

An article in the May 27th "Times Picayune" analyzes the effects of the Road Home grants to homeowners. Because we are all interested in whether such programs achieve a just outcome and in the availability of affordable housing here, I was very interested in the information. It is complex, but I have summarized it as best I can below. The article can be found at www.nola.com.

The formula for distribution of the federal Road Home funds was developed by HUD and state officials, with HUD having the last word. In addition to equity, there was significant concern about making the limited funds available go as far as possible.

The formula included two elements – the pre-storm value of the home and, for homes more than 51% damaged, the estimated rebuilding cost at \$130 per sq.ft. The lower of the two numbers was to be used in calculating the grant award. Other factors included whether the owner received payments from insurance and whether the owner had flood insurance (if not, the grant was reduced). All grants were capped at \$150,000; grants of up to \$50,000 were made available for low income owners in addition to the grant calculated using the formula. HUD intended that the Road Home grants supplement insurance payments to provide compensation to property owners for their property losses, NOT that the grants provide sufficient funds to rebuild. It was expected that property owners would use loans and other sources to make up the difference. Throughout the recovery period there have been news articles and letters to the editor complaining about various aspects of the Road Home program, which seems often to have used incorrect property valuations, incorrect damage assessments, or simply not processed the applications in a timely manner. Those issues are not addressed in this analysis, which is based on 40,000 road home grants which had been awarded through April 15, 2008.

Two results stand out. 1) Because the lower of prestorm value or estimated rebuilding cost was used, the average grant in middle and lower class neighborhoods was less than in more prosperous areas. This was particularly true in areas which were relatively recently developed, where owners were more likely to have insurance which covered the full value of the property.

However, 2) Because of the \$150,000 cap, the percentage of the prestorm value which was actually covered by the grant was lower in more prosperous areas, leaving the owners of more valuable properties with a much higher financial loss. The article states that "Average Road Home grants were actually higher than the prestorm values of homes in large swaths of poorer neighborhoods...The typical grant recipients in the Lower 9th Ward, St. Claude, St. Roch, the 7th Ward, Central City, Hollygrove and parts of Gentilly collected more than 115 percent of the neighborhood's median property value." This is not explained, but my guess is that the grant recipients were among the more prosperous residents and therefore owned properties more valuable than the median value. There is a small segment of the Road Home program which addresses small rental properties, but it has apparently been very slowly implemented, and the legislature is now considering transferring funds to the home ownership program. It seems to me that the big problem with all of this is that the cost to rebuild, combined with insurance costs, so far exceeds the prestorm value or, for rental properties, the anticipated revenue stream available, that financing rebuilding of affordable housing remains a serious problem – a national problem writ especially large in our recovering City.