

RESULTS OF THE
ALTERNATIVE HOUSING PILOT PROGRAM:
KATRINA COTTAGES



PERFORMANCE AUDIT
ISSUED FEBRUARY 20, 2013

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 20, 2013

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of our audit on the results of the Alternative Housing Pilot Program in Louisiana, commonly referred to as the Katrina Cottages program. This program is administered by the Division of Administration's Office of Community Development Disaster Recovery Unit (OCD/DRU).

Appendix A contains OCD/DRU's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of OCD/DRU for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/dl

KATRINA COTTAGES 2013

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Results of the Alternative Housing Pilot Program: Katrina Cottages

February 2013

Audit Control # 40110053

Executive Summary

The Alternative Housing Pilot Program (AHPP) was a \$400 million grant program created by the Federal Emergency Management Agency (FEMA) on June 15, 2006, in response to the 2005 hurricane season. The program's purpose was to develop non-traditional intermediate-term housing alternatives for potential future use during disaster situations for victims such as those of hurricanes Katrina and Rita. Louisiana, one of four southern states to receive an AHPP grant, was awarded approximately \$74.5 million for a proposal to construct Katrina Cottages. On March 16, 2012, the federal grant for the AHPP ended. We conducted this audit to determine the results of the Katrina Cottages program. Appendix A contains the Office of Community Development Disaster Recovery Unit's (OCD/DRU) response and Appendix B contains our scope and methodology. The audit objective and results of our work are as follows:

Objective: What are the results of the Katrina Cottages program?

Results: According to a 2011 report by the Department of Homeland Security Office of the Inspector General (DHS-OIG), the root causes of the problems encountered by the Katrina Cottages program include the design of the AHPP and decisions made when that program was initiated in 2006. In addition, we found that the Katrina Cottages program experienced delays, construction deficiencies, and occupancy issues.

Louisiana received \$74,542,370 in AHPP grant funds to implement the Katrina Cottages program. FEMA required all grant funds to be obligated by September 17, 2012. As of that date, OCD/DRU obligated \$74,535,421 (99.9%) and spent \$73,861,436 (99.1%) of the total grant amount. With the AHPP funds, Louisiana built 461 cottages located at 12 sites in the Baton Rouge, Lake Charles, and New Orleans areas. The state entered into agreements with housing and community agencies ("local partners") to provide land, select occupants, and sell the cottages. We determined the following:

- In its December 2011 report, the DHS-OIG cited problems with FEMA's AHPP design as related to the four states in the program.¹ According to the DHS-OIG, the AHPP's primary goals of developing "alternative sources of emergency housing" and serving as an "intermediate term housing solution for the Gulf Coast" conflicted with one another. As a result, it was difficult for the states, including Louisiana, to build large

¹ DHS-OIG report, *Future Directions of FEMA's Temporary Housing Assistance Program*, December 2011

numbers of innovative housing units in a short period of time in a cost-effective manner. The report further stated, in part:

It took FEMA and the states between 3 and 9 months to complete the grant agreements. Once the grant agreements were in place, the states had problems reaching agreements with some contractors. Once contracts were in place, finding communities that would still accept the Pilot Program units was fraught with constant problems and rejections that caused more delay. The environmental clearances also took longer than expected and sometimes brought projects to a standstill. Eventually, completion of the Pilot Program projects required between 3 and 5 years from the date of the grant announcements—completion times that would not meet FEMA’s need for future short- and intermediate-term post-disaster housing. By the time the units were completed, many of the hurricane victims for whom the units were intended had found other housing, and many of the units that are being completed in the later parts of the projects have had to be made available to families other than hurricane victims. In some cases, the states have not yet found occupants for completed units.

- Construction of the cottages extended 2.5 years past the original grant deadline of September 17, 2009. As of November 21, 2012, OCD/DRU is in the process of imposing penalties on Cypress Realty Partners, LLC, the state’s real estate developer, for delays encountered at one of the 12 cottage sites, but has yet to determine the amount.
- Two state agencies have administered the Katrina Cottages program since its inception, contributing to delays in program administration and contracting. The Louisiana Housing Finance Agency originally administered the program, entering into a formal agreement with FEMA to receive the grant funds on September 16, 2007. On March 24, 2008, program administration was transferred to the Louisiana Recovery Authority (LRA). Approximately two months later, the LRA informally merged with OCD/DRU and the two entities worked together to administer the AHPP. With the sunset of the LRA on July 1, 2010, administration of the program was formally transferred to OCD/DRU.
- The average cost per site ranged from \$121 to \$176 per square foot with an average construction cost of \$145,216 per cottage. This amount does not include land and infrastructure costs and is at least \$53 per square foot more than the cost of housing of similar size and construction built by other nonprofit organizations. However, the state had to follow other AHPP requirements, including steel framing and disability access, which may have contributed to the increased costs.

- Construction deficiencies at 34 (7.4%) of the 461 cottages on two sites led to occupants having to temporarily move out. Deficiencies at eight (23.5%) of these 34 cottages had not been corrected when the grant ended on March 16, 2012.
- Of the 461 cottages constructed, 361 (78%) were occupied, 81 (18%) had not yet been occupied, and 19 (4%) were unoccupied because of move-outs when the grant ended on March 16, 2012. However, FEMA allowed OCD/DRU to continue occupying the remaining cottages throughout the grant closeout period, and all cottages were occupied as of June 20, 2012.
- Obstacles to obtaining 100% occupancy of the cottages, as required by FEMA, included difficulties finding qualified disaster-impacted victims and selling the cottages to qualified occupants.

Background

Purpose of the Alternative Housing Pilot Program (AHPP). The AHPP was a \$400 million grant program created by the Federal Emergency Management Agency (FEMA) in response to the 2005 hurricane season. The program's purpose was to develop non-traditional intermediate-term housing alternatives for potential future use during disaster situations for victims such as those of hurricanes Katrina and Rita.

AHPP Application and Selection Process. In September 2006, FEMA invited Alabama, Florida, Louisiana, Mississippi, and Texas to apply for the AHPP. The Louisiana Recovery Authority (LRA) issued a Request for Ideas on September 25, 2006, to solicit ideas for alternative housing in Louisiana.

Louisiana assembled a panel of national experts that recommended six of the 45 proposals received by the LRA to execute Louisiana's AHPP. Louisiana submitted its application, consisting of these six proposals, to FEMA on October 20, 2006. FEMA notified Louisiana of the approximately \$74.5 million grant award on December 22, 2006. FEMA approved the proposal submitted by Cypress Realty Partners, LLC ("Cypress"), so the Louisiana Housing Finance Agency (LHFA) entered into a Developer Services Agreement with Cypress to serve as the real estate developer for the program. The state also entered into agreements with local partners such as housing and community agencies ("local partners") to provide land, verify occupants' eligibility, and sell or rent the cottages. Louisiana's AHPP is currently being administered by the Office of Community Development Disaster Recovery Unit (OCD/DRU).



See Appendix C for a timeline of Louisiana's Katrina Cottages program from December 2006 until September 2012.

Objective: What are the results of the Katrina Cottages Program?

According to a report by the Department of Homeland Security Office of the Inspector General (DHS-OIG), the root causes of the problems encountered by the Katrina Cottages program include the design of the program and decisions made when the program was initiated in 2006. In addition, we found that the program experienced delays, construction deficiencies, and occupancy issues.

