

Filling the Gaps in Recovery:

New Orleans Nonprofits Address Voids Left by Housing Recovery Programs

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A mosaic of community organizations—from housing counseling, housing development, neighborhood associations, and volunteer-staffed rehab groups—have arisen or expanded in post-disaster New Orleans to help residents navigate the tortuous path to recovery. Together, these organizations have gutted over 5,000 flooded homes, rehabbed or built new nearly a thousand homes, facilitated financial support for residents rebuilding with insufficient resources, and supplied title help and Road Home appeals for hundreds of residents—the largest collective effort to date in housing recovery. Services provided by these groups include: case management, volunteer coordination, referral services, construction management, financial assistance, legal assistance, and housing rehabilitation.

While these service-based organizations are focused on recovery for New Orleanians who may need extra help, looking at Road Home applicants is a good starting place for extrapolating how many people want to come home that are somewhat or entirely dependent on public resources to recover their homes. Road Home applications from residents of Orleans parish total 60,016. They constitute 32 percent of the total estimated damaged homes in the area. About 93 percent of closed applicants are choosing to stay and repair their current home, with another 12 percent undecided. As of July 24th, of 60,016 applicants from Orleans parish, 41,501 have closed, leaving 18,515 pending.

In June of 2008, PolicyLink undertook an assessment of the housing recovery challenges faced by New Orleans residents. We looked at Road Home housing application data to understand the trends for residents relying on federal recovery funds, and we interviewed the community groups that are helping families rebuild their lives. PolicyLink convened the organizations that had participated in the community interview¹ process to identify policy remedies to move their work forward. The concerns and policy remedies of other Road Home practitioners and disaster response organizations operating in New Orleans and in coastal communities gleaned through interviews and meetings over the last year are also included in this report.²

¹ Organizations Participating: Committee for Plaquemines Recovery, Crescent Alliance Recovery Effort (CARE), Crescent City Peace Alliance, First Pilgrims Baptist Church, Episcopal Diocese, Greater New Orleans Fair Housing Action Center, Holy Cross Neighborhood Association, Institute of Community Development/Faubourg Tremé Neighborhood Association, Lower Ninth Ward Neighborhood Empowerment Network Association (NENA), Neighborhood Partnership Network (NPN), Odyssey House, Operation Helping Hands, Phoenix of New Orleans, Qatar Tremé Renewal Project, Rebuilding Together, St. Bernard Project, Trinity Christian Community.

² These organizations include TRAC, Acadiana Outreach, New Orleans Legal Assistance Center, Southern Mutual Help Association, Diocese of Lafayette, Mary Queen of Vietnam CDC, National Fair Housing Alliance, Trinity Episcopal, Neighborhood Housing Services, Louisiana Family Recovery Corps (LFRC), ACT/PICO-LIFT, Jeremiah – NOLA,

HOMEOWNER CHALLENGES

Through interviews and working meetings these groups laid out the primary reasons for homeowners being unable to rebuild their homes. The challenges most commonly faced by homeowners are listed below.

