

SUMMARY OF LHBA HOMEBUILDERS PROPOSAL TO THE LHFA

The homebuilding industry in Louisiana is in a slump at this time and has lost many employees and once active businesses. Census statistics show that housing starts in Louisiana are at their lowest point since the year 1993 when there were 10,363 new single family housing starts state-wide in Louisiana. In addition, there had been a 30% drop in new home starts between 2007 and 2008, which followed the previous year's decline of approximately the same percentage. A further decline of almost 9% took place between 2008 and 2009, according to U. S. Census statistics.

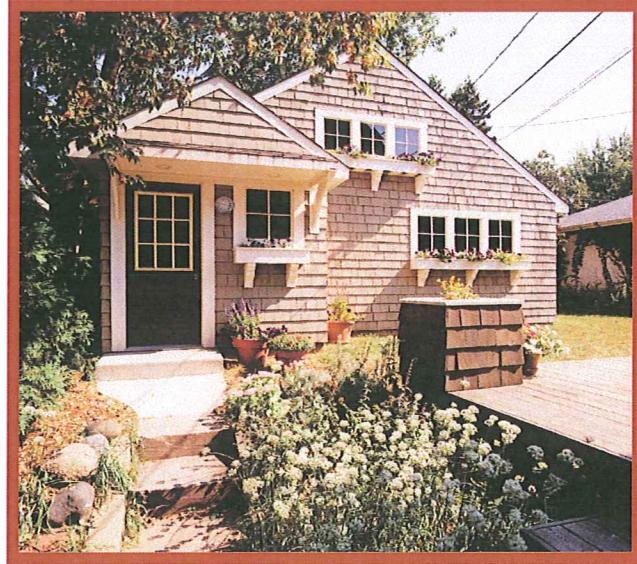
During this time of historically decreasing housing starts and rising unemployment in the homebuilding industry, the State of Louisiana through LHFA has tried to stimulate and encourage new construction or repair of both affordable single family and multi-family housing units through a combination of subsidies, tax credits, and grants.

The potential impact of these State managed short-term and long-term programs have essentially bypassed the Louisiana homebuilding industry at a time when these special funding programs could be used to strengthen the sluggish Louisiana local economy and construction industry. Part of this situation is related to the types of programs, funding, and construction partnerships not well understood by the traditional builder and associated building trade specialties. Education and awareness is needed to encourage the involvement of the local homebuilding industry. **The Louisiana Home Builders Association, (LHBA)** with its extensive statewide network, is proposing to LHFA to help bridge this gap between new housing programming and local builders throughout the State. The objectives of the Home Builder's proposal are listed below:

- *Increase local awareness of construction opportunities in the homebuilding or home renovation business*
- *Increase, retain, or re-employ local workers within the homebuilding industry*
- *Increase local business opportunities for homebuilders to secure construction contracts in their local areas, especially in relation to specialty housing programs*
- *Increase the opportunity for homebuilders to invest in projects within their local communities and to get the involvement of local governments*
- *Increase local understanding of the specialized federal or state subsidized housing programs available in order to provide diversified projects for local homebuilders*
- *Provide a direct avenue for LHFA, HUD, USDA, and other housing public organizations to provide outreach and program awareness to local Homebuilding, real estate, banking and other local interested organizations.*

The Louisiana Home Builders Association would accomplish this through a **special outreach program** administered by the Association in cooperation with LHFA. The program details are described in the LHBA proposal.

The proposed **2 year budget** for the proposal is projected to be **\$189,000, with \$50,000 being provided in-kind by LHBA and \$139,900 from LHFA.** A more detailed breakdown of the budget is provided in the LHBA proposal that was give to the La. Housing Finance Agency.