Louisiana received \$74,542,370 in AHPP grant funds to implement the Katrina Cottages program. FEMA required all grant funds to be obligated by September 17, 2012. As of that date, OCD/DRU obligated \$74,535,421 (99.9%) and spent \$73,861,436 (99.1%) of the total grant amount. With this money, Louisiana built 461 cottages located at 12 sites in the Baton Rouge, Lake Charles, and New Orleans areas. We determined the following:

- A December 2011 report by DHS-OIG cited FEMA's AHPP design as the main cause of the program's problems.²
- Construction of the cottages extended 2.5 years past the original grant deadline because of the delay in starting construction and delays during construction. OCD/DRU is in the process of imposing penalties on Cypress for delays encountered at one of the 12 construction sites, but has yet to determine the amount.
- Two state agencies have administered the Katrina Cottages program since its inception, contributing to delays in program administration and contracting.
- The average cost per site ranged from \$121 to \$176 per square foot, with an average construction cost of \$145,216 per cottage. This amount is at least \$53 per square foot more than the cost of housing of similar size and construction built by other nonprofit organizations. However, the state had to follow other AHPP requirements, including steel framing and disability access, which may have contributed to the increased costs.
- Construction deficiencies at 34 (7.4%) of the 461 cottages on two sites led to occupants having to temporarily move out. Deficiencies at eight (23.5%) of these 34 cottages had not been corrected when the grant ended on March 16, 2012.
- Of the 461 cottages constructed, 361 (78%) were occupied, 81 (18%) had not yet been occupied, and 19 (4%) were unoccupied because of move-outs when the grant ended on March 16, 2012. However, FEMA allowed OCD/DRU to continue occupying the remaining cottages throughout the grant closeout period, and all cottages were occupied as of June 20, 2012.

² DHS-OIG report, *Future Directions of FEMA's Temporary Housing Assistance Program*, December 2011

- Obstacles to obtaining 100% occupancy of the cottages, as required by FEMA, included difficulties finding qualified disaster-impacted victims and selling the cottages to qualified occupants.

The remainder of this report provides additional information on the results of the Katrina Cottages program.

DHS-OIG cited FEMA’s design and initiation of the AHPP as main causes of the program’s issues.

The DHS-OIG conducted a review of the AHPP and released its findings in a December 2011 report. The DHS-OIG concluded that the main causes of the problems encountered by the four states awarded AHPP grants were the program’s inadequate design concept and decisions FEMA made when the program was initiated in 2006. The report stated, in part:

It took FEMA and the states between 3 and 9 months to complete the grant agreements. Once the grant agreements were in place, the states had problems reaching agreements with some contractors. Once contracts were in place, finding communities that would still accept the Pilot Program units was fraught with constant problems and rejections that caused more delay. The environmental clearances also took longer than expected and sometimes brought projects to a standstill. Eventually, completion of the Pilot Program projects required between 3 and 5 years from the date of the grant announcements—completion times that would not meet FEMA’s need for future short- and intermediate-term post-disaster housing. By the time the units were completed, many of the hurricane victims for whom the units were intended had found other housing, and many of the units that are being completed in the later parts of the projects have had to be made available to families other than hurricane victims. In some cases, the states have not yet found occupants for completed units.

The DHS-OIG further stated that the AHPP’s primary goals of developing “alternative sources of emergency housing” and serving as an “intermediate term housing solution for the Gulf Coast” conflicted with one another. As a result, it was difficult for the states (including Louisiana) to build large numbers of innovative housing units in a short period of time in a cost-effective manner. The following are other findings and conclusions about the AHPP from the DHS-OIG report:

- Interim housing was not defined clearly and the units developed changed over the program’s life to become larger and usually permanent, as in Louisiana’s case. The housing options proposed in Louisiana’s application and ultimately approved by FEMA were for permanent housing. However, permanent housing was not part of the program’s original purpose for non-traditional intermediate-term housing, and the permanent housing significantly increased the costs of the units to be more expensive than the FEMA trailers traditionally used. In addition, Louisiana had originally planned to use both donated property and state-owned

property, but ultimately had to purchase land for some of the cottages, causing AHPP costs to increase in the state.

- FEMA compounded the difficulties inherent in the AHPP's concept by not allowing sufficient time for the states to fully develop and vet their grant proposals. The program only allowed the states 35 days to create and submit project designs which did not allow extra time for project development or the measurement of community support. Securing community support was virtually impossible to achieve before the proposals had to be submitted.
- Many of the grant proposals that FEMA selected were simply proprietary designs that had already been developed by commercial firms. This led to issues with awarding contracts and negotiating with contractors because the contractors actually owned the designs.

Louisiana obligated \$74,535,421 (99.9%) and spent \$73,861,436 (99.1%) of the total grant amount as of September 17, 2012.

Louisiana received \$74,542,370 in AHPP grant funds to implement the Katrina Cottages program. FEMA required all grant funds to be obligated by September 17, 2012. As of that date, OCD/DRU obligated \$74,535,421 (99.9%) of the total grant amount. The obligated amount includes funds FEMA allowed OCD/DRU to draw down for incurred liabilities still owed for case management, construction, and rental operating/maintenance costs. This amount also includes \$255,980 for administrative expenses related to grant closeout activities and for OCD/DRU to continue to monitor the program through March 2013.

According to OCD/DRU, the remaining \$6,949 (0.01%) of the grant award not obligated was withheld by FEMA to resolve a previous audit finding related to a subcontractor's change order fee that FEMA deemed ineligible. As of September 17, 2012, Louisiana spent \$73,861,436 or 99.1% of both the total grant amount and the obligated amount.

Exhibit 1 lists the amounts spent on four general expense categories: administration, case management, construction, and miscellaneous as of September 17, 2012. As the exhibit shows, \$69,266,583 (93.8%) of the total grant expenditures was directly related to construction of the cottages.

Exhibit 1
Louisiana AHPP Grant Expenditures by Expense Categories*
As of September 17, 2012

Expense Category	Services Included	Amount	Percentage of Total Expenditures
Administrative	<ul style="list-style-type: none"> • Agency payroll • Travel and telephone reimbursement • Computer services 	\$1,734,983	2.3%
Case Management	<ul style="list-style-type: none"> • Applicant outreach, intake, processing, and tracking • Housing counseling/home ownership training • Operating costs for AHPP rentals • Carrying costs of AHPP properties 	\$2,736,364	3.7%
Construction	<ul style="list-style-type: none"> • Architectural and engineering costs • Site acquisition • Infrastructure/street construction • Construction (building materials, contractors, fees, etc.) • Developer fees for Cypress** 	\$69,266,583	93.8%
Miscellaneous	<ul style="list-style-type: none"> • Legal fees 	\$123,506	0.2%
Total Expenditures		\$73,861,436	100%
Amount Obligated but Not Expended as of 9/17/12		\$673,985	
Unobligated Grant Funds		\$6,949***	
Total Louisiana AHPP Grant		\$74,542,370	
<p>*Includes expenditures by LHFA, LRA, and OCD/DRU. **According to OCD/DRU, developer's fees paid to Cypress will total \$6,863,490. ***According to OCD/DRU, the remainder of the grant funds was withheld by FEMA to resolve a previous audit finding. Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.</p>			

There are 461 cottages located at 12 sites in the New Orleans, Baton Rouge, and Lake Charles areas.

As of March 16, 2012, there are 461 Katrina Cottages located at 12 sites in the New Orleans, Baton Rouge and Lake Charles areas. As stated previously, the state entered into agreements with local partners such as housing and community agencies to provide land, select occupants, and sell the cottages. According to the original Developer Services Agreement, Cypress was to construct no fewer than 500



Katrina Cottage units.³ However, according to OCD/DRU officials, this number was an estimate based on a higher proposed grant award and lower per unit construction costs.⁴ Factors outside the control of the state and Cypress ultimately led to the construction of fewer cottages.

