



# Louisiana Land Trust

## Home Demolition Program

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Informational Report  
June 2012

### Why We Prepared This Informational Report



Before



After



Before



After

Source: Louisiana Land Trust

We gathered and presented the following information as a follow-up to our informational report issued December 8, 2010, concerning the Louisiana Land Trust (LLT) Home Demolition Program. The purpose of this report is to give a history and current status of the program's funding and disposition of properties as of May 2012.

Through the Home Demolition Program, LLT receives and disposes of properties acquired by the state from certain Road Home grant recipients. In our 2010 report, LLT projected that all demolitions would be completed by March 31, 2011, with close out of the program by May 31, 2011. We found that these projections did not appear to be reasonable. For example, four of the six assumptions were based on factors beyond LLT's control, and the remaining two assumptions were dependent on the other four assumptions being met. As of May 24, 2012, LLT anticipates that it will finish the program by the end of December 2012.

### What We Found

#### Funding

LLT's funding is provided from the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) program, as administered by the Office of Community Development (OCD) within the Division of Administration. LLT's budget increased from \$2,500,000 in 2007 to \$226,000,000 in 2011. LLT has spent \$210,915,171 (93%) of the grant allotment as of April 2012. The LLT fiscal year 2013 budget depletes the remaining funds.

#### Disposition of Properties

As of May 4, 2012, LLT's property list contained 10,635 properties. The status of those properties is as follows:

- 2,425 (23%) are awaiting the applicable parish's decision on the disposal method or request for transfer;
- 1,723 (16%) are in progress toward demolition or transfer to the applicable parish or end user;
- 5,747 (54%) have been transferred to the applicable parish or end user;
- 689 (6.5%) are in transfer to the applicable parish or end user; and
- 51 (0.5%) are on hold due to title issues or have been determined inactive or ineligible by LLT.

Of the 2,425 properties awaiting the applicable parish's decision on the disposal method or request for transfer, 2,378 (98%) are located in St. Bernard Parish. The disposal of these properties (e.g., auction to general public or sell through Lot Next Door program) must be approved by the St. Bernard Parish Council and then OCD. The council is not sure when property sales and auctions will begin.

# Louisiana Land Trust

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## What is the Louisiana Land Trust?

The Road Home Corporation, doing business as the LLT, is a nonprofit corporation formed by the Louisiana Road Home Housing Corporation Act enacted during the 2006 Regular Legislative Session (Louisiana Revised Statute 40:600.61 et seq). LLT is responsible for the acquisition, disposition, purchase, renovation, improvement, leasing, or expansion of housing stock including but not limited to properties purchased through the Road Home program. As part of the Road Home program, homeowners are given the option to retain ownership of their property (Option 1), sell their property and relocate in Louisiana (Option 2), or sell their property and relocate outside the state or become a renter (Option 3). As of May 4, 2012, the Road Home program had transferred 10,635 Option 2 and 3 properties to LLT.

*Authority.* LLT has the authority to undertake any project in adherence to the policy guidelines for rebuilding, recovery, and land use management set forth by the Louisiana Recovery Authority (LRA) and to provide for the financing as administered by OCD within the Division of Administration. Also, LLT has the power to:

- Receive and dispose of properties;
- Accept funds from any sources;
- Borrow against the properties and obtain payment for these obligations; and
- Enter into any and all agreements necessary to carry out its purpose.

*Governance.* LLT is governed by a seven-member board of directors appointed by the governor, with no less than three members from one of the parishes most affected by Hurricane Katrina and no less than three members from one of the parishes most affected by Hurricane Rita. The members serve without compensation.

## What is the history of LLT's funding?

LLT's funding is provided from the U.S. Department of Housing and Urban Development's CDBG program, as administered by OCD. LLT's budget increased from \$2,500,000 in 2007 to \$226,000,000 in 2011. A chronology and more detailed information on LLT's funding history are as follows:

## Chronology of LLT Funding

- 06/29/06 » Act 654 created Road Home Corporation (dba LLT).
- 03/01/07 » LLT executed \$2,500,000 line of credit (LOC).
- 08/30/07 » LLT increased LOC to \$32,500,000.
- 04/23/08 » LLT and OCD entered into a Cooperative Endeavor Agreement (CEA).
- 02/11/09 » LLT increased LOC to \$61,726,609.
- 09/09/09 » LLT and OCD amended CEA and replaced LOC with total grant up to \$195,000,000.
- 01/01/11 » LLT and OCD retroactively increased grant to \$216,000,000 and then to \$226,000,000.

