

Office of Community Development
Disaster Recovery Unit
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

July 7, 2017

Mr. Stanley Gimont
Director
Office of Block Grant Assistance
U.S. Department of Housing and Urban Development
451 7th Street, S.W., Room 7178
Washington, D.C. 20410-7000

RE: 2016 Flood CDBG Allocations
Request for Overall Benefit Waiver

Dear Mr. Gimont:

The purpose of this letter is to seek a Secretarial waiver of regulations under P.L. 114-223, P.L. 114-254, and P.L. 115-31, as well as any forthcoming appropriations, to reduce the overall benefit requirement of seventy percent (70%) for low- and moderate-income persons/families to fifty percent (50%), as has previously been granted for disasters impacting Louisiana, including hurricanes Katrina, Rita, Gustav, Ike and Isaac.

Waiver of 70 percent low- and moderate-income (LMI)

As a matter of historical fact, in the February 13, 2006 Federal Register, the Secretary of HUD granted a fifty percent (50%) LMI waiver for hurricanes Katrina and Rita, writing, "since extensive damage to community development and housing affected those with varying incomes, and income-producing jobs are often lost for a period of time following a disaster, HUD is waiving the seventy percent (70%) overall benefit requirement, leaving the fifty percent (50%) requirement, to give grantees greater flexibility to carry out recovery activities."

The Great Floods in March and August 2016 impacted communities in 56 of Louisiana's 64 parishes, 10 of which were determined by HUD to be the "most impacted and distressed." As in previous Louisiana disasters since 2005, citizens of all incomes were impacted by the flood events, many of whom did not live in a designated floodplain and, consequently, were not required or expected to carry flood insurance. Of the 57,600 homeowners who suffered Major or Severe damage in the Great Floods of 2016, forty-four percent (44%) were low- and moderate-income.

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In response to the 2016 flooding, the state is administering multiple programs, targeting renters, homeowners, businesses, local governments and non-profits. The majority of the funding has been allocated to the Homeowner Assistance Program to address the unmet needs of those flood victims. At this time, however, allocated Community Development Block Grant Disaster Recovery funding is not sufficient to fulfill all flood-impacted homeowners' unmet (i.e. no other sources of funding are available for this purpose). As a result, the state initially targeted those households with major/severe damages and no flood insurance, a total of approximately 36,510 households. Fifty-three percent (53%) of this population are low- and moderate-income. Based on information collected so far through the homeowner program survey, about fifty-one percent (51%) of the respondents are living in LMI households.

Currently, the state is allocating \$1.33 billion of its \$1.71 billion allocations, or seventy-eight percent (78%), towards its homeowner program. For prospective work to be completed on homeowners' homes, the state intends to cover 100 percent of all repair costs for those households earning up to 120 percent of the area median income, and fifty percent (50%) of the repair costs for those households earning over 120 percent of the area median income. While this approach does not meet all unmet needs, it places a priority within the program on ensuring that all eligible LMI households are fully served and are able to move back to completed homes. This strategy encourages non-LMI families of higher incomes to leverage personal or private funds with limited CDBG-DR funds; in most cases this infusion of CDBG-DR assistance will be critical for homeowners to complete their rehabilitation.

With the third and most recent allocation from HUD, the state was able to add as eligible applicants those homeowners who had flood insurance and meet the criteria for Phase 1 of the program; i.e., experienced major/severe damages, not in a floodplain, LMI and either elderly or having persons with disabilities living in the household. As additional funds become available, either through additional allocations or program under-runs, the state anticipates adding homeowners with flood insurance who fall within the other phases

While the survey data set is not complete, and we expect the average grant for LMI applicants to be higher than the average grant of non-LMI applicants, based on current projections, it is clear that there is not a reasonable expectation that 70% of the funds from the Homeowner Assistance Program go toward LMI families.

In considering this waiver request, it is necessary to look at the overall impact the 2016 floods had on communities. In the floods, entire communities were affected and in order to ensure entire communities are able to recover and rebuild, it is imperative unmet needs are addressed in a holistic manner. Failure to do so will likely result in unintended consequences such as partially rehabilitated neighborhoods, departure of Louisiana residents unable to find other means to fill their funding gaps, increased foreclosure rates and lower tax base and revenues for local governments, resulting in fewer public services for all community residents. Assistance to non-LMI households is absolutely essential in helping the impacted communities recover in a holistic manner.

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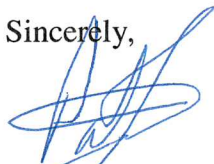
Another item to consider when reviewing this waiver request is the lack of state and local jurisdictional funds available for the state's immediate and long-term recovery. The State of Louisiana is currently facing a budget crisis, with a potential \$1.2 billion state budget shortfall for its fiscal year 2018 operations. This gap exists after cuts were made to such critical programs as prisons, state police, public colleges, child welfare and mental support services. In addition, due to the current state budget crisis, there is no state funding available for local jurisdictions' recovery efforts. In order to address the lack of state and local resources for the immediate and long-term recovery from the floods, the state has included a FEMA match program in its CDBG-DR action plan amendments to cover the local and state match costs necessary to receive FEMA assistance. By virtue of the disaster and the need to fund those recovery costs not covered by FEMA or the CDBG-DR match funds, the state and local jurisdictions have stretched their budgets to cover the most pressing community and infrastructure needs, leaving no funds available to target non-LMI households in particular. Given the current budget constraints and lack of available state and local resources, Louisiana must rely on the CDBG-DR funds for a more comprehensive long-term recovery.

Louisiana has first-hand experience with assessing the positive results of serving non-LMI populations as part of its recovery strategy. CDBG-DR assistance provided to non-LMI homeowners was critical to the recovery of the City of New Orleans and southern Louisiana following hurricanes Katrina and Rita, since citizens there decided to rebuild their homes and stay in their neighborhoods or elsewhere in the state. For the Great Floods of 2016, it is essential that the state have the flexibility to use CDBG-DR funds in a similar manner, to achieve similar results.

It is important that this waiver be granted now, during the early phases of our programs in order to control program delivery expenses that increase whenever program policies change, and also so implementation of programs will not be interrupted. Furthermore, communicating the long-term recovery strategy from the outset of the program will provide the public with the full knowledge of how the state's recovery plan will impact them. For many families, the state's policies will be factored into their financial decisions for their personal flood recovery plans. I trust that you will give this request every appropriate consideration, and please contact me if you feel any additional information is needed on this matter.

As always, we appreciate the partnership and guidance provided by HUD as Louisiana continues to recover from the Great Floods of 2016. I trust that you will give the above waiver request every appropriate consideration, and know that if you need any additional information in support of either of these requests, do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read 'P. Forbes', is written over the word 'Sincerely,'.

Patrick W. Forbes, P.E.
Executive Director