In addition, the state faced other challenges in building the cottages. For example, as a result of community opposition in Lake Charles, the state had to change cottage sites and reduce the number of units built. Also, the state had to reduce the number of units built in the New Orleans area because the New Orleans Recovery Authority (NORA) provided fewer lots. NORA also lacked the funding needed to operate the program and many of the lots required a lengthy environmental impact approval process. Exhibit 2 lists the 12 Katrina Cottage sites, the number of cottages at each site, and the locations and local partners for each site as of March 16, 2012.

Exhibit 2			
Katrina Cottages Site Locations and Program Partners			
Site	Number of Cottages	Location	Program Partner
Hidden Cove Subdivision	42	Baton Rouge	The Resource Foundation
The Fields Subdivision	34	Lake Charles	Habitat for Humanity, Calcasieu Area Inc., and Project Build a Future
Scattered Lots Throughout City	35	Lake Charles	
Senior Community (Ephesus)	27	Westwego	Gulf Coast Housing Partnership
Fisher Housing Development (Crescent Estates)	124*	New Orleans	Housing Authority of New Orleans
Bienville Square	31	New Orleans	Providence Community Housing
Scattered Lots within Treme/Lafitte Neighborhood	29	New Orleans	
Scattered Lots within Lower 9 th Ward	22	New Orleans	New Orleans Redevelopment Authority
Scattered Lots within Treme, 7 th Ward/New Marigny, and Central City Neighborhoods	10	New Orleans	Neighborhood Housing Services
Scattered Lots within 7 th Ward and Treme Neighborhoods	11	New Orleans	Odyssey House Louisiana, Inc.
Scattered Lots within Holy Cross Historic District	5	New Orleans	Preservation Resource Center
Jackson Barracks	91	New Orleans	Louisiana Military Department
Total	461		
*The state leveraged HANO funding for 33 of the 124 units at the site. FEMA allowed the state to count these as state-constructed AHPP units.			
Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.			

³ Although the DHS-OIG report states that 475 cottages were to be built in Louisiana, the original Developer Services Agreement between the state and Cypress cited that Cypress was to build no less than 500 cottages.

⁴ In the state's original proposal to FEMA in October 2006, the state requested \$87,696,906.

Construction of the cottages extended 2.5 years past the original grant deadline; Cypress incurred penalties for delays encountered at one of the 12 cottage sites.

The original deadline for construction of the cottages was September 17, 2009, based on FEMA's initial rules when it created the program. However, the Articles of Agreement between Louisiana and FEMA pushed the end of the grant to September 16, 2011. As of this date, only 398 (86.3%) of the 461 units were constructed because of delays in starting construction on the cottages as well as delays during construction. Therefore, OCD/DRU requested and received from FEMA an extension of the grant deadline to March 16, 2012. All cottages were constructed by this date, which was 2.5 years after the original deadline. Each cottage took an average of 10.2 months to construct, with a range of four to 17 months and a median of eight months. Exhibit 3 contains the dates construction began and ended at each site.

Exhibit 3 Katrina Cottages Construction Start and End Dates			
Partner/Site/Location	Number of Cottages	Construction Start Date	Construction End Dates*
Resource Foundation Hidden Cove Subdivision, Baton Rouge	42	February 2009	May 2009 - December 2009
Project Build A Future/Habitat for Humanity, The Fields Subdivision, Lake Charles	34	April 2009	December 2009
Project Build A Future/Habitat for Humanity Scattered Sites, Lake Charles	35	September 2009	January 2010 - January 2011
State Military Department, Jackson Barracks, Single Family Cottages	59	February 2009	December 2009
State Military Department, Jackson Barracks, Multi-Family Cottages	32	August 2009	April 2010
Gulf Coast Housing Senior Community (Ephesus) Westwego	27	May 2010	November 2010 - January 2011
Providence Community Housing, Scattered Sites, New Orleans	29	August 2010	May 2011 - December 2011
Providence Community Housing, Bienville Square, New Orleans	31	August 2010	June 2011 - September 2011
Neighborhood Housing Services, Scattered Sites, New Orleans	10	April 2011	September 2011 - January 2012
Housing Authority of New Orleans, Fisher Housing Development New Orleans (Crescent Estates)	124	August 2009	September 2010 - January 2011

Exhibit 3 (Cont.) Katrina Cottages Construction Start and End Dates			
Partner/Site/Location	Number of Cottages	Construction Start Date	Construction End Dates*
Odyssey House, Scattered Sites, New Orleans	11	April 2011	October 2011 - December 2011
Preservation Resource Center, Scattered Sites, New Orleans	5	April 2011	December 2011
New Orleans Redevelopment Authority Scattered Sites, Lower 9 th Ward-New Orleans	22	July 2011	February 2012 - March 2012
Total	461		
*Not all cottages had construction completed at the same time. Source: Prepared by legislative auditor's staff using information provided by OCD/DRU and from city/parish building inspection certificates.			

Delays in Starting Construction. The state did not begin construction on the first set of cottages (Hidden Cove Subdivision, Baton Rouge) until February 2009 and the last set of cottages (Lower 9th Ward, New Orleans) until July 2011. Reasons for the delays in starting construction include the amount of time it took the state to enter into agreements with FEMA and Cypress and the time needed to transfer the program from the LHFA to the LRA, which ultimately sunset into OCD/DRU. OCD/DRU officials told us that issues related to securing local partners and sites on which to construct the cottages also delayed the beginning of construction. After sites were identified, delays related to obtaining permits and environmental testing and approval further delayed construction.

Delays Once Construction Began. Once construction began, each site encountered additional delays relating to correction of construction deficiencies, local partner funding issues, contractor and subcontractors, and delays in delivery of power, sewer, and water connections. Appendix D lists the specific reasons for construction delays at each cottage site.

Construction Penalties. According to the Developer Services Agreement between Cypress and the state, Cypress can be fined \$250 per day for each unit that is not complete by the proposed deadline in the approved construction timeline. As of November 21, 2012, OCD/DRU was in the process of imposing penalties on Cypress only for the Housing Authority of New Orleans (HANO)-Fischer site in New Orleans, but had yet to determine the amount. According to OCD/DRU, the state granted time extensions to other construction timelines at other sites so penalties were not warranted elsewhere.

Two state agencies have administered the Katrina Cottages program since its inception, contributing to delays in program administration and contracting.

The LHFA originally administered the program, entering into a formal agreement with FEMA to receive the grant funds on September 13, 2007. On March 24, 2008, program administration was transferred to LRA. Approximately two months later, the LRA informally merged with OCD/DRU and the two entities worked together to administer the AHPP. With the sunset of the LRA on July 1, 2010, administration of the program was formally transferred to OCD/DRU.

According to the DHS-OIG report, “More than 8 months passed before grant agreements with FEMA were completed.” Further, “It took 5 months for the LRA to complete the program transfer from LHFA and to sign a new contract with the same developer. The state auditor [Louisiana Legislative Auditor] had recommended that the contract for developing the units be competed, but LRA officials argued it was not required and not practical since Cypress Partners was the creator of the project. LRA officials said they renegotiated the contract to reduce the developers’ fees and create benchmarks for contractor performance. One of the partners backed out of the developer consortium at this time in response, the LRA believes, to the reduced fees and profits.”

The average cost per site ranged from \$121 to \$176 per square foot, at least \$53 per square foot more than housing of similar size and construction built by other nonprofit organizations.