Louisiana Home Builders Association

PROPOSAL FOR HOUSING OPPORTUNITY AWARENESS & TECHNICAL ASSISTANCE PROGRAM 2010

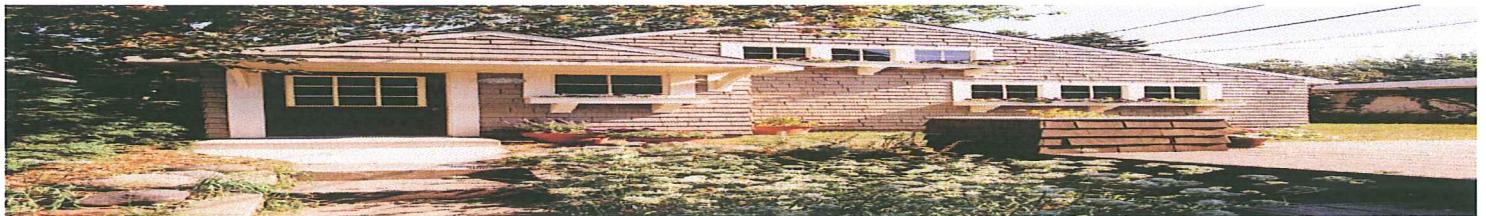
Louisiana Home Builders Association

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**SUMMARY OF PROPOSAL
FOR LOUISIANA HOME BUILDERS ASSOCIATION:**

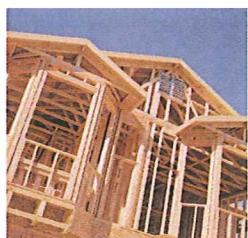
**HOUSING OPPORTUNITY AWARENESS
& TECHNICAL ASSISTANCE PROGRAM**

Identification of Current Problem: The homebuilding industry in Louisiana is in a slump at this time, as is home construction in much of the United States. Census statistics show that housing starts in Louisiana are at their lowest point since the year 1993 when there were 10,363 new single family housing starts state-wide in Louisiana. In addition, there had been a 30% drop in new home starts between 2007 and 2008, which followed the previous year's decline of approximately the same percentage. A further decline of almost 9% took place between 2008 and 2009, according to U. S. Census statistics. For the first time in over 10 years, Louisiana's overall unemployment rate has exceeded 9%, and the impact of declining homebuilding has resulted in an estimated 20% unemployment rate for jobs in the homebuilding industry. Nationwide, new single family permits dropped 32.4% from August 2008 to August 2009, with further declines in 2010. This decline is with a federal tax credit incentive added for those who wanted to purchase homes. For those homebuilders still working within the building industry, many individuals and companies have experienced a reduction in both wages and business income and many have sought other means of employment. This current situation is the result of a number of factors that include not only the general economic instability in the nation, but post-Katrina population movement, changes in bank lending standards, and sluggish local economies. The 5600 members and associate members of the Louisiana Home Builders Association (LHBA) are also posting income and job declines, which have a significant negative impact on the thousands of workers they typically keep employed in this industry in Louisiana. The Louisiana Department of Labor indicates that about 141,000 persons are employed in the construction industry in Louisiana, many of those closely tied to the homebuilding industry. For those who think the building decline is only related to the changes in the post Katrina building boom, it is important to understand that even before Hurricane Katrina, new building starts were a healthy 20,684 units, in comparison to the 2009 housing start total of 10,755 units (decline of almost 50% from 2004). This is a terrible time to be in the homebuilding industry leading the industry to look for new ideas and new opportunities.

During this time of historically decreasing housing starts and rising unemployment in the homebuilding industry, the State of Louisiana, in conjunction with funding from the federal government, have tried to stimulate and encourage new construction of both single family and multi-family housing units through a combination of subsidies and new programs. This includes the creation of jobs and housing that resulted from losses and the impact of 4 major storms that had devastated the State since 2005. This effort has helped and impacts both multi-family and single family affordable housing. Most stimulus and hurricane response housing funds however have not reached the local homebuilding industry, since so much of the funding and work has gone to out of state businesses, non-resident workers, and housing that usually will not reach local traditional homebuilders. The stimulus and affordable housing programs include making available millions of dollars in single family and multi family housing construction funds from FEMA, HUD's CDBG program, and USDA Rural Housing Service, often providing funds through State agencies such as LHFA, the Division

of Administration LRA-DRU and Community Development offices, and through allocation to local parishes and non-profit organizations. Program names such as Road Home, ADDI, Tax Credit Housing, HOME, NSP, Go Zone Funds, Energy Conservation grants, piggyback housing, Section 504 and 502 funding, weatherization programs, and others have become common terms for those involved with these programs. More recently, the federal government provided the State with over \$800 million in Gustav/Ike CDBG recovery funds for which housing set-asides were required. Additional stimulus funding was provided for weatherizing homes, for energy related programs, and for creating workforce housing projects. However, because of the audience targeted with many of these funds, the more traditional state Homebuilders are not aware of the potential opportunities for their industry, and generally do not understand the federal and state regulations. But this is the time that they need to connect to these programs the LHFA, and to the many non-profits and developers that use the targeted housing funds.

