

## CITY OF LAKE CHARLES

326 Pujot St. • P.O. Box 900  
Lake Charles, LA 70602-0900  
(337)-491-1201 • FAX (337)-491-1206

RANDY ROACH  
MAYOR

OFFICE OF THE MAYOR

January 23, 2008

Mr. Milton Bailey, Executive Director  
Louisiana Housing Finance Agency  
2415 Quail Drive  
Baton Rouge, LA 70808

Dear Mr. Bailey:

Enclosed please find a copy of a general outline of the terms and conditions for the implementation of a FEMA Alternative Housing Pilot Program on city owned property in Lake Charles.

Per the governing agreements between the LHFA and FEMA for the Alternative Housing Pilot Program (AHPP), homeownership and a revolving fund are fully permissible. In the "Articles of Agreement," Section E provides for homeownership. In the "Award Conditions," the Performance Management Plan provides for homeownership and a revolving fund.

These provisions are consistent with the presentation I made at the LHFA board meeting on January 9, 2008.

This outline is being submitted for review by you and your staff in hopes that we can finalize a draft proposal that the Board can consider and approve at the February 13 meeting.

With the approaching deadline of March 17, 2008 for AHPP site identification, and with there being only two more regularly scheduled Board meetings of the LHFA between now and then, I am very hopeful that the Board will vote to approve the parameters outlined in the attached document so that we can begin making progress as soon as possible.

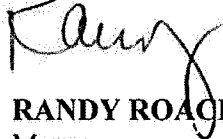
All figures and amounts in this outline are subject to further review and verification. These amounts are included for discussion purposes to illustrate how the program could work.

Please review the outline and contact me at your earliest convenience to discuss the program in more detail.

Mr. Milton Bailey  
LHFA  
January 23, 2008  
Page 2

With best regards,

Sincerely yours,

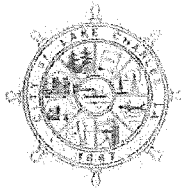


**RANDY ROACH**  
Mayor  
City of Lake Charles

RR/dl

Enclosure

C: Mr. Wayne E. Woods, Chairman  
LHFA Board of Commissioners  
Lake Charles City Council



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### City of Lake Charles AHPP Proposal

#### **Background:**

Shortly after Hurricane Rita the City Administration initiated a proposal to address the housing shortage created as a result of the storm. The intent was to fund a housing program that would promote homeownership and make quality housing available at an "affordable" price.

The existing housing market in Southwest Louisiana is very limited when it comes to homes in the \$100,000 range. Young families and persons earning \$25,000 - \$50,000 have limited opportunities to own their own home. Therefore the City Administration concluded that a government effort would be required to help meet the market demand for these homes.

It also believed that smaller, affordable homes could be designed and built according to modern building codes in subdivisions that included the same amenities found in quality subdivisions: concrete curb and gutter streets, underground utilities, ornamental street lighting, sidewalks and properly maintained and landscaped common areas.

Homeowners would qualify based on earned income and would have to complete a homebuyer's education program. Houses would be sold on a bond for deed basis. This is a specialized contract to sell.

In a Bond for Deed transaction, title to the house does not transfer until the homebuyer satisfies certain conditions – the primary condition being payment of the monthly installments and proper maintenance of the home for a stipulated period of time. Louisiana law changed in 2004 (Act 929 of 2004), and a purchaser of a home pursuant to a bond for deed contract no longer can qualify for the \$75,000 homestead exemption which currently applies to parish property taxes. Property taxes would still be imposed on the property and paid pursuant to the agreement between the buyer and seller.

The sales price of the home would be subsidized to make the home affordable. The amount of the subsidy would be based on income of the prospective

purchaser. The amount of the subsidy would be applied as a lien against the property and would be amortized on a "straight-line" basis to prevent homebuyers from profiting from the sale of the home if sold within a specified period of time.

To promote a high level of maintenance and care, the subdivision would be subject to certain building/use restrictions and would be managed by a Homeowners Association that would levy and collect fees for maintenance of the common areas.

Louisiana law (RS 9:1141.5) provides that Building restrictions affecting the building standards, uses, or improvements of common areas within a subdivision may include the obligation to pay monthly assessments for the maintenance of such property. These restrictions may also include to the regulation of access to common areas, streets, and related rights-of- way.

Louisiana law (RS 9:1145) also provides that a homeowners association shall have a privilege upon the lot of an owner in the subdivision who fails to pay charges or dues imposed in accordance with recorded subdivision building restrictions. The privilege shall secure unpaid charges, expenses or dues imposed by the association together with legal interest from the date due and reasonable attorney's fees.