The cottages range in size from 612 to 1,112 square feet with an average construction cost of \$145,216 per cottage. In 2009, LRA officials estimated the square footage costs for these sites, not including infrastructure costs, would range from \$108 to \$128 based on construction bids they had received. We calculated that the actual average square footage costs per site, not including land and infrastructure costs, ranged from \$121 to \$176. When land and infrastructure costs are included, costs increase.⁵ For example, the average square footage cost for Jackson Barracks increases from \$172 to \$208 and the average cost per cottage increases from \$161,666 to \$195,452 with infrastructure costs. Exhibit 4 lists the average total cost and average cost per square foot for each of the Katrina Cottage sites.

⁵ The state paid for land and/or infrastructure costs at Jackson Barracks, Hidden Cove, and scattered sites in Lake Charles. Two sites (Westwego and Fisher) needed new infrastructure, but the local partners paid the costs.

Exhibit 4 Katrina Cottage Costs				
Site/# of Cottages	Total Square Footage Costs*	Total Square Footage	Average Square Footage Costs	Average Cost per Cottage
New Orleans Area				
Fisher Housing Development/Crescent Estates (91)**	\$12,273,454	94,860	\$129.38	\$134,873
Scattered Lots within Lower 9 th Ward (22)	\$3,404,692	21,314	\$159.74	\$154,759
Bienville Square and Scattered Lots within Treme/Lafitte Neighborhood (60)	\$9,229,639	59,978	\$153.88	\$153,827
Scattered Lots within Treme, 7 th Ward/New Marigny, and Central City Neighborhoods (10)	\$1,420,638	8,552	\$166.12	\$142,064
Scattered Lots within 7 th Ward and Treme Neighborhoods (11)	\$1,535,024	8,722	\$175.99	\$139,548
Scattered Lots within Holy Cross Historic District (5)	\$901,003	5,496	\$163.94	\$180,201
Senior Community/Ephesus (27)	\$3,094,785	25,612	\$120.83	\$114,622
Jackson Barracks-Single Family (59) & Multi-Family (32)	\$14,711,607	85,344	\$172.38	\$161,666
Baton Rouge Area				
Hidden Cove Subdivision (42)	\$5,365,435	42,284	\$126.89	\$127,748
Lake Charles Area				
The Fields Subdivision (34) & Scattered Sites (35)***	\$10,216,086	66,944	\$152.61	\$148,059
Totals	\$62,152,363	419,106	n/a	n/a
Total Average Costs	n/a	n/a	\$148.30	\$145,216****
*Does not include costs incurred under LHFA and pre-award design related costs, as well as land and infrastructure costs.				
**Cost and square footage information for this site are based on only 91 units. The state leveraged HANO funding for the construction of the other 33 of the 124 units; FEMA allowed OCD/DRU to count them as constructed AHPP units.				
***Information provided for both sites combined.				
****Total average cost per cottage based on 428 cottages instead of 461 because the state leveraged HANO funding for the construction of 33 units.				
Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.				

Compared to housing of similar size and construction built by other nonprofit organizations, the Katrina Cottages cost at least \$53 per square foot more to be built. However, the state had to follow other AHPP requirements, including steel framing and disability access, which may have contributed to the increased costs. We found the square footage costs, without infrastructure, of the cottages in the New Orleans area range from \$121 to \$176 while the costs

for one nonprofit in the area, Build Now, range from \$94 for a 1,792 square foot home to \$110 for a 1,009 square foot home. The costs for another New Orleans area nonprofit, Neighborhood Housing Services, range from \$98 to \$120 per square foot for a home that is approximately 1,000 square feet.

Construction deficiencies at 34 (7.4%) of the 461 cottages on two sites led to occupants having to temporarily move out.

In addition to the construction delays previously discussed, construction deficiencies at 34 (7.4%) of the 461 cottages on two sites led to occupants having to temporarily move out. Specifically, we found the following:

- Construction at The Fields Subdivision in Lake Charles was completed in November 2010, but subflooring and insulation issues in 32 (94%) of the 34 units at this site required correction. These issues led to a lawsuit between the local partner, Cypress, the construction contractor, and building subcontractors. Deficiencies at six of these 32 units had not been corrected by the grant deadline of March 16, 2012. As deficiencies were being corrected, the partners temporarily placed the occupants in other units.
- According to Jackson Barracks officials, two of the 91 units at that site are currently uninhabitable because of water leakage in the walls. The Louisiana Military Department has filed suit against Cypress, the general contractor, and architects because of these construction deficiencies as well as deficiencies with the other cottages at the site.

In addition to these construction deficiencies, OCD/DRU staff stated that subflooring issues in Fisher Housing Development/Crescent Estates units required significant repairs. Also, HANO did not initially accept the transfer of three units from Cypress at this same site because HANO stated these units failed to meet Uniform Federal Accessibility Standards (UFAS).

Of the 461 cottages constructed, 361 (78%) were occupied, 81 (18%) had not yet been occupied, and 19 (4%) were unoccupied because of move-outs when the grant ended on March 16, 2012; all cottages were occupied by June 20, 2012.

As of March 16, 2012, 361 (78%) of the 461 Katrina Cottages were occupied, 19 (4%) were vacant but had previously been occupied, and 81 (18%) had not yet been occupied. However, FEMA allowed OCD/DRU to continue occupying the remaining cottages throughout

the grant closeout period, and all cottages were occupied as of June 20, 2012.⁶ FEMA created the following three-tier priority order for selecting residents for the cottages:

Tier 1: Disaster victims who are currently eligible for FEMA financial or direct housing assistance.

Tier 2: Disaster victims who currently receive federal disaster housing assistance through other federal programs.

Tier 3: Any other person in the state with on-going housing needs due to the 2005 hurricanes.

Each partner has additional occupancy criteria in addition to FEMA's criteria. For example, Gulf Coast Housing Partnership in Westwego gives first priority to applicants that are aged 55 or older and lived on the West Bank of Jefferson Parish, pre-Katrina. See Appendix E for the occupancy selection criteria for each partner/site.

Delays in constructing the cottages and construction deficiencies as previously discussed directly affected the occupancy rate. According to OCD/DRU officials, all occupants have been persons impacted by hurricanes Katrina or Rita. However, the agency and its partners have had difficulties occupying the cottages with disaster victims because of difficulties in finding qualified disaster-impacted victims and selling the cottages to qualified occupants, as discussed in the following paragraphs. According to OCD/DRU, it plans to formally ask FEMA for permission to place Tier 3 persons into the units if necessary. Appendix D lists the number of units by site that were occupied, previously occupied, or never occupied as of June 20, 2012.

Difficulty finding qualified disaster-impacted persons led to occupancy issues.

Because construction on the cottages did not start until February 2009, local partners had difficulties finding disaster-impacted victims to place in the cottages. According to the December 2011 DHS-OIG report, many of the cottages were constructed too late to serve the needs of the families displaced by hurricanes Katrina and Rita in 2005, as most of the target population had found alternative housing solutions. In addition, according to OCD/DRU, many disaster-impacted persons were homeowners before the storms and wanted to rebuild or already had rebuilt on their property. As a result, the Katrina Cottages program which built permanent structures in other areas did not meet their needs.

Difficulty selling cottages led to occupancy issues. In addition, the occupancy rate of the cottages was affected because some potential occupants had difficulty qualifying for traditional home loans and therefore could not buy the cottages. This issue led to some partners changing their housing options to include or add more rental and/or lease-to-purchase units. In response, the state had to revise its budget so it could provide partners with funds for rental operations. Occupants have the option to buy, rent, or lease-to-purchase their units, depending on the partner and site. Three sites offer a mix of options. Exhibit 5 shows the number of cottages for sale, rent, or lease-to-purchase as of June 30, 2012. Appendix E shows the housing options offered at each site.

