If the properties are disposed of for a purpose

that meets a national objective (Urgent Need, Elimination of Slums and Blight, or Benefit to Low to Moderate Income Families), the properties may be disposed of below fair market value. If there are proceeds from the sale of directly associated with the properties, the proceeds, less disposition costs, will be considered program income. Evaluation and selection of proposals should be based upon consistency with local and regional plans, the Disaster Recovery Action Plan and CDBG Supplemental Disaster Guidelines. The quality of development, consistency with local recovery plans, geographic architectural consistency, timeframe for redevelopment, and proposed approach to property management should also be considered. Income documentation must be obtained and maintained by the parish or LLT for all LMI owners who purchase lots for less than fair market value. LLT must determine if a property disposition meets the national objective of Urgent Need or Slum/Blight in advance of disposition.

**Disposition of properties to individual owners.** Parishes or the LLT may dispose of properties to individuals. Criteria for this type of a program must be approved by LLT. Fair market value shall be paid for all properties sold to individual owners unless the individual (s) purchasing the properties qualifies as Low to Moderate Income according to HUD guidelines, in which case they can be sold for less than fair market value for construction or rehabilitation of a single family home in accordance with local regulations and building requirements. All Acts of Cash Sale for the transfer of properties shall have restrictions that contain provisions for the maintenance of properties in accordance with local regulations and clawback provisions for failure to comply. Properties sold to adjacent owners for the purposes of expanding their existing lot must be attached to the owner's existing lot. Income documentation must be obtained and maintained by the parish or LLT for all LMI owners who purchase lots for less than fair market value.

**Other disposition strategies.** Disposition strategies not outlined in the state's action plan shall be reviewed and approved by LRA, LLT, and OCD prior to their implementation.

### **Disposition Costs**

Eligible disposition costs include costs for the preparation of legal documents, surveys, marketing, financial services, transfer taxes, if applicable, and other costs involved with the upkeep, safety, and transfer costs related to the Road Home properties. These costs may be incurred by the LLT or the parishes. Reasonable costs of temporarily managing property are eligible until final disposition occurs, which is expected within a three year time period from acquisition. The Louisiana Land Trust will be responsible for paying transfer costs for the disposition of property. It is important to note that disposition costs for all properties transferred to the LLT or parishes must be tracked individually.

### **Affordable Housing Initiatives**

Prior to the disposition of properties, the parish's redevelopment and disposition plan must include a strategy to ensure that 25% of all properties located within the parish will be used for affordable housing. Affordable housing means that a homeowner or renter, whose income is equal to or less than 100% of median family income (MFI) as defined by HUD, pays no more than 30% of their gross income for housing costs.

**Program Income**

Proceeds from property sales, less disposition costs, are considered to be program income and continue to be subject to CDBG Supplemental Disaster requirements. Proceeds from the sale of LLT properties, less disposition costs, must follow one of two possible outcomes. The funds shall be returned to the state CDBG Supplemental Disaster program in the amount of the current fair market of the property less any portion necessary for expenditures of funds for program delivery costs or other necessary and reasonable costs for handling the properties during disposition or redevelopment. Alternatively, if approved by the LRA Board and Governor, program income may be allocated to the parish for CDBG eligible activities. At least 51% of any program income from property disposition must be used to benefit Low to Moderate Income Families, unless otherwise approved by the Governor and LRA Board.

## **Appendix 1 – Public Comment and the State’s Response**

This Amendment was posted for Public Comment on January 30<sup>th</sup>, 2008 and remained available for review and comment through February 8<sup>th</sup>, 2008. This Amendment was also approved by the Louisiana Recovery Authority Board, the Joint Legislative Committee on the Budget, and the full Louisiana Legislature. The State received no comments on this Amendment.