

Dear FoCHAT Members,

Road Home plan rejected

Some fear money will end up diverted

Wednesday, January 21, 2009

By David Hammer

To read about HUD's current involvement in leaving RH money to be diverted from applicants, see the article at this link or the article reproduced below.

<http://www.nola.com/news/t-p/metro/index.ssf?/base/news-33/1232518980258160.xml&coll=1>

"Since Congress delivered the extra cash, the number of Road Home grants has dwindled and the size of the average payout has decreased, leaving an estimated surplus of between \$300 million and \$500 million, Stephens said."

In this context, it is interesting to note the following from the Legislative Fiscal Note for SB 740 which passed the Senate in May, 2008.

<http://www.legis.state.la.us/billdata/streamdocument.asp?did=492628>

The fiscal note says that OCD said that giving Road Home applicants the highest PSV could cost \$500 million and that "OCD notes that the current amount of unobligated Road Home funds is currently \$26 million." That argument was used in the rebuttal of increasing eligibility for the Additional Compensation Grant to those with 120% of the area median income.

More at tonight's CHAT meeting and in the next FoCHAT newsletter about the glaring lack of consistency on the part of HUD's regional office.

- **Meetings on Wed. at 6:30 PM at UNO, usually every other week**
- **Place: Room 179, UNO Milneburg Hall**, on Milneburg Rd. (the road where the brand new dorms are, past the stop sign and the University Center and opposite the Fitness Center . Building #24: [Directions to the Business Bldg are given on the Campus Map for UNO](#))
- **NEXT MEETING Wed., Jan. 21. Newcomers are welcome.**

Best wishes,

Melanie Ehrlich
Founder, CHAT

<http://chatushome.com>

Road Home plan rejected

Some fear money will end up diverted

Wednesday, January 21, 2009

By David Hammer

Staff writer

The federal Department of Housing and Urban Development has rejected two Louisiana proposals that would have given Road Home applicants more money, a move that has reignited homeowner advocates' fears that the program's emerging surplus could be diverted to other needs.

HUD sent a letter dated Jan. 13 rejecting the proposals, one that would have let the state pay grantees as much as \$7,500 to protect their rebuilt homes from future storms and one that have based all grants on the highest available appraised value. The first measure, financed by a \$650 million mitigation fund for a variety storm-proofing measures, could still be revived; HUD objected to the specific rules the state proposed, not the program's concept.

Louisiana Recovery Authority spokeswoman Christina Stephens sought to assure skeptics Tuesday that HUD ultimately will approve the mitigation program, which finances measures such as installing storm shutters, raising water heaters and tying down roofs.

The state had asked HUD to let it pay applicants more than a total of \$150,000, the grant maximum, if the cost of individual mitigation measures pushes them over that limit.

The rejection letter from HUD says the original Road Home legislation won't allow that, but HUD Assistant Secretary Susan Pepler wrote the agency "will reconsider and probably accept" a new proposal that doesn't bust the cap.

Stephens said the state will revise mitigation program rules to allow the use of other pots of federal money to finance grants in cases in which the measures exceed the Road Home grant cap. But applicant advocate Melanie Ehrlich, co-founder of the Citizens Road Home Action Team, questions whether that's realistic, given that it's three and a half years after the 2005 storms and homeowners would have to use their own money upfront to participate.

Ehrlich said she sees a trend in which program rules are read more and more restrictively in an apparent attempt to divert any surplus to other recovery projects, such as building a replacement for the now-defunct Charity Hospital . Stephens countered that the board is committed to meeting all Road Home obligations before diverting any money to other needs.

The promise of as much as \$7,500 in reimbursement for individual mitigation measures was promoted heavily by the state when the Road Home launched in the summer of 2006. Posters touted it as money applicants could get even if they were ineligible for other Road Home money. But it never got off the ground, due in large part to a \$2.9 billion shortfall that loomed in early 2007.

Several months later, the state estimated the shortfall had ballooned to more than \$5 billion, as recovery authority officials lobbied Congress for more money. They eventually got \$3 billion from Capitol Hill in late 2007, but not before then-Gov. Kathleen Blanco had tapped \$300 million the recovery authority had previously dedicated to the LSU hospital project.

Since Congress delivered the extra cash, the number of Road Home grants has dwindled and the size of the average payout has decreased, leaving an estimated surplus of between \$300 million and \$500 million, Stephens said.

So far, the program has paid less than \$8 billion to applicants and is scheduled to pay about \$900 million to the Road Home contractor, ICF International. The program is still processing applications or awaiting HUD approvals to spend parts of the remaining \$1.4 billion.

In November, the recovery authority board voted to lobby Congress for approval to use any leftover Road Home money to meet other recovery needs. During the board's discussion, a new hospital in the lower Mid-City neighborhood of New Orleans came up.

The hospital project has been a touchstone for homeowner advocates because it would require the demolition of historic homes, some of which have already been rebuilt using federal aid, and because the city committed to parts of the project before alternatives were considered in a required public-review process.

Dr. Fred Cerise, vice president of the Louisiana State University System's medical division, said his team is not involved in trying to get any surplus Road Home money.

Instead, he said, state officials are focused on settling how much the Federal Emergency Management Agency will pay the state for damage to the old Charity Hospital . The state wants \$492 million. The Bush administration's final offer was \$150 million, up from \$23 million originally.

.....

David Hammer can be reached at dhammer@timespicayune.com or 504.826.3322.