*Line of Credit.* LLT and OCD entered into a loan regulatory agreement, dated March 1, 2007, and LLT simultaneously executed a \$2,500,000 line of credit note in favor of OCD. LLT and OCD set up the line of credit with the understanding that LLT would have the capacity to repay the debt from proceeds received from the subsequent resale of the Road Home program properties. LLT and OCD have twice amended the loan regulatory agreement. The first amendment, dated August 30, 2007, increased the line of credit to \$32,500,000. The second amendment, dated February 11, 2009, increased the line of credit to \$61,726,609.

*Cooperative Endeavor Agreement.* LLT and OCD also entered into a CEA on April 23, 2008, formalizing their relationship regarding the management and disposition of LLT properties and their respective duties under the Road Home program action plan.

LLT, OCD, and the parishes in which LLT's properties are located entered into CEAs for the parishes' disposition and subsequent development of LLT properties based on LRA-approved parish disposition and redevelopment plans. These CEAs anticipated that the majority of subsequent transfers from LLT to the parishes would be in the form of

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donations or transfers in which LLT would not receive any proceeds. The parishes would subsequently sell most of the properties to private developers and nonprofits, and OCD would use the resulting program income in CDBG-eligible activities or return a portion of the resulting program income to the parishes for CDBG-eligible activities approved by OCD.

*Grant Allotment.* As a consequence of implementing the parish disposition plans, LLT would not have the financial capacity to repay the line of credit notes or be able to comply with the loan regulatory agreement. In 2009, LLT and OCD amended their CEA to transform the financial relationship between them from that of lender-borrower to grant recipient-subrecipient retroactive to March 1, 2007, the effective date of the loan regulatory agreement. The term of the agreement continues until 18 months after the disposition of the last property received by LLT through the Road Home program, or until June 30, 2017, whichever occurs first.

The amended CEA anticipated that the total grant allotment would not exceed \$195,000,000. The grant allotment later increased to \$216,000,000, effective January 1, 2011, to include the demolition costs of LLT properties in St. Bernard Parish that were not included in LLT's budget. Subsequently, the grant allotment increased to \$226,000,000, effective January 1, 2011, to fund foundation slab removals for non-LLT properties in St. Bernard Parish that were not included in LLT's budget. The parish adopted an ordinance in May 2011 to remove abandoned concrete slabs to protect the public health, safety and welfare.

LLT has spent \$210,915,171 (93%) of the grant allotment as of April 2012. The LLT fiscal year 2013 budget depletes the remaining funds.

### What is the current disposition of LLT's properties?

As of May 4, 2012, LLT's property list contained 10,635 properties. The status of those properties is as follows:

- 2,425 (23%) are awaiting the applicable parish's decision on the disposal method or request for transfer.<sup>1</sup>

- 1,723 (16%) are in progress toward demolition or transfer to the applicable parish or end user.
- 5,747 (54%) have been transferred to the applicable parish or end user.
- 689 (6.5%) are in transfer to the applicable parish or end user.
- 51 (0.5%) are on hold due to title issues or have been determined inactive or ineligible by LLT.

Of the 2,425 properties awaiting the applicable parish's decision on the disposal method or request for transfer, 2,378 (98.1 %) are located in St. Bernard Parish, as shown below.

<b>LLT Properties Awaiting Parish Action May 4, 2012</b>			
<b>Parish</b>	<b>Decision on Disposal Method</b>	<b>Request for Transfer</b>	<b>Total</b>
St. Bernard	2	2,376	2,378
Orleans	0	43	43
Other Parishes	1	3	4
<b>Total</b>	<b>3</b>	<b>2,422</b>	<b>2,425</b>
<b>Source:</b> Prepared by legislative auditor's staffing using information from LLT.			

**St. Bernard Parish.** According to St. Bernard Parish officials, the disposal method of all properties must be approved by the parish council and then sent to OCD for acceptance and approval. This approval process is estimated to take about a month.

Property owners will have the option to purchase adjacent lots through the Lot Next Door (LND)<sup>2</sup> program. The parish may also extend purchase options to the general public through public sales and auctions. The parish council discussed the disposition of the LLT properties during a parish council meeting on May 24, 2012, but did not make a final decision. The council is not sure when the property sales and auctions will begin. The parish's final decision will still require OCD's approval before any sales and auctions can begin.

An amended CEA between LLT and the parish has been signed and is awaiting final approval.

<sup>1</sup> The parish must decide on the disposal method before LLT can conduct its work and must identify an end user before requesting a transfer.

<sup>2</sup> Under the LND program, notices are sent to adjacent homeowners with homestead exemptions providing them the opportunity to purchase the adjacent property for fair market value.



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