⁶ Two cottages at Jackson Barracks that were occupied prior to March 16, 2012, were unoccupied as of September 2012 because of construction deficiencies that had rendered them uninhabitable.

Exhibit 5 Katrina Cottage Housing Options As of June 30, 2012		
Option	Number	Percentage
Rent	275*	59.6%
Sale	70	15.2%
Lease-to-Purchase	116	25.2%
Total	461	100.0%
*27 rental units may be purchased after two years of rental. Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.		

APPENDIX A: OCD/DRU'S RESPONSE

BOBBY JINDAL
GOVERNOR



KRISTY H. NICHOLS
COMMISSIONER OF ADMINISTRATION

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

February 14, 2013

Mr. Daryl G. Purpera, CPA
Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

RE: Results of the Alternative Housing Pilot Program:
Katrina Cottages

Dear Mr. Purpera:

As requested in the Louisiana Legislative Auditor's (LLA) letter dated January 14, 2013, the Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD/DRU) is submitting its response to the performance audit report titled "Results of the Alternative Housing Pilot Program (AHPP): Katrina Cottages." OCD/DRU appreciates the LLA's strident efforts to produce an accurate report based on feedback provided by OCD/DRU staff.

FEMA officials, in order to carry out the intent of Congress, developed an Alternative Housing Pilot Program grant competition to "identify, develop, and evaluate alternatives to and alternative forms of disaster housing." A pilot program seeks new and innovative ways to address an issue, and by nature is somewhat experimental. This program accomplished this primary objective of a pilot program, which was to enable FEMA to evaluate and determine what worked well and what did not from the five Alternative Housing Pilot Programs implemented in four of the States impacted by the 2005 hurricanes. Those states include Louisiana, Mississippi, Alabama and Texas.

By constructing 461 units, using 11 single and multifamily models at 12 sites across the southern part of the state, Louisiana was able to demonstrate that the housing models would be suitable for intermediate and long-term housing, but the structures would not be easily placed immediately post-disaster. Louisiana also provided sustainable homeownership and rental opportunities for 461 storm-impacted families, an additional goal of the grant.

Conducting a pilot program of this nature has significant benefit in designing future programs. Valuable information was obtained as a result of implementing the AHPP model in Louisiana. The lessons learned are being applied by FEMA in designing its efforts for response to both

hurricane Isaac and Sandy that occurred in 2012. Administering the AHPP revealed that permanent housing has a much stronger impact on long term community development and helps to mitigate loss and damage in future disasters; it also helps to reduce displacement problems and other challenges for households in crisis.

The Legislative Auditor's report states that the objective of the audit was to determine the results of the Katrina Cottages program and as such only presents information relevant to Louisiana's administration of the alternative housing pilot program. It should be noted that the U.S. Department of Homeland Security, Office of Inspector General (DHS-OIG) issued an audit report on December 28, 2011, a few weeks prior to the start of the Legislative Auditors review. OCD/DRU believes that the DHS-OIG Audit provides a comprehensive, objective and balanced assessment of the Alternative Housing Pilot Program, presenting the results of its analysis from a much broader perspective. The audit conducted by DHS-OIG assessed all five alternative housing programs implemented by the four states that received AHPP grants from FEMA to develop alternative forms of disaster housing while housing hurricane survivors. Many of the issues noted in the LLA report on Katrina Cottages are not limited to Louisiana's administration of the alternative housing pilot program but are issues systemic to the program as a whole.

The following issues presented in LLA's report require additional comment and/or further explanation to fully assess the results of administering the AHPP in Louisiana.

DHS-OIG cited FEMA's design and initiation of the AHPP as main causes of the program's issues.

This section of the LLA report consists of excerpts from the DHS-OIG audit report from December 2011; therefore, we concur with the statements. We believe, however, that additional information could have been presented from the DHS-OIG report to fully disclose the conclusion reached as a result of DHS-OIG's audit. Such additional information includes:

“The root causes of the problems that the Pilot Program grants encountered and the limitations on the utility of the units developed for future FEMA operations are not in how the program was implemented or in management by state or FEMA officials, but rather in the program design and in decisions made when the program was initiated in 2006. The very concept of the program as legislated preordained it to be difficult to implement.”

Louisiana obligated \$74,535,421 (99.9%) and spent \$73,861,436 (99.1%) of the total grant amount as of September 17, 2012.

OCD/DRU notes that program costs in Exhibit 1, Louisiana's AHPP Grant Expenditures by Categories as of September 17, 2012, are grouped into expense categories differently than our FEMA budget. FEMA grouped expenses into Administration, Social Services, Construction, and Operating and Maintenance categories. While the grouping is different, Total Expenditures are correct.

There are 461 cottages located at 12 sites in the New Orleans, Baton Rouge, and Lake Charles areas.

The OCD/DRU wishes to provide additional background information regarding the original 500-unit estimate noted in LLA's audit report to clarify and support OCD/DRU's contention that 461 units represents a successful outcome relative to FEMA's expectations for the program. The additional information includes:

- At the time the Developer Services Agreement (DSA) was negotiated, no construction bids had been issued. Therefore, the State (through the Louisiana Recovery Authority-LRA) had limited information available to determine what the per unit construction cost would be in order to produce an estimate of how many units could be constructed with the available funding. In addition, the specific properties (lots) had not been identified; therefore, lot size was still unknown. The 500 unit estimate in the DSA was derived from earlier projections of 700 units by the Louisiana Housing Finance Authority and 400 units by Cypress. LRA settled on a total of 500 units with the understanding that this number was subject to change. The actual number of units to be constructed would be based on the actual construction bids and predicated on what the State approved, per site. In addition, where the units were constructed and the size and variety of the units impacted the number of units to be constructed. These uncertainties are expected when administering a pilot program of this nature.
- The uncertainty on how many units would be constructed was due to lack of clarity in the grant award. The state received a lower award amount than requested and the construction cost proposals were prepared in haste to meet the demands of an unrealistically short submission schedule. The Cypress proposal included a total of 839 Katrina Cottage and Carpet Cottage units at a total program cost of \$87,696,906. Ultimately, the state was only awarded \$74,542,370. The construction cost estimates included in the Cypress proposal did not have the benefit of actual construction bids. Construction and site costs in the proposal averaged \$112 per square foot for Katrina Cottages. The lowest actual construction costs occurred in building cottages at the Baton Rouge and at Lake Charles-Fields sites for a per square foot cost of \$128 and \$136, respectively. The lowest cost occurred in the New Orleans area for \$147 per square foot for the HANO project at Fisher.
- The OCD/DRU contends that it met FEMA's expected results by adjusting the budget to allocate the majority of grant funds to construction costs and by constructing as many of the larger units originally proposed in the State's application as possible. These adjustments were essential to meeting the post Katrina needs for family size and community demands for permanent affordable housing. The construction of larger models certainly reduced the number of units constructed; the program could have constructed well over 600 of the smallest 612 square foot units, but would have inadequately served the housing needs of displaced households. The report incorrectly states that the units developed changed over the program's life to become larger and

permanent when all of the models and expanded versions of those models were part of the original proposal approved by FEMA.

Construction of the cottages extended 2.5 years past the original grant deadline; Cypress incurred penalties for delays encountered at one of the 12 cottage sites.