- ***Contractor Fraud and Mismanagement.*** Groups working on the bricks and mortar of rehabbing homes cited the number one obstacle to recovery as contractor fraud. With large awards and a cumbersome prosecution process, fraud has seen a steady increase. Many homeowners have become victims of outright theft of their recovery dollars and are now facing rebuilding with little to no money. Additionally, a significant number of homeowners have been unable to manage the construction process which can allow contractors to take advantage of their lack of knowledge or poor decision making, absconding the money needed to rebuild.
- ***Not Enough Money to Rebuild.*** Even if homeowners are able to manage their construction process, many do not have enough money to complete rebuilding. Lack of funding was attributed to: Road Home grants being too small due to reasons including grant formula calculation, under assessed home values, incorrect assessment of damage, and increasing construction and insurance costs; poor financial decision-making and/or forced payoffs of their mortgages; and the increased costs of living affecting all Americans (increased energy and food costs) as well as additional costs saddled to families trying to rebuild a home while living in another and often paying both rent and mortgage. For homeowners in areas that are required to elevate, the fact that the elevation programs have barely gotten underway means that many homeowners have begun the rebuilding process without resources necessary to elevate. These homeowners may find it prohibitively expensive to back track to begin elevation on a home that has already been rebuilt/repared or for which rebuilding/ repair has commenced. Moreover, delays in validating qualifications for FEMA elevation money will cause many applicants to be ineligible for this source of grant support.
- ***Credit Issues and Foreclosure.*** Due to the tightening credit markets and storm related credit issues, many homeowners are finding it extremely difficult to access credit to fill any gaps they may be experiencing. Although rates of foreclosure in Louisiana are far lower than in other parts of the country, rebuilding groups are starting to see evidence of this trend shifting as families start to face foreclosure after having obtained an additional mortgage.
- ***Increased Financial Vulnerability.*** A slow rebuilding process that has forced homeowners to drain their financial resources (including savings and retirement accounts) or to rely on uncertain loan arrangements (such as pay day loans and personal network loans) has increased financial vulnerability. The threat of recoupment caused by Road Home grant calculation errors leading to overpayments, or to changes in rules for grant calculation or eligibility, or due to homeowners' inability to meet covenant requirements furthers the precarious financial position many homeowners find themselves in. Federal income tax

UMCOR, Southwest Family Services, Catholic Charities, ACORN, NeighborWorks America, Volunteers of America, and Churches Supporting Churches.

penalties that were unclear upfront to applicants and doubling and tripling of insurance rates also limits household resources and raises risks for breaking covenants.

- ***Delay and Difficult Access to Information.*** One of the most constant criticisms of the Road Home Program has been overall recovery program delay and difficulty in accessing accurate or consistent information. Continual rule changes meant mid-application shifts that confused and frustrated program participants, changing eligibility rulings, and pushing many people into appeals processes. Groups like CHAT (Citizens Road Home Action Team) and legal services groups have found monitoring of the rule changes a full time job dependent on public records request. This confusion has caused many to make misinformed decisions or simply give up out of sheer frustration.
- ***Succession and Title Issues.*** Clear title has become a major stumbling block for many property owners in the city with family-owned properties passed down from one generation to the next without paperwork. While these properties are owned outright, without clear title, families cannot advance through the Road Home process. Over the last year, ICF would refer applicants with title issues to legal services, and they would remain in the applicant pool until succession was accomplished (with certification from legal aid that were pursuing cleared title). At a June 25th meeting of pro bono attorneys who handle these cases, they reported seeing increases in clients now being ruled ineligible by ICF while their successions were still pending. Additionally, there are problems for individuals that own multiple properties but allow other family members to live in their properties for free. Only the person on the title of the property can apply for the Road Home program and can only apply for one property – their primary residence. The other family members are ineligible for the Road Home so properties generally have no money to repair and families have no place to live.
- ***Cases Stuck in Appeal.*** Currently 13,303 cases have been accepted for appeal with 1,729 still pending decision³. The Road Home encouraged applicants to go to closing even if there were problems with the grant award. Applicants have struggled to gain access to the information needed to file an appropriate appeal. Additionally, over half of the cases that have been resolved through appeals have found that the Road Home contractor, ICF International, incorrectly calculated grant amounts, with over a third being owed more money⁴.

ORGANIZATIONAL CHALLENGES

As these organizations have been charting new territory in cobbling together resources to get homeowners back into safe, livable houses, they have themselves, been struggling internally. The largest barriers to improving their ability to serve their clients are:

- ***Funding for Staff.*** Many of the groups who are providing either case or construction management to clients are doing so on shoe-string budgets, pro bono, or reliant on rotating America Corp labor. Most rebuild groups report that a construction manager can handle 20-

³ http://www.road2la.org/Docs/pipeline/Week_102_Combined_Report.pdf, p 17.