The potential impact of these short-term and long-term programs have essentially by-passed the Louisiana Home Builder members at a time when these special funding programs could be used to strengthen the sluggish Louisiana Homebuilding industry. This was mentioned by several homebuilders at a recent LHFA Strategic Planning Conference in Baton Rouge and the LHFA Board members agreed with the assessment. This is not necessarily anyone's fault. It is just because of the manner in which the affordable housing industry developed in isolation of the independent homebuilding industry and which markets were being served. There has been very little communication among these players in the building industry. At the LHFA Strategic Planning Conference, the Board members asked how the LHFA could help with the problematic issue. Although adjustments to the type and style of housing may have to be made by some industry members, the fact remains that a significant infusion of outside funding has been given to the State of Louisiana for the construction of new housing, restoration and renovation of housing and buildings, elevation of housing, creation of new multi-family housing, moving of housing units, demolition of housing, and building of new subdivisions or neighborhoods. But since most of the resident Louisiana Homebuilders have not been involved in this type of government sponsored business in the past, they were not prepared to benefit from the new programs and, in large part, many do not understand the details of the programs, nor are they aware when funds are available. Outreach and awareness of federal and state housing programs is very limited to private organizations. The Louisiana Homebuilding Industry is just generally not aware of the State's housing programs. Much of the program benefit therefore, has gone to specialized or out-of-state companies, non-profits, and developers that follow this type of state or federal funding. Most of these companies bring with them their own sub-contractors and building managers, along with workers in many cases. At a time when many local small, local companies have little or no construction work, they are usually unaware of the federal and state programs that could keep them afloat during these rough times.



The Opportunity: Given the above scenario, there is tremendous opportunity for the State of Louisiana to assist Louisiana Homebuilders and the homebuilding industry, and likewise, for the Louisiana Homebuilder industry to assist the State of Louisiana and federal agencies in meeting their own objectives. Local homebuilders, apartment builders, renovators, and building associates must become

more aware of the special programs that are available. Increased awareness, training, and involvement by local homebuilders with these funding programs can lead to increased local employment, higher income, and increased local investment in projects, all helping to keep construction income flowing through a community for a longer period. This could truly bring a stimulus to the local housing industry and be of benefit to the State, the local economy, and the consumer.

It is important that the funding provided to the State, non-profits, and to parishes be used not only for the creation and improvement of shelter, but for stabilizing and building the State's economy. This can be done in part by providing a greater amount of funding and employment to the locally-based homebuilding and construction industry. Since there is no particular mechanism to do this in a competitive and legal framework, the homebuilding industry must itself increase its member awareness and participation in specialized and subsidized federal, state, and local housing programs. In order to do this through use of the largest and most stable construction trade association in Louisiana, the Louisiana Home Builders Association and its 13 regional affiliates, it is necessary to provide two targeted items to the Louisiana Homebuilder organization and its members - increased levels of awareness and the provision of technical assistance/training. The use of federal and state housing funds creates a unique opportunity for the State government, and its agencies, to use its resources to create more local employment, wages, taxes, and boost local economies. The opportunity is present for both the Louisiana Home Builders Association to be more active and for the State of Louisiana, through LHFA and other departments, to make an investment and effort to involve Louisiana homebuilders and subcontractors. With the availability of LHBAs 13 regional homebuilding affiliates located throughout the State, (and their ties to the homebuilding industry, sub-contractors, realtor, and bankers) there is a great opportunity to partner various state and federally funded programs with local affiliated organizations that have an prime interest in the home building and construction industry. In addition, these local and regional affiliates have well established relationships with local parishes and municipal governments, which will help bring support to LHFA programs that benefit local economies.