OCD/DRU acknowledges that the construction of the cottages extended 2.5 years past the original grant deadline, but the deadline was extended to March 16, 2012, by FEMA at the request of OCD/DRU. OCD/DRU contends, however, for reasons stated in the DHS-OIG's report, the original deadline was unreasonable and did not represent an acceptable time frame for a pilot project of this scope. It should be noted that nearly one-third of the units were completed by December 2009, despite the program concept challenges and early delays caused primarily by site selection. In addition, delays in the completion of projects were not limited to Louisiana's administration of the housing pilot program. The DHS-OIG, concluded, based on its analysis of the five alternative housing projects that "most of the projects fell significantly behind schedule."

OCD/DRU also contends that use of the average of 10.2 months to construct each cottage does not accurately reflect the construction results. Using the median of 8 months provides a more representative view of the process due to the existence of a few outlier properties. In addition, units were turned over in groups regardless of completion dates of the individual units, artificially extending the turnover dates for most units.

The average cost per site ranged from \$121 to \$176 per square foot, at least \$53 per square foot more than housing of similar size and construction built by other non-profit organizations.

OCD/DRU understands and refutes the methodology used by the auditor in its comparison of cost per square foot for Katrina Cottages versus that of two non-profit organizations' cost per square foot for the following reasons:

- Katrina Cottages were built by for-profit entities; therefore, the cost per square foot includes a profit margin, whereas there is no profit margin for a non-profit organization. In addition, many non-profits receive donated or discounted labor and materials when constructing housing and there is no indication if this was considered in the comparison of costs per square foot.
- The report states that the comparison was made between housing of similar construction and size; however, the report does not provide enough information to substantiate if the comparisons were similar. For example, the pilot awarded by the grant required the site-constructed Katrina Cottages to be built with steel framing, which adds considerable cost (approximately \$20,000 to \$30,000 per unit depending on commodity market conditions at the time of construction) when compared to traditional units. The auditor states that the comparison was made between units of similar size; however, many of the Katrina Cottages constructed contained less square footage than the smallest non-profit unit used in the comparison. Generally, the

smaller the unit, the greater the cost per square foot because the price of cost-intensive components such as kitchens, bathrooms, HVAC systems and other base appliances are spread across a smaller square footage. This statement is supported by the non-profit costs per square foot figures the auditor includes in its report. The cost per square foot for a 1,792 square foot home was \$94 per square foot, while the cost per square foot the same non-profit incurred for a 1,009 square foot home was \$110 per square foot. Therefore, it can be expected that the average cost per square foot to build Katrina Cottages would be higher due to the fact that the cottages ranged in size from 612 to 1,112 square feet.

- Katrina Cottages were constructed with federal funds, triggering many federal regulations that generally increase construction costs, such as environmental requirements, design standards, Davis-Bacon requirements, and Uniform Federal Accessibility Standards (UFAS). These costs might not have been incurred by the non-profits used in the comparison. For example, in the Alabama Alternative Housing Pilot Program, the ramps to make the UFAS units accessible for wheelchair and walker users cost \$13,377 per UFAS unit.

In order to fully understand and compare construction costs, it is critical to understand the cost differences between development by a non-profit and a for-profit entity with the financial wherewithal required to implement such a large, unique pilot program. It is also critical to recognize the cost increases caused by mandated, more expensive materials and designs, as well as additional federal regulations, to accommodate the grant requirements.

Construction deficiencies at 34 (7.4%) of the 461 cottages on two sites led to occupants having to temporarily move out.

OCD/DRU acknowledges that there were construction deficiencies at 34 (7.4%) of the 461 cottages, all of which have been corrected. Without an industry standard against which to measure this, it is not clear whether this deficiency rate is better than, worse than, or average for similar projects. Thirty-two of the 34 defective units were confined to one contractor at one site, and the deficiency was with deteriorating flooring caused by incompatible permeability of flooring and subflooring materials. Construction defects are not atypical of housing or commercial construction and are a function of the capability of contractors and subcontractors. The same subflooring insulation standards prescribed in the building plans were followed successfully for all of the units in the New Orleans area, but were not by the subcontractor in Lake Charles.

Mr. Daryl G. Purpera
February 14, 2013
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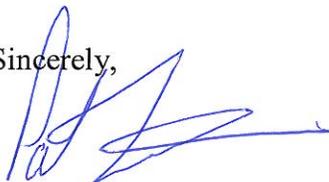
Of the 461 cottages constructed, 361 (78%) were occupied, 81 (18%) had never been occupied, and 19 (4%) were unoccupied due to move-outs when the grant ended on March 16, 2012.

All units were occupied by FEMA's June 20, 2012 deadline. FEMA concurred that an extension of construction through March 16, 2012 was allowable, and that it was reasonable to complete occupancy through the allowed close-out period.

In summary, though the objective of the LLA Audit Report was to measure the results of the program, the report did not recognize the pilot aspect of the program and the results associated with that objective, nor the objective of providing long-term housing to storm-affected families. The report did not measure how the Louisiana AHPP tested the suitability of the Katrina Cottage and Carpet Cottage as alternative methods of housing displaced people in future disasters, or the value of the lessons learned in that effort. OCD/DRU hopes that the few examples described here will provide a broader, more appropriate view of the success of the program. Though the program did experience a number of significant challenges due to initial AHPP design and shortcomings of the proposal awarded for execution, both the State and FEMA did gain a better understanding of how such an initiative could be implemented for intermediate and long term housing after a disaster. The program also provided sustainable homeownership and rental opportunities for 461 storm-impacted families.

Should you have any questions or require additional information, please let me know.

Sincerely,



Patrick W. Forbes, P.E.
Executive Director
Office of Community Development/DRU

C: Kristy Nichols
Ray Stockstill
Steven Procopio
Michael DiResto
Monique Appeaning
Marsha Guedry
Belinda Olivier

APPENDIX B: SCOPE AND METHODOLOGY

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. This audit is an update to our March 2009 performance audit of the Alternative Housing Pilot Program, commonly referred to as the Katrina Cottages program.⁷ This audit focuses on the results of the Katrina Cottages program. The audit objective was to answer the following question:

What are the results of the Katrina Cottages program?

To answer the audit objective, we conducted the following procedures:

- Met with OCD/DRU officials about the program's progress since our March 2009 report.
- Interviewed OCD/DRU officials about and obtained financial documentation (account draws and supporting documentation) on program expenditures.
- Recalculated and categorized program expenditures provided by OCD/DRU.
- Interviewed OCD/DRU officials and reviewed relevant program documents to determine the status of construction, transfer to the local partners, and occupancy of the cottages and reasons for any delays. Documents included quarterly reports OCD/DRU submitted to FEMA, internal spreadsheets maintained by OCD/DRU program staff, and city/parish building inspection certificates.
- Reviewed the U.S. Department of Homeland Security Office of Inspector General report, *Future Directions of FEMA's Temporary Housing Assistance Program*, December 2011.
- Obtained from OCD/DRU officials documentation detailing cost per square foot for each site location.
- Calculated average cost per square foot for each site location; divided the total costs, including construction, land, infrastructure, and street construction, by the total square footage constructed at a site.

⁷ The report can be found at [http://app1.la.state.la.us/PublicReports.nsf/552F16D40C293532862575700069A194/\\$FILE/0000AF05.pdf](http://app1.la.state.la.us/PublicReports.nsf/552F16D40C293532862575700069A194/$FILE/0000AF05.pdf).

- Contacted other nonprofit organizations to obtain costs for housing similar to Katrina Cottages, including Build Now and Neighborhood Housing Services.
- Met with LLA's Manager of Construction Auditing to obtain information related to real estate developers and experience requirements.