⁴ http://www.nola.com/news/index.ssf/2008/04/road_home_appeals_proving_prod.html

30 houses a year. The most robust organizations have 3 or 4 construction managers. To reach the scale needed to see individual rebuilds increase, these organizations need funds to hire more qualified staff. Most groups report waiting lists three times their annual construction management capacity. While a nonprofit consortium consisting of LANO, the Louisiana Housing Alliance, PolicyLink and NeighborWorks America identified these challenges in late 2006 and worked with OCD and ICF to provide contracts with nonprofits to build this capacity, no agreement was reached, and the groups went on to provide more limited services through their own resources, without public funding.

- ***Construction Completion/Gap Funding for Homeowners.*** For the reasons mentioned above, many homeowners have managed to complete only a portion of their repair/rebuild process before expending their resources. Residents in need of gap financing to cover the remaining costs often find their way to a waiting list for one of these groups providing construction management and financing support. Most of the resources to meet these gaps have come through philanthropic channels—grants or loans to nonprofits; donated materials; volunteer labor organized by faith based and community organizing groups. As construction costs have increased, rehab groups are seeing the gaps growing from about \$10,000 per household needing help a year ago to a current average of \$40,000 shortfalls per household. Many groups cap assistance at \$20,000.
- ***Poor Communication between Recovery Groups.*** The system for recovery is multi-faceted and multi-layered—involving some or all of the following services: legal counseling; social service case management; construction help; financial counseling or gap financing. Homeowners seeking help may apply to 10 organizations to move up the waiting list of one. Different groups may work with the same family in succession or even simultaneously—which can lead to the duplication of resources expended and sometimes result in the need to redo work done out of order by a previous group. Many groups have expressed a need for a centralized system of intake to help streamline the process and facilitate communication between secular and religious groups. 211ViaLink is providing this centralization for Greater New Orleans Disaster Recovery Partnership (GNODRIP) organizations, but many of the groups referred to are now facing shortage of funds to provide the level of services they had been offering over the last two years.
- ***Lack of Access to Parcel Based and Individual Data to Target Recovery.*** Recovery groups have found that their resources go further and communities are better re-established if resources are targeted towards clusters of homes that need rebuilding or if trends in homeowner grant awards can be assessed. All rehab groups cited evidence that residents' rebuilding decisions and processes are positively influenced by 1) Road Home utilization of highest assessed value of home; and 2) the progress of their neighbors in recovery. Economies of scale can be realized by repairing four homes in one block rather than four homes in four disparate neighborhoods. Neighborhoods that have been able to survey all property owners and encourage action on their properties demonstrate that neighborhood level information on the status of recovery greatly aids both effective resource use and decision making by homeowners to go forward with rebuilding. Groups want to see unified databases of Road Home options, Small Rental applicant properties, Louisiana Land

Trust/New Orleans Redevelopment Authority lands, and multifamily rental housing to better gauge the scale of housing recovery activity in their neighborhoods.

POLICY RECOMMENDATIONS

Rebuilding and case management groups identified key recovery resource needs to address the constraints of homeowners.

Policy Recommendations for Louisiana Recovery Authority:

Dedicate funds to address unmet needs:

