

**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/Disaster Recovery Unit,
Division of Administration**

***Non-Substantial* - Action Plan Amendment No. 16 (Second Appropriation) –
Modification to the Small Rental Soft Second Mortgage Program (as written in
Amendment No. 9)**

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**Bobby Jindal
Governor**

**Jay Dardenne
Lieutenant Governor**

**Paul Rainwater
Commissioner of Administration**



**Office of Community Development
150 N. 3rd Street, Suite 700
Baton Rouge, LA 70801
P.O. Box 94095
Baton Rouge, LA 70804-9095
<http://www.doa.louisiana.gov/cdbg/cdbg.htm>**

Introduction

This non-substantial Amendment No. 16 applies to the program descriptions previously published in the State's Action Plan for the Use of Disaster Funds Allocated by P.L. 109-234, Action Plan Amendment No. 9 related to promoting *homeownership opportunities*. This non-substantial amendment revises a portion of **Section 3.3 of Amendment No. 9**. It specifically refers to the current seventy-five million dollar allotment of small rental funds that is reserved for a special initiative designed to promote homeownership and expand housing opportunities for existing low and moderate income households. This amendment is non-substantial in that it does not create a new program nor change beneficiaries, and does not result in a funds transfer. The intent is to expand specific program parameters to encompass a more broad reaching impact on blight reduction and home ownership based on the needs and experiences of the program to this point.

This non-substantial amendment edits **Section 3.3 Small Rental Property Program** as follows:

[Page 9, para. 2]

The State is committed to promoting homeownership opportunities for low and moderate income households. The LRA and the OCD are working with the Louisiana Housing Finance Agency (LHFA) and other partner agencies to promote the use of funding from the *HOME* program and other available sources including Mortgage Revenue Bonds to foster first time homeowner initiatives. In addition, the Small Rental Property Program will be structured in such a way as to accommodate the participation of potential homebuyers (including existing tenants) who are receiving homebuyer assistance through other programs. In order to assist additional homebuyers, the State will develop its own pilot program(s) to provide incentives, not only to encourage the return of damaged properties, but also incentivize the conversion of these properties to owner-occupied housing. For example, a Lease-Purchase Pilot Program would allow an owner to sell a repaired one-family or two-family property to a low- or moderate-income homeowner, rather than rent the home. A Homebuyer Assistance Pilot program would allow low- and moderate-income households to purchase one-family and two-family properties that are "ready to occupy", as well as un-repaired one-family and two-family properties where the purchaser or a developer would carry the home through the repair process.

{Insert} *In the event the developer carries the home through the repair process the funds from the Homebuyer Assistance Program may be used for construction costs. Once the property is "ready to occupy" these costs will be transferred from the developer to the homebuyer in the form of a forgivable zero payment/zero interest soft second mortgage. The details of this process must be approved by the State before any disbursement of funds.*

{Delete} *For the purposes of the pilot program, participating properties must either be (1) those (formerly rental or ownership) properties that received severe or major damage through the storms of 2005 or (2) properties located in locally designed redevelopment zones. Creating first-time homebuyers would be a priority, but the pilot program may also serve buyers who have previously owned homes but currently do not own their own home. Homeowners who are exercising the "sell" or "relocate" option under the Road Home Homeownership Program are not eligible to receive additional financial assistance from the State through these pilot programs.*

Pilot programs will be expanded if successful in using funding from the budget for the Small Rental Assistance Program as well as other sources that may become available.

Participants in the pilot programs as well as owner-occupants of small rental properties may have access to expert real estate advisors to assist them to understand the program's procedures and better meet the program's obligations to deliver an acceptable unit in a timely fashion.

[Page 9, para. 3; Page 10, para. 1]

In addition, \$75M from unallocated Small Rental funds will be reserved for a Homebuyer Assistance Program to promote homeownership and to expand housing opportunities for existing low and moderate income renter households, using the supply of Louisiana Land Trust (LLT) Properties **{insert}** and non LLT Properties. By targeting financial support to the redevelopment of LLT properties **{insert}** and non LLT Properties selected by the local governments, this program will also promote neighborhood revitalization in critical areas throughout the Louisiana Gulf Coast.

[Page 10, para. 3]

The process is designed to work as follows. Parish government officials will be asked to select a pool of LLT parcels **{insert}** and non LLT Properties to be targeted for re-development as first time homebuyer properties. These properties will be grouped together in clusters whenever possible in order to take advantage of economies of scale and to ensure that their development will have a significant positive impact on the area. The selected properties and commitments for any necessary CDBG subsidies will be offered through a competitive process to qualified developers, including nonprofit and for-profit organizations that are able to provide a finished property that meets the Program's quality standards and is affordable to the pool of income eligible buyers. Upon completion the properties will be sold at a "market price" set at the full cost of development, but the actual cost to the qualified first time homebuyers will be significantly less. The difference –or gap- **{insert}** and/or cost of construction will be provided in the form of a no interest, "soft second" mortgage to the purchaser. The amount of the "soft second" loan will be scaled to ensure that the actual cost of purchasing the property is affordable to eligible buyers taking into consideration prevailing interest rates, construction and operating costs, and industry standards for affordability, such as 30% of income for housing costs. In keeping with the limitations established for the SRPP in this Action Plan, funding for a LLT rental property would range from \$10,000 to \$100,000 with (with the highest awards available only where special circumstances warrant this level of assistance).

All other aspects of the program remain the same as stated in APA 9.