We conducted this audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C: TIMELINE OF LOUISIANA'S KATRINA COTTAGES PROGRAM December 2006 through September 2012

Overall AHPP Status	Date	Description
Initial notification	December 2006	FEMA notifies Louisiana of the pending \$74.5 million award.
Louisiana secures funding and construction developer	January 2007	The LHFA Board is notified that the LHFA will administer the AHPP for Louisiana.
	March 2007	The LHFA Board approves the project.
	August 2007	The LHFA Board approves the AHPP budget and directs the LHFA to enter into an agreement with Cypress Realty Partners, LLC.
	September 2007	FEMA notifies the LHFA that Louisiana's award is approved (Articles of Agreement).
	October 2007	LHFA and Cypress Realty Partners, LLC sign Developer Services Agreement. LHFA approves preliminary site locations.
LHFA administers AHPP	November 2007	LHFA enters into contracts with architects to design cottages and signs the first cooperative endeavor agreement with a local partner.
	January 2008	The LHFA Board approves Cypress Realty Partners, LLC subcontractor agreements.
	February 2008	LRA notifies the LHFA that it will take over the AHPP.
Louisiana transfers AHPP from LHFA to LRA	March 2008	FEMA transfers grant funds, and LHFA/LRA/FEMA enter into an Administrative Transfer Agreement, effective March 24, 2008.
	April 2008	Fiscal Year 2008 AHPP funding is transferred to the LRA. LHFA, LRA, and FEMA enter into a Memorandum of Understanding.
	July 2008	LRA and Cypress Realty Partners, LLC sign the Developer Services Agreement.
LRA administers AHPP	February 2009	Construction begins on the first cottages.
	May 2009	Construction is completed at the first cottages.
OCD/DRU administers AHPP	July 2010	LRA sunsets and the AHPP is formally transferred to OCD/DRU.
	January 2011	The State Military Department files suit against Cypress Realty Partners, LLC, the general contractors, and the architects for design and construction defects with cottages at the Jackson Barracks site.
	July 2011	Construction begins on the last cottages.
	September 2011	The original AHPP grant performance period, in which construction was to be completed and occupants placed into cottages, ends.
	March 2012	Construction is completed at the last cottages. The extended AHPP grant performance period ends.
	June 2012	The original AHPP closeout period, in which all invoices are to be paid and accounted for, ends.
	July 2012	Correction of construction deficiencies for cottages in the Fields Subdivision (Lake Charles) is completed.
	September 2012	The extended AHPP grant closeout period ends. FEMA allows OCD/DRU to draw down \$255,980 to monitor the program through March 2013. Two cottages at Jackson Barracks that were occupied prior to March 16, 2012, are unoccupied as of September 2012 because of construction deficiencies that had rendered them uninhabitable (see January 2011 entry).

Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.

APPENDIX D: SUMMARY OF KATRINA COTTAGES INFORMATION AS OF SEPTEMBER 17, 2012

Site	Total # of Units	Total Cost*	Reasons for Construction Delays	As of March 16, 2012 (grant end date)						Total Square Footage	Average Square Footage Cost Per Unit	
				Original Occupancy Date	Units Currently Occupied		Units Never Occupied		Unoccupied Due to Move Outs			
					#	%	#	%	#			%
The Resource Foundation Baton Rouge - Hidden Cove Subdivision	42	\$5,365,435	<ul style="list-style-type: none"> Delay in obtaining land for site 	1/14/10	32	76.2%	0	0.0%	10	23.8%	42,284	\$126.89
Habitat for Humanity and Project Build a Future Lake Charles - The Fields Subdivision	34	\$10,216,086	<ul style="list-style-type: none"> Correction of subfloor and insulation issues in 32 units which led to lawsuit between partners and Cypress, the contractor, and subcontractors 	1/15/10	22	64.7%	9	26.5%	3	8.8%	66,944	\$152.61
Habitat for Humanity and Project Build a Future Lake Charles - Scattered lots throughout the city	35		<ul style="list-style-type: none"> Public opposition to units being built in certain neighborhood Environmental testing and approval for certain lots 	4/1/10	29	82.9%	4	11.4%	2	5.7%		
Gulf Coast Housing Partnership Westwego - Senior Community/Ephesus	27	\$3,094,785	<ul style="list-style-type: none"> Delays in delivery of permanent power 	12/20/10	25	92.6%	0	0.0%	2	7.4%	25,612	\$120.83
Housing Authority of New Orleans New Orleans - Fisher Housing Development/Crescent Estates	124	\$12,273,454*	<ul style="list-style-type: none"> Personnel turnover at contractor and loss of subcontractor Delays in receiving electricity to units Correction of subflooring and electrical issues 	9/16/10	105	84.7%	19	15.3%	0	0.0%	94,860*	\$129.38*
Providence Community Housing New Orleans - Bienville Square	31	\$9,229,639	<ul style="list-style-type: none"> Temporary power connections Weather Permitting issues Issues with sewer and water connections 	8/26/11	26	83.9%	5	16.1%	0	0.0%	59,978	\$153.88
Providence Community Housing New Orleans - Scattered lots within Treme/Lafitte neighborhoods	29			7/29/11	27	93.1%	2	6.9%	0	0.0%		

Site	Total # of Units	Total Cost*	Reasons for Construction Delays	As of March 16, 2012 (grant end date)						Total Square Footage	Average Square Footage Cost Per Unit	
				Original Occupancy Date	Units Currently Occupied		Units Never Occupied		Unoccupied Due to Move Outs			
					#	%	#	%	#			%
New Orleans Redevelopment Authority (NORA) New Orleans - Scattered lots within Lower 9 th Ward	22	\$3,404,692	<ul style="list-style-type: none"> NORA had funding issues Right of entry dispute between NORA and Cypress Contractor ceased work in October 2011 because of lack of payment 	Not Yet Occurred***	0	0.0%	22	100.0%	N/A	N/A	21,314	\$159.74
Neighborhood Housing Services New Orleans - Scattered lots within Treme, 7 th Ward/New Marigny, and Central City	10	\$1,420,638	<ul style="list-style-type: none"> Delays in permitting Issues with permanent power delivery 	Not Yet Occurred***	0	0.0%	10	100.0%	N/A	N/A	8,552	\$166.12
Odyssey House Louisiana, Inc. New Orleans - Scattered infill lots within 7 th Ward and Treme	11	\$1,535,024	<ul style="list-style-type: none"> Permitting issues Design reviews Coordination issues with subcontractors 	2/12	6	54.5%	5	45.5%	0	0.0%	8,722	\$175.99
Preservation Resource Center New Orleans - Scattered lots within Holy Cross Historic District	5	\$901,003	<ul style="list-style-type: none"> Delays in obtaining Historic District Landmark Commission approval 	Not Yet Occurred***	0	0.0%	5	100.0%	N/A	N/A	5,496	\$163.94
Louisiana Military Department New Orleans - Jackson Barracks	32 multi-family units	\$14,711,607	<ul style="list-style-type: none"> UFAS requirements caused redesign of the multi-family units Design-build construction bids were significantly over-budget for the site infrastructure 	6/1/10	89	97.8%	0	0.0%	2	2.2%	85,344	\$172.38
	59 single family units											
Total/Average	461	\$62,152,363			361	78.3%	81	17.6%	19	4.1%	419,106	\$148.30

*Does not include costs incurred under LHFA and pre-award design related costs, as well as land and infrastructure costs.
 **Total costs, square footage, and square footage costs for HANO's Fisher/Crescent Estates site is based on only 91 units. The state leveraged HANO funding for the construction of the other 33 of the 124 units; FEMA allowed OCD/DRU to count them as constructed AHPP units.
 ***These sites were not occupied as of the grant end date of March 16, 2012, but they were all occupied by June 20, 2012.
Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.