- ***Fair Valuation of Properties for Grant Calculations.*** Resolve the changing formulas and eliminate devolution to the lowest values at each turn in the grant calculation that currently leave homeowners short of funds to recover their homes. Utilize the highest assessment value to calculate grant awards, and grant damage costs where higher than assessment value so owner receives enough to rebuild home (up to \$150,000 cap).
- ***Anti-fraud Training Academy.*** Fund broad based resident training on contractor management to prevent further fraud. Utilize effective resources such as ‘Contractors Guide’ and resident training developed by www.LouisianaRebuilds.info. Target 20,000 grant recipients over next six months.
- ***Do Over Program.*** This program would serve the Road Home recipients who were victimized by unscrupulous contractors or simply short of sufficient funds. It could: 1) provide grants to rehab groups and establish system of referral for fraud victims or vulnerable residents; 2) award supplemental grants to an escrow account that requires the homeowner work with a rebuilding/construction management organization; or 3) establish low cost loan pool with generous credit scoring to help homeowners bridge their gaps. Any system of help should be buttressed by aggressive legal pursuit of perpetrators of fraud.
- ***‘Ineligible’ Homeowners Program.*** This program could provide a new round of Road Home grants to address the families deemed ‘ineligible’ by Road Home standards. This would include homeowners who live in family owned homes who are not on the title, but are the long term residents; families who were given homes (by churches, etc) after the storm who were unable to access recovery dollars to rebuild; and renters who became new homeowners after the storms and were denied Road Home funds.
- ***Fund Construction Management.*** Rebuilding organizations need resources to hire additional construction managers to guide homeowners through the rebuilding process in order to make sure that the state’s resources are used to their fullest potential. In this way, organizations can also leverage volunteer labor and private donations to cover gaps that Road Home grants cannot cover towards a full rebuild for a homeowner. A \$100,000,000 appropriation could help 5,000-10,000 homeowners who are short of resources recover.
- ***Fund an Insurance Subsidy Pool.*** Capitalize an insurance subsidy pool available on sliding scale for people at median income or below, (based on 2006-2007 program of Louisiana

Housing Finance Agency that subsidized insurance costs for FHA-backed loans for first time homeowners) that can help address the increased burden of insurance. Insurance support will enable many homeowners to finish repairing their homes, give them the ability to stay in these homes once fixed, and allow insurance industry rates to stabilize.

Policy Recommendations for New Orleans Office of Recovery Development Administration:

- *Give those in trailers more time to finish repairs.* Many households in New Orleans have not closed their grants, are in appeals or have recently received grants and are still in the process of rebuilding their homes. Diminishing the ability for a homeowner reside in close proximity to his/her residence during rebuilding while not having to pay rent will significantly slow the pace of recovery and create additional financial burden. As of July 24th, of 60,016 applicants from Orleans parish, 41,501 have closed, leaving 18,515 pending. The 5,233 who have closed during the last six months are most likely still under construction; meaning as many as 23,000 Road Home households are still relying on other shelter than their primary residence.
- *Establish small grants or loan pool and prioritize ‘in progress’ rebuilds and those in final completion stage.* Many homeowners are *almost* rebuilt but face a small hurdle. This could be the result of construction increases, a personal financial crisis or those homeowners who were in line for private recovery resources that became insufficient. These homeowners need a small financial push to finish and a small pool of capital could help pull them across the finish line.
- *Increase capacity of construction management groups.* Although there are many rebuilding groups in the city, they have not reached the scale or rebuilding needed to bring about a complete recovery. Providing staffing resources for existing groups will help ramp up production of rehabs across the city. To get the scale needed to address unserved populations, the City should dedicate disaster recovery funds to expand construction management services.
- *Expand HOZs/eligibility for housing programs.* Although city resources are limited, restricting most programs to the Housing Opportunity Zones will miss a large number of homeowners struggling to rebuild in other parts of the city. In addition to directing resources towards elderly and disabled homeowners, direct more resources to working families trying to rebuild.
- *Help high credit risk homeowners by guaranteeing loans.* Many homeowners are willing to take on a loan to rehab their home, but due both financial difficulties brought on by the hurricanes and the current national credit crisis, homeowners who previously were credit-worthy are now unable to secure financing. The city should establish a program with local financial institutions to guarantee loans for homeowners.
- *Contribute City resources to centralized Housing Assistance referral system.* This center or centers could serve to coordinate between recovery groups and be a centralized intake for all homeowners, reducing recovery bureaucracy.