The LHBA Proposal: The Louisiana Home Builders Association (LHBA) has prepared a proposal that is a win-win situation for everyone that would be involved. The organization is requesting one time allocation of grant funds for a new awareness and technical assistance program targeted to Louisiana Homebuilders and Homebuilder Associates, along with the 13 regional homebuilder organizations. This new program would be administered by the Louisiana Home Builders Association, working

closely with the LHFA. The proposal would provide grant funding through LHFA in the amount of \$139,900 to the statewide Louisiana Home Builders Association and all homebuilders to help educate and increase awareness of specialized housing programs and funding opportunities that their members, or any non-member homebuilders, could be involved with. (*LHBA will contribute about \$50,000 for in-kind costs to project and provide training locations throughout the State*). The goal of the effort to increase awareness and training among homebuilders includes the following objectives:

- Increase local awareness of construction opportunities in the homebuilding or home renovation business (including inspection, contract or construction management, sub-contracting, local realtors and finance businesses, etc.)
- Increase, retain, or re-employ local workers within the homebuilding industry
- Increase local business opportunities for homebuilders to secure construction contracts in their local areas, especially in relation to specialty housing programs
- Increase the opportunity for homebuilders to invest in projects within their local communities and to get the involvement of local governments
- Increase local understanding of the specialized federal or state subsidized housing programs available in order to provide diversified projects for local homebuilders
- Provide a direct avenue for LHFA, HUD, USDA, and other housing public organizations to provide outreach and program awareness to local Homebuilding, Real Estate, banking and other local interested organizations.

The Louisiana Home Builders Association would accomplish this through use of the following methods or tools:

- Use of local and state newsletter highlights and involvement of the 13 regional homebuilding organizations in Louisiana
- Homebuilder web site postings notifying the LHBA 5600 members of project opportunities in each parish and within the State
- Education or training workshops set up throughout the State to help involve local homebuilding companies, LHFA, realtors, and bankers.
- Special programs set up during quarterly State or chapter meetings
- New interpersonal relationships and partnership mechanisms developed to increase cooperation and coordination between the Homebuilders and various State agencies.
- Parish by parish targeting of special housing opportunities provided by federal or state allocations of funds or by awareness of housing incentives
- Helping link local building companies with larger developers of housing projects in order to increase local construction employment in the State, after several years of decline.

Project Time Period: The project time period is proposed to be 24 months or two years, starting from the day of project approval. During this time period, the project will be monitored and evaluated on a continuous basis, with at least quarterly reports being sent to the funding agency.

Budget with Narrative Explanation: The two year project budget is planned for \$139,900 in addition to \$50,000 for in-kind contributions provided by the Louisiana Home Builders Association. The **2 year budget** is broken down as follows:

*Project Coordinator (contract or staff Coordinator at LHBA State office... \$102,000
 Web Master contract (portion of monthly costs) 9,600
 Travel/Mileage (using standard State/IRS mileage rates)..... 16,800
 Printing costs (outreach, training and awareness oriented..... 5,000
 Postage 1,000*

<i>Equipment (1 computer, monitor, and printer).....</i>	<i>5,500</i>
<u>Total Grant Budget Request</u>	\$ 139,900
In-kind contributions <i>(LHBA will contribute office space, phone, fax, utilities, clerical staff & assistance, conference rooms, and supplies.)</i>	\$ 50,000
Total Project Budget (with in-kind services)	\$ 189,900

Explanation of budget items

- Project Coordinator: Proposed to be an experienced, contracted position with no fringe benefits for the 2 year period @ \$51,000 per year (or use of staff person if feasible)
- Web Master Contract: Will handle the extensive information, upkeep, and changes to the LHBA website related to meeting the challenges of this project @ \$400 month.
- Travel/Mileage: This budget item primarily relates to state-wide mileage reimbursement for auto travel for project coordinator and LHBA staff persons for programmatic marketing, training, and awareness. (use IRS travel reimbursement rate). (budget based on estimate of \$700/month x 24 months). This budget item may include limited travel costs such as meals and overnight stays if needed but this part will be low priority. Meetings around the state will be scheduled and set-up by LHBA, meeting space provided, and outreach or training activities planned with LHFA and others.
- Printing costs: Cost related to public awareness, printing of brochures and materials for meetings, training, etc.
- Postage: To cover the cost of program mailings, bulk mail, to members and others
- Equipment: Costs to cover the purchase of a basic workstation computer, monitor and printer for the project's office space in Baton Rouge LHBA central office.

Any questions relating to this proposal should be addressed to Mr. Billy Ward, La. Home Builders Association, (225) 749-2649 or championb@cox.net or to Jack Gautreaux, LHBA Govt. Coordinator at (985) 320-3119.