APPENDIX E: OCCUPANCY SELECTION CRITERIA AND HOUSING OPTIONS

Program Partner (Site Location)	Occupant Selection Criteria	Housing Option(s)
The Resource Foundation (Baton Rouge - Hidden Cove Subdivision)	<ul style="list-style-type: none"> • 1st Priority - Households impacted by Katrina or Rita, and reside in EBR, WBR, Ascension, Iberville, Livingston, E Feliciana, W. Feliciana or Tangipahoa parishes • 2nd Priority - Storm-impacted residents of other parishes eligible if there is availability 	<ul style="list-style-type: none"> • 42 units - rental
Habitat for Humanity, Calcasieu Area Inc., and Project Build a Future (Lake Charles - The Fields Subdivision and scattered lots throughout the city)	<ul style="list-style-type: none"> • 1st Priority - Disaster victims on housing assistance lists provided by FEMA or state <i>who are currently eligible for FEMA assistance</i> and living or formerly lived in Allen, Beauregard, Cameron, Calcasieu, and Jefferson Davis parishes • 2nd Priority - Disaster victims on housing assistance lists provided by FEMA or state who currently receive federal disaster housing assistance through other federal or state programs who currently reside or formerly resided in the above five parishes • 3rd Priority - Disaster victims with on-going housing needs because of Katrina and Rita <p>The two organizations each have multiple income requirements.</p>	<ul style="list-style-type: none"> • 69 units - lease-to-purchase
Gulf Coast Housing Partnership (Westwego - Senior Community/Ephesus)	<ul style="list-style-type: none"> • 1st Priority - Persons ages 55 or older that lived on the West Bank of Jefferson parish pre-Katrina • 2nd Priority - Persons ages 55 or older that lived on the West Bank of New Orleans parish pre-Katrina • 3rd Priority - Persons ages 55 or older from the greater New Orleans metro area pre-Katrina <p>Income expectations are low to moderate but there is no income limitation.</p>	<ul style="list-style-type: none"> • 27 units - rental (with option to purchase after 2 years)
Housing Authority of New Orleans (HANO) (New Orleans - Fisher Housing Development/ Crescent Estates)	<ul style="list-style-type: none"> • 1st Priority - Former Fischer (housing development) families who are currently eligible for FEMA assistance or Direct Housing Assistance • 2nd Priority - Former Fischer families who are disaster victims who currently receive federal disaster housing assistance through other federal programs • 3rd Priority - Former Fischer families in the state with on-going housing needs because of 2005 hurricanes • 4th Priority - Former HANO assisted families who are currently eligible for FEMA financial or direct housing assistance • 5th Priority - Disaster victims who are currently eligible for FEMA financial or direct housing assistance • 6th Priority - Former HANO assisted families who currently receive federal disaster housing assistance through other federal programs 	<ul style="list-style-type: none"> • 103 units - rental • 21 units - for sale

Program Partner (Site Location)	Occupant Selection Criteria	Housing Option(s)
(Continued)	<ul style="list-style-type: none"> • 7th Priority - Disaster victims who currently receive federal disaster housing assistance through other federal programs • 8th Priority - Former HANO assisted families in the state with on-going housing needs because of 2005 hurricanes • 9th Priority - Any other person in the state with on-going housing needs because of 2005 hurricanes <p>Income Requirements - Families' total household incomes must not exceed 80% of the Area Median Income.</p>	
Providence Community Housing (New Orleans - Bienville Square and scattered lots within Treme/Lafitte neighborhoods)	<ul style="list-style-type: none"> • 1st Priority - Disaster victims on housing assistance lists provided by FEMA or state who are currently eligible for FEMA assistance, living or who formerly lived in the Greater New Orleans area, with priority to former Lafitte Public Housing residents • 2nd Priority - Disaster victims on housing assistance lists provided by FEMA or the state who currently receive or are eligible to receive federal disaster housing assistance through other federal or state programs who currently reside, or formerly resided in the Greater New Orleans area • 3rd Priority - Disaster victims with on-going housing needs because of the 2005 hurricanes <p>Income Requirements - Clients are expected to meet a minimum of 50% Area Median Income.</p>	<ul style="list-style-type: none"> • 31 units - for sale • 29 units - lease-to-purchase
New Orleans Redevelopment Authority (New Orleans - Scattered lots within Lower 9 th Ward)	<ul style="list-style-type: none"> • Households that were in a FEMA-funded temporary housing unit as of October 2007 • 1st Priority - households that currently live or have lived in the subject neighborhood (Lower 9th Ward) prior to August 29, 2005 • 2nd Priority - households that currently live or have lived in the New Orleans Metropolitan Statistical Area prior to August 29, 2005 <p>Income Requirement - Households must have earnings of at least 50% of the Area Median Income. There are no maximum income limits.</p>	<ul style="list-style-type: none"> • 5 units - for sale • 17 units - lease-to-purchase
Neighborhood Housing Services (New Orleans - Scattered lots within Treme, 7 th Ward/ New Marigny, and Central City neighborhoods)	<ul style="list-style-type: none"> • 1st Priority - Families currently living in the 7th Ward neighborhood or families that were living in the 7th Ward neighborhood in August 2005 • 2nd Priority - Families currently living in neighborhoods that share a boundary with the 7th Ward neighborhood or families that were living in neighborhoods that share a boundary with the 7th Ward neighborhood in August 2005 • 3rd Priority - Families currently living in Orleans Parish or families that were living in Orleans Parish in August 2005 <p>Income Requirement - Families must have a household income below 80% of the Area Median Income.</p>	<ul style="list-style-type: none"> • 9 units - for sale • 1 unit - lease-to-purchase

Program Partner (Site Location)	Occupant Selection Criteria	Housing Option(s)
Odyssey House Louisiana, Inc. (New Orleans - Scattered infill lots within 7 th Ward and Treme neighborhoods)	<ul style="list-style-type: none"> • Households with earnings of no greater than 50% of the Area Median Income • Households that meet at least one of the following criteria: <ul style="list-style-type: none"> • Have a diagnosed disability of long duration that impedes the ability to live independently • Have a demonstrated need for supportive services and case management • Be an Odyssey House Louisiana graduate or homeless 	<ul style="list-style-type: none"> • 11 units - rental
Preservation Resource Center (New Orleans - Scattered lots within Holy Cross Historic District)	<ul style="list-style-type: none"> • Households must have earnings of at least 50% of the Area Median Income • There are no minimum credit score requirements. • There are no pre-storm or post-storm residency requirements. However, the following populations will have priority for housing in the program: <ul style="list-style-type: none"> • 1st Priority - Households that currently live in or lived in the subject neighborhood (Holy Cross Historic District) prior to August 29, 2005 • 2nd Priority - Households that currently live or lived in the New Orleans Metropolitan Statistical Area prior to August 29, 2005 	<ul style="list-style-type: none"> • 4 units - for sale • 1 unit - rental
Louisiana Military Department (New Orleans - Jackson Barracks)	<ul style="list-style-type: none"> • Louisiana Military Department uniformed or civilians displaced because of Katrina or Rita and still in need of housing. 	<ul style="list-style-type: none"> • 91 units - rental
Source: Prepared by legislative auditor's staff using information provided by OCD/DRU.		