**General Outline** (NOTE: All amounts are subject to verification and are included for discussion purposes only.)

1. City Contribution:

Land – 16 acres	\$480,000
Cash for Infrastructure	\$350,000
Cash for Reserve Fund	<u>\$100,000</u> (see #15 below)
Total	\$930,000

2. Number of Units -- 85 single family residential units

3. Estimated Construction Cost (including infrastructure) \$10.5 million

4. Infrastructure includes: streets, underground utilities, sidewalks, common areas, community center, playground, landscaping, ornamental street lights etc.

5. Each Unit – 2-3 bedroom, 1000 square feet living area (est.) plus carport/garage

6. "Louisiana House" building specifications
7. Elevation/Exterior design of home based on Louisiana Pattern Book
8. Terms of Sale:
  - ◆ Sales Price -- \$110,000
  - ◆ Bond For Deed – Initial 24 months
  - ◆ Actual title transfer in 25<sup>th</sup> month if payments current and homeowner in compliance with building restrictions and other terms and conditions of sale
  - ◆ Amortization based on adjusted sales price and 30 years at fixed interest rate of 4.5% (Or 90% of prime interest rate)
  - ◆ Soft Second Mortgage equal to total Downpayment Assistance – annual reduction based on a 10 year credit of 10% per year
9. Downpayment Assistance (DPA) – based on earned income formula
  - ◆ Based on FMI for family of Four -- \$50,280
  - ◆ 

<u>Minimum Earned Income (EI)</u>	<u>DPA</u>
◇ \$25,140 (50% of FMI)	\$65,000
◇ \$35,140 (70% of FMI)	\$45,000
◇ \$55,000 (110% of FMI)	\$25,000
◇ OVER \$55k	\$10,000
  - ◆ Example – EI - \$37,500

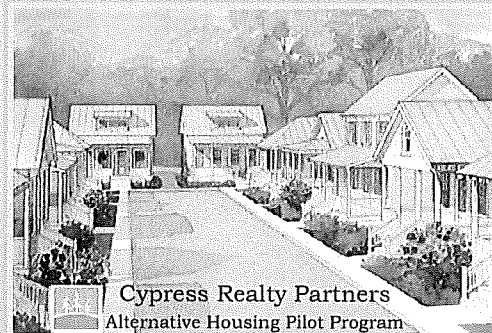
◇ Adjusted Sales Price	\$65,000
◇ Monthly PITI	\$440
◇ Vendor's Lien (Year 3)	\$62,855
◇ Soft Second Mortgage	\$45,000
10. Net proceeds from Sales – to be reinvested in AHPP -- \$6.0 Million (est.). LHFA/City to select additional sites in Calcasieu Parish for development. If no satisfactory site approved, LHFA may develop other projects in any other Rita Parish.
11. Selection Criteria – 80% residents of Calcasieu and Cameron Parishes displaced by Hurricane Rita; 20% other displaced residents of Rita/Katrina Parishes.

12. Allocation of homes by income/demographics (See no. 9 above): 20 % of the 85 residential homes allocated to families/persons in each income criteria. 10% each allocated to families/persons who qualify as elderly or disabled.
13. LHFA will qualify and select homebuyers and administer education program.
14. All Homebuyers must complete Homebuyer's Assistance Education Program
15. All homes will be subject to standard set of building restrictions that regulate use and maintenance of property.
16. All homeowners will be assessed a monthly fee for maintenance of common areas (Landscaping, etc.). Assessment may be charged as a lien on property as authorized by law. For example: Initial Fee -- \$25 per month. City shall contribute \$100,000 to the initial maintenance fund.
17. Enforcement of Building Restrictions, maintenance of subdivision, levy and collection of assessment subject to management by Homeowner's Association comprised of 7 members – 5 appointed by the City and 2 appointed by LHFA. City appointees shall be resident owners in the subdivision. LHFA appointees shall be selected from adjacent residential area as follows: 1 resident from Sunset Acres Subdivision. 1 from Lake Marie Estates Subdivision.

## Alternative Housing Pilot Program (AHPP)

### Presentation to the LHFA

City of Lake Charles  
Randy Roach, Mayor



January 9, 2008

### Mission: SWLA Housing Initiative Build Quality Affordable Housing

- Smaller homes in a subdivision as nice as any other development in the community. (Modern utilities, sidewalks, landscaping, etc.)
- Louisiana House specifications – Stronger, Safer and Smarter
- 1000 - 1200 sq. ft. living area with carport.
- Estimated lot size 6000SF
- Establish and enforce subdivision standards to complement development.

## Why Do We Need This Program?

Source: HUD U.S. Housing Market Conditions 3rd Quarter, 2007

- Currently, **200 homes** are under construction in the metropolitan area.
- Most located in **southwest Lake Charles** or the southern part of the Calcasieu Parish unincorporated area.
- **Graywood**, the largest master-planned community in the area, is a 2,000-acre development with 150 luxury single-family homes completed and 60 additional homes and town homes under construction. Development will have about 1,900 housing units by 2010. **Average price for a single-family home \$300,000 and for a town home is \$250,000.**
- The Lakes of Clearfield subdivision- 700 lots Southeast of Lake Charles. 78 homes built and construction to be completed in 2009. **The average price of homes in this community is \$175,000.**

## Employment Projections

- Employment is expected to increase steadily during the next 3 years. Approx. 5600 construction and permanent jobs
- **Northrop Grumman Corporation** announced that, beginning October 2007, it will expand its Lake Charles facility, ultimately adding 350 new full-time jobs.
- **Leucadia National Corporation** - the construction of a \$1.3 billion gas plant will begin in late 2008 and is expected to be completed in 2011. The project will create approximately 3,000 construction jobs and 250 permanent onsite jobs.
- **Sugarcane Bay Resort** - the new \$350 million, scheduled for completion by 2009, is expected to add 1,500 permanent jobs.
- **L'Auberge de Lac Casino Resort** - A \$45 million expansion at L'Auberge will create an additional 500 permanent jobs.

## Rental Market Conditions

Source: HUD U.S. Housing Market Conditions 3rd Quarter, 2007

- Prior to Hurricane Rita vacancy rate in the metropolitan area stable at 5 percent in 2004 and through August 2005.
- After Rita rental market tightened to full occupancy and remained in that condition for 1 year.
- Since August 2006 market has remained tight and vacancy rate has increased to 2 percent.
- Prior to Rita rents increased by 3 to 4 percent annually from 2003 to August 2005.
- **Average rent now \$625 -- an 8-percent annual increase since Hurricane Rita.**
- Recent rent increases have been affected by significantly higher property insurance premiums.

## Local Concerns Regarding Rental Properties

### Johnson Hall – 1990's

- Approximately 200 low income housing apartments
- Significant illegal Drug problems and related issues
- Condition of apartment complex deteriorated; city condemned buildings
- Facility shut down and sold

*Instead of designing a group of buildings to be temporary way-stations on a family's climb out of poverty, today, a whole mixed-income neighborhood is designed so that people can live there permanently if they choose.*

HOPE VI AND THE NEW URBANISM

## Local Concerns Regarding Rental Properties

### Place Vendome

- Johnson Hall complex reopened under new ownership and name
- Reopened with 200 units; 36 Section 8 occupants
- Apartments were refurbished with new amenities
- Lower number of low income housing units designated.

*Healthy neighborhoods foster positive community spirit that can in turn help mend old wounds and remake the city.*

HOPE VI AND THE NEW URBANISM

## Rentals Under Construction

Source: U.S. Housing Market Conditions 3rd Quarter, 2007

- During 12-month period ending August 2007, building permits issued for 476 multifamily units
- Prior 12-month period, building permits issued for 68 multifamily units.
- Two recently completed Class A apartment projects- 432 units
- Another 256-unit project currently under construction
- All located near the Graywood master-planned development.
- 840 low-income housing tax credit (LIHTC) units currently in the development stage in metropolitan area - completion by 2010.
- **Total projected multifamily units – 2,072**
- **If all the approved LIHTC units proceed as expected, a softening of the rental market will likely occur.**

## Southwest Louisiana Housing Initiative

- **Response to post-hurricane conditions** and the need to pursue Alternative Housing solutions in addition to the FEMA temporary housing “trailer village” solutions
- **Home-ownership program** would be City’s focus with other organizations responding to rehabilitation programs
- Donations received by City to assist with the housing needs identified through public and private agency damage assessments

## Louisiana Recovery Initiatives

- Recovery Initiatives outlined through the Louisiana Speaks-DPZ neighborhood planning charrettes
- Pattern Book of Louisiana housing styles
- Walkable, livable neighborhoods
- Smart code principles
- Neighborhood amenities should be available for developments supporting all income levels

## The Louisiana House

<http://www.louisianahouse.org/>

- Keeps comfort affordable by being energy-efficient;
- Is protected from mold, termites, storms, and other hazards;
- Is healthy, safe and convenient for a lifetime;
- Is a smart investment; and
- Protects our environment for future generations.



## Affordable with Amenities

- Density to reflect current zoning and to be sensitive to the New Urbanist principles where applicable.
- Sidewalks, Landscaping, Underground utilities
- Develop subdivision restrictions.
- Homeowner's Association - maintain common areas - enforcement

## Home Ownership

- Response to Rita displaced residents
- Develop criteria for home ownership:
  - Down payment assistance;
  - Possible rent-to-own transition period
  - No assistance (income based criteria)
- Homeowner education programs
- Sustainable neighborhoods vs. long term property management concerns

## Homeowner Assistance

- Down payment assistance
- Cost of land deducted from sales price cost to homebuyer – donated land not an incurred development cost
- “Soft 2<sup>nd</sup> Mortgage” Concept
- Revenue generating - Income from sales goes back to support additional housing program needs

## Examples of Affordable Mortgages

<b>Family earning 50% of FMI:</b>	\$25,438
Max. monthly affordable PITI:	\$706
Home Value:	\$120,000
Sales Price:	\$60,000
Down Payment Assistance:	(\$10,000)
Loan Amount:	\$50,000
Term:	30 Years
Interest Rate (LHFA):	4.5%
Annual Property Tax:	~\$708
Annual Property Insurance:	~\$2,400
Monthly Principal and Interest:	\$253
Monthly Taxes and Insurance:	\$259
Monthly Mortgage Insurance:	\$0
Monthly PITI:	\$512

## Examples of Affordable Mortgages

<b>Family earning 80% of FMI:</b>	\$40,700
Max. monthly affordable PITI:	\$1,130
Home Value:	\$120,000
Sales Price:	\$120,000
Down Payment Assistance:	(\$10,000)
Loan Amount:	\$110,000
Term:	30 Years
Interest Rate (LHFA):	4.5%
Annual Property Tax:	~\$708
Annual Property Insurance:	~\$2,400
Monthly Principal and Interest:	\$557
Monthly Taxes and Insurance:	\$259
Monthly Mortgage Insurance:	\$51
Monthly PITI:	\$867

## Selection Criteria % Units per Income (AMI)

Units	LHFA	City of Lake Charles
20%	Below 40%	50% - 60%
20%	40% - 60%	60% - 80%
20%	60% - 80%	80% above
20%	80% above	-
*10%	Elderly	Same
*10%	Disabled (ADA)	Same

\* Minimum of 5%; will reflect Census MSA. Lake Charles is 10%.

## Rent vs. Homeownership

LHFA	City of Lake Charles
Homeowner Education	Same
80/20 Selection Criteria	Same
Rent to Own	Bond for Deed/Deed
Not Applicable	Subdivision Restrictions
Not Applicable	Homeowner's Association (Residents/Others)

## LHFA Selection Criteria

- For Developments located in and around the Lake Charles area;
- **80% of the total cottages** constructed will be set-aside for qualified tenants who provide proof of a Pre-Rita address within Calcasieu or Cameron Parish.
- **The remaining 20% of cottages** constructed will be set-aside to qualified applicants who provide proof of a pre-hurricane address located in one of the following parishes:
  - Acadia, Allen, Assumption, Beauregard, Calcasieu, Cameron, Iberia, Jefferson, Jefferson Davis, Lafayette, Lafourche, Orleans, Plaquemines, Sabine, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Mary, St. Martin, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Vernon and Washington.

Articles of Agreement for the AHPP 9-13-07

## Home Ownership

- Section E - provides for Ownership of the Units
  - Ownership can be transferred to the individuals
  - Occupancy agreements, deed restrictions and other contract terms would be transferred
- Disposition of the units for disaster victims based on FEMA approval and certifications

## Local Response Timeline

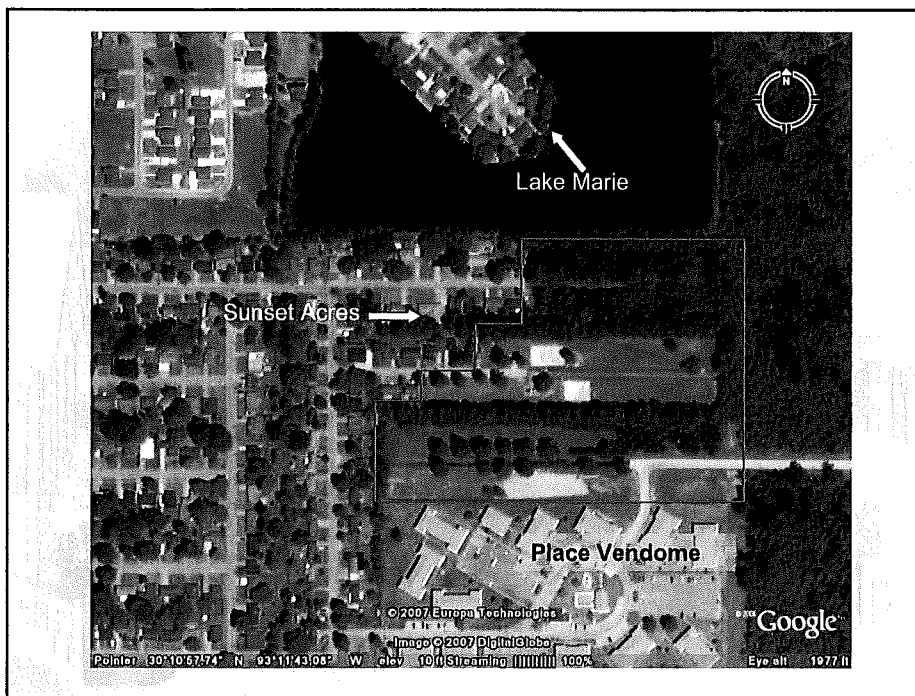
- Local groups weigh in - receive comments on the LHFA program and local conditions / site plan
- LHFA - accepts Local selection criteria and homeownership program
- Submit Housing Initiative to City Council for approval including transfer of land and additional funds for subdivision amenities
- Planning Commission - review process could be finalized by first quarter of 2008

## Principles for Inner City Neighborhood Design HOPE VI AND THE NEW URBANISM

- The path to self-sufficiency is made easier if a **neighborhood is planned to help** residents with different incomes interact with one another.
- The self-help process is enhanced if **every home**, regardless of the resident's income, is **both functional and attractive**.
- The residents can learn real pride and self-respect when their **neighborhood looks and feels like neighborhoods in the surrounding community**.

## Cypress Cottages – Lake Charles

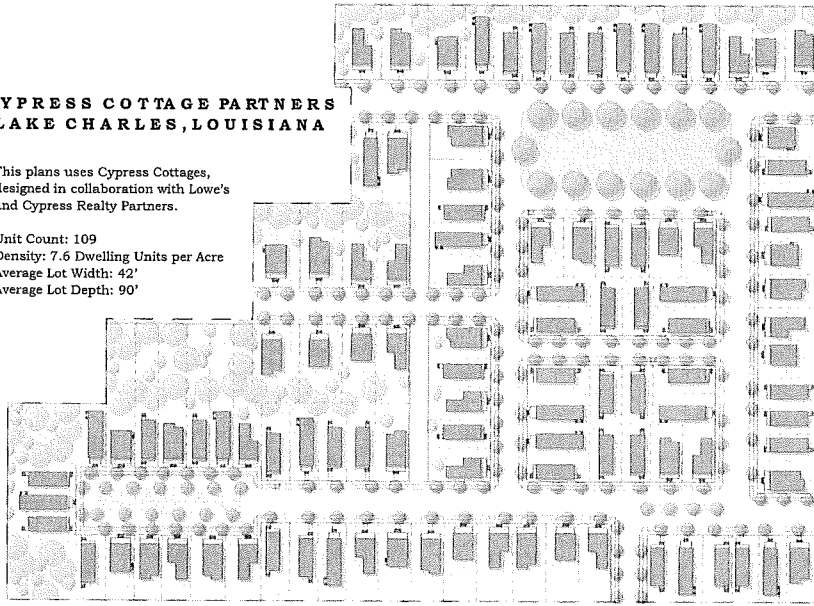
- Home Ownership – Based on a Bond for Deed Sales Program vs. 2 year rental
- 85 unit planned development
- Homeowners Association appointed by City from residents – long term management
- Minimum earned income 50% FMI - \$25,000



**CYPRESS COTTAGE PARTNERS  
LAKE CHARLES, LOUISIANA**

This plans uses Cypress Cottages,  
designed in collaboration with Lowe's  
and Cypress Realty Partners.

Unit Count: 109  
Density: 7.6 Dwelling Units per Acre  
Average Lot Width: 42'  
Average Lot Depth: 90'



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Cypress Realty Partners