



OFFICE *of the* GOVERNOR

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# **2016 State of Louisiana Historic Flooding – Rebuilding & Recovery Update**

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## Importance of December Appropriation

The most compelling reason for appropriating the needed funds in December 2016 rather than March 2017 is to empower Louisiana's impacted citizens, businesses and local governments to make critical decisions on their respective recovery paths. As Governor Edwards has highlighted in his numerous meetings and correspondence to Congress, our citizens need to know now what resources they will have available in order to determine how best to make decisions for their future.

Additionally, the State of Louisiana has worked expeditiously to obtain relevant disaster impact data in order to make a data-driven recommendation on the need for nearly \$3.8 million to recover from this year's historic floods. While we anticipate additional data to be received as the recovery moves forward, we have sufficient information to implement strategies tailored to meet local recovery needs and priorities, including damaged housing investments, critical assistance to impacted businesses, and public infrastructure resilience, and we are prepared to design and launch those programs as soon as possible.

The people of Louisiana need to know that a holistic recovery is forthcoming. While the \$437.8 million appropriated to Louisiana allows the state to begin to target a narrow scope of the most vulnerable citizens impacted by the floods, it leaves entire neighborhoods and communities without assistance. At this juncture, businesses and families are going through the critical decision-making process of how to recover and without assurances that additional funding is imminent, families may decide to rebuild their lives elsewhere. We need to avoid any scenario in which whole communities decide to sell their homes or vacate their businesses and potentially leave their community or our state.

Finally, there are efficiencies to be gained in program delivery costs if the additional funds come sooner rather than later. Expanding programs that are now being stood up from our initial allocation of \$437.8 million, including homeowner, rental and economic development programs is much more efficient if that expansion can occur in the midst of implementation rather than having to pause the programs, then restart when the next allocation becomes available after a March appropriation (then not received by the state until June or July 2017). Additional delays will cause unnecessary and costly steps in application processing as well as additional frustration and critical financial challenges for homeowners, renters, businesses and local governments.

## Homeowner Rehabilitation Funding Estimate

Over 112,000 homes suffered a FEMA Verified Loss from the March and August Floods, combined, the vast majority of whom did not have flood insurance. Most were not in the 100-year flood plain. Over 37,000 households have Major or Severe damage and do not have flood insurance. While much rehabilitation in this category will have less costly damage, there will also be homes that must be completely reconstructed. Knowing this, as well as looking at average costs from previous disasters and construction estimates, the estimated average cost per household to rehabilitate is \$70,000.

### Homeowners with Major/Severe Damages - No NFIP

<b>Average Cost of Rehab and Reconstruction</b>	\$	70,000
<b># in Population</b> – *37,252 LA househ		
March Flood	5,234	
August Flood	32,018	
Total Cost of Repair	\$	2,346,876,000
Less: FEMA IA Grants	\$	417,497,774
Unmet Need	\$	1,929,378,226
Add: 25% PD and Admin	\$	643,526,075
Add: Environmental	\$	94,900,000
<b>Total Unmet Need</b>	<b>\$</b>	<b>2,667,804,301</b>
Less Initial Allocation	\$	400,000,000
<b>Additional CDBG Need</b>	<b>\$</b>	<b>2,267,004,301</b>

*\*It is projected that 90% of the total population impacted by the March and August floods will participate in a homeowner rehab/reconstruction program. This equates to 33,527 Louisiana households.*

## Business and Agriculture Recovery Funding Estimate

Business losses for the two Floods are estimated at greater than \$2B. Agriculture losses for the two Floods are estimated at over \$150M. Many businesses and farmers are at risk of going out of business, due not only to loss of their buildings and inventory, but to their workers and customers, in many cases. Approaches that have been successful in stemming this loss include Bridge Loan programs, Business Recovery Grant and Loan programs, and Agriculture Recovery Grant and Loan programs. Information on exactly what types of damages have been sustained and what approaches will be most successful in addressing them is still scarce, so allocation among program types at this point is premature. The estimate of average award is based on previous program results.

<b>Business and Agriculture Programs</b>		
Assumed Average Award	\$	50,000
<b>Agriculture</b>		
Total Allocation	\$	40,000,000
Less: 20% PD and Admin	\$	8,000,000
Available for farmers	\$	32,000,000
<b>Number of Farmers Assisted</b>	<b>640</b>	
<b>Business Assistance</b>		
Total Allocation	\$	80,000,000
Less: 20% PD and Admin	\$	16,000,000
Available for businesses	\$	64,000,000
<b>Number of Businesses Assisted</b>	<b>1280</b>	

## Rental Housing Funding Estimate

More than half of all Louisiana renters (53.1%) are rent-stressed – meaning that around 270,000 households spend more than 30% of their income on housing. Over 28,000 Rental households were impacted by the March and August Floods. Approximately 17,000 of them were very low income. Programs will focus on creation/rehabilitation of rental housing stock with non-loan funds being provided in return for affordability ( $\leq$  30% of income) for low-to-moderate-income households. It is expected that several different program types will be used, with varying costs per unit, but information on availability and interest for any one type is unknown at this point. As such, it is premature to estimate expenditures by program type at this point. The number used in the table below is our best estimate at this time of cost per affordable unit.

Program Allocation	\$ 180,000,000
Administration (5%)	\$ 9,000,000
Program Delivery (20%)	\$ 36,000,000
Available for Programs	\$ 135,000,000
Avg. Affordability Subsidy	\$ 50,000
Affordable Units Created	2700

## **Resilient Infrastructure Funding Request**

Resilient infrastructure investments will include planning and implementation of large and small resilience-focused projects and programs. These will include basin-wide planning and modeling in all impacted basins/watersheds to provide the information necessary to make wise investments that optimize the positive impacts of the investments. The ultimate purpose of these investments is to reduce the flood plain levels in entire impacted basins, reducing the necessity of elevating structures and protecting the very sizable investments that will be made with private and public funds over the next several years as a result of the flooding.

The approach envisions the need for both structural investments and nonstructural strategies. Structural investments may include large scale diversions, retention/detention, channel modification, and other large and small-scale structural approaches. Non-structural strategies may include elevating buildings, flood-proofing, voluntary buy-outs of high risk properties, modified building codes, land use planning and management, targeted infrastructure investment, technical and staffing support, small scale retention and detention techniques for homes and businesses, and public outreach and education. The non-structural approaches will be expected to reduce risk by reducing flood elevations and creating greater separation between structures and flood plains.

Predicting what types of programs and projects will be funded and at what levels is premature until the watersheds and flood plains have been modeled and we are able to apply specific measures within the models to determine optimum return on investment with respect to future damages and resilience.

It is important to note that the State is already applying planning funds to the process of better understanding the impacted basins in anticipation of funding to implement these strategies.

## FEMA Public Assistance Match Funding Estimate

While FEMA Public Assistance estimates of damage to infrastructure are still very preliminary, it is expected that the March Flood (4263) numbers will be around \$120M and the August Flood (4277) numbers will be around \$1B. Disaster 4263 currently has a 25% non-federal match requirement and 4277 has a 10% non-federal match requirement. For the local governments and non-profits affected, many have suffered damages from as many as 4 or more major disasters in the past 11 years, and the state has suffered 15. This repetitive stress on government and non-profit funding results in budgets stretched beyond a tenable position. Funding in this program will provide resources to the various impacted entities to cover the non-federal match required for FEMA Public Assistance grants to reduce this stress as these entities work to recover their communities.

Program Allocation	\$	130,000,000
Administration (5%)	\$	6,500,000
4263 Damages	\$	115,000,000
Match Required	\$	28,750,000
Est. 4277 Damages	\$	950,000,000
Match Required	\$	95,000,000
Total Match Required (Incl. Admin)	\$	130,250,000

## Interim Mortgage Assistance Funding Estimate

Over 37,000 households are expected to require assistance in rehabilitating their homes due to major damage and not having flood insurance. Of those needing assistance, many will have to rent housing beyond the term of the FEMA Rental Assistance program, putting them at risk of not being able to pay their mortgages during the rehabilitation process. To serve those most at risk, the Interim Mortgage Assistance program will provide limited funding to offset the additional need and prevent foreclosure.

Program Allocation	\$	40,000,000
Administration (5%)	\$	2,000,000
Available for Programs	\$	38,000,000
Average Additional Monthly Rental Cost Per Impacted Household	\$	1,100
Average Award Per Household (9 months)	\$	9,900
Anticipated Number of Households Served		3838

\* Program delivery costs are expected to be absorbed within the Homeowner Rehabilitation program delivery.