



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF THE ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

MAR 11 2009

Mr. Paul Rainwater
Executive Director
Office of Community Development
and Louisiana Recovery Authority
150 N. Third Street, Suite 200
Baton Rouge, LA 70801-1916

Dear Mr. Rainwater:

I regret to inform you that the Department is not accepting the State of Louisiana's Amendments 10 and 11 to Action Plan 2 for Disaster Recovery Community Development Block Grant (CDBG) supplemental funding for grant B-06-DG-22-0002. The proposed amendments represent substantial changes to policies established for the Louisiana Road Home Program and, as currently proposed, violate program requirements.

Amendment 10, submitted December 2, 2008, seeks to redefine Individual Mitigation Grant benefits (part of the Road Home homeowner program) by allowing a homeowner to receive up to \$7,500 regardless of whether that would cause the homeowner's total assistance to exceed the \$150,000 limitation on total Road Home cash payments. The alteration to the threshold policy will, in some cases, result in violation of the requirement of Public Law 110-116, which only permits the State to use funds for costs eligible under the Road Home Homeowner Compensation Program under the Action Plan for Disaster Recovery for grants made under Public Law 109-148 and 109-234, as those plans had been amended and accepted by HUD as of the issuance of the December 11, 2007, Notice (72 FR 70472) governing those funds. If the State changes and resubmits the amendments to specify that, in any case in which the \$150,000 cap would be exceeded, the State will only use funds from some source other than the funds budgeted for and covered by the December 11, 2007 Notice, HUD will reconsider and probably accept the amendment.

Amendment 11, submitted December 2, 2008, outlines a policy change related to the pre-storm value determination that the State considers when it determines benefits for the Road Home Homeowner Program. The State proposes that if more than one method of determining pre-storm value is available, the pre-storm value used in the *Road Home* calculation will be based on the method with the highest value, even if that value is more than 20 percent higher than the next nearest estimate. This is a complicated area in which HUD has previously provided some guidance to the State. HUD is rejecting this amendment because it would eliminate the protections the existing process has in place to establish and document reasonable and necessary costs, and because HUD is concerned that the proposed policy invites abuse by creating an incentive for a homeowner to find a way to obtain a biased high value estimate.

HUD remains committed to assisting the recovery of the State of Louisiana from the devastating effects of Hurricanes Katrina and Rita. If you or any members of your staff have any questions, please contact Mr. Stanley Gimont, Director, Office of Block Grant Assistance, at (202) 708-3587.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley Gimont". The signature is written in a cursive style with a large, prominent "S" and "G".

Stanley Gimont
Director
Office of Block